

Secretary of State for Environment, Food & Rural Affairs
Water Resources Management Plan Consultation
Area 3D Nobel House
17 Smith Square
London
SW1P 3JR

13 August 2013

Dear Secretary of State

Sutton and East Surrey Water – draft Water Resources Management Plan

Sutton and East Surrey Water published its draft Water Resources Management Plan (dWRMP) on 13 May 2013 and this letter summarises our views of the draft plan. These views are based on a high-level review of the processes described in the plan against the requirements of the Water Resources Planning Guideline. They are without prejudice to any subsequent decisions that we may make in connection with the business plan that the company is scheduled to provide to us later this year as part of the price control review process.

In summary, Sutton and East Surrey Water needs to consider further the following areas in finalising its dWRMP:

- setting out the least cost option clearly;
- explaining how it has gone from the lower cost options to its preferred option much more clearly, especially given the large cost difference;
- explaining why its per capita consumption (PCC) is so high compared to other companies; and
- ensuring that its transfers in the final plan are consistent with those in the associated companies' final plans.

.../...

1. Incorporation of customers' views

It would be helpful if Sutton and East Surrey Water would clarify whether the bill impacts of its preferred solution and the different scenarios were discussed in the focus groups or presented in the company's willingness to pay survey.

2. Baseline supply-demand balance

We welcome that Sutton and East Surrey Water has considered transfers to and from other water companies in its draft plan. The company needs to ensure in its final plan that its transfers are consistent with those in the associated companies' final plans.

We welcome that per capita consumption (PCC) for the company is falling for most of the planning period. However, Sutton and East Surrey Water should explain why its PCC remains the highest of any water company throughout the planning period, why the gap with other high PCC companies does not appear to be reducing and why the company's PCC appears to increase in the late 2030s.

It is also not clear whether the population forecasts have been updated for the latest data from local authorities, and the company should clarify this.

3. Options appraisal

On page 38 of the draft plan the company dismisses the use of water reuse schemes. It should provide some more justification for its decision not to include such schemes in its unconstrained list of options.

It would be helpful if Sutton and East Surrey Water could clarify where its methodology for treatment works losses can be found. We referred back to the final 2010 WRMP, which is referenced, but could not find any detail of the company's review of treatment works.

The company should clarify the screening criteria it used to move from the unconstrained list to the list of feasible options. Table 38 on pages 128 to 131 explains why each option was not taken forward to the list of feasible options but does not set out the screening criteria that the company judged each scheme against.

.../...

4. Final planning solution and scenario testing

Sutton and East Surrey Water does not appear to have followed an appropriate process to determine its preferred solution. The company has not made clear what its initial least cost solution is, nor is it clear how programme appraisal criteria have been used to develop the company's preferred solution.

The draft plan does not define the least cost solution clearly. In chapter 8 of the dWRMP, it is not clear if "SESW self-sufficient" or the "Import options included" solution is the least cost solution, or whether it is an alternative programme which the company has not set out.

The company has used a traffic light system to score appraisal criteria, which it uses to assess different aspects of the six alternative programmes it has considered. However, some of these appraisal criteria appear to be sub-sets of other appraisal criteria and therefore double count some aspects of the programmes. For example, the 'carbon cost' and 'social and environmental' criteria are sub-sets of the 'total cost' criterion. To assess them separately from the 'total cost' criteria appears to double count their impact.

The 'yield uncertainty' criterion should also be taken into account in the 'total cost' criterion, because final planning target headroom must take account of the uncertainty of the final planning solution, including 'yield uncertainty'.

It is not clear how the company has used the assessment criteria to make decisions between the different programmes that are considered. For example, it is not clear what weighting of the different criteria the company has used. The preferred programme has one red ranking and five orange rankings whereas programmes 4 and 5 have no red rankings and fewer orange rankings.

The approach taken appears to look at six scenarios cumulatively. This cumulative approach seems to bias the preferred solution towards increased cost as the solution has to be the best environmental programme, then prioritise resilience and then prioritise metering. Instead the preferred solution could be that which optimises against environmental, resilience and metering constraints. The draft plan needs to explain clearly why the preferred final planning programme is the least cost plan to meet the various objectives.

.../...

Letter to Secretary of State for Environment, Food & Rural Affairs
13 August 2013
Page 4

This is particularly important because “Prioritising metering” (the preferred final planning programme) costs more than three times the two lowest cost programmes considered.

There is no formal scenario testing of the preferred programme. This is because the preferred programme is derived through looking at six scenarios and four sensitivity tests. The draft plan would be much clearer if it set out the preferred programme and then applied scenario testing to it.

Yours sincerely

Andrew Walker
Director – Wholesale Price Control Review