

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

5 November 2013

Dear Secretary of State

Peel Water Networks Limited – Draft Water Resources Management Plan

Peel Water Networks Limited published its draft Water Resources Management Plan (dWRMP) in August 2013 and this letter summarises our views of that 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. These views are also without prejudice to any subsequent decisions that we may make in connection with the price control review process for Peel Water Networks Limited.

In summary, Peel Water Networks Limited needs to further consider the following areas in finalising its dWRMP:

- taking account of its customers' preferences; and
- providing evidence to support its assumption that the volume terms of its bulk supply agreement will be increased.

1. Incorporation of customers' views

The company says that it is publishing its draft plan for customer consultation and that it has already contacted its key customers to inform them of the draft plan. The company should take account of its customers' preferences in its final plan.

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2. Baseline supply-demand balance

The company's forecast supply demand surplus is based on the assumption that the bulk supply of potable water that it currently receives from United Utilities (of a maximum of 1.64 mega litres each day) will not be limited, as at present, to 151 mega litres per annum. The company should properly justify this assumption or provide an options appraisal for dealing with the situation where there is a binding volume constraint in its bulk supply agreement with United Utilities.

3. Options appraisal, final planning solution and scenario testing

See comments on 2 above.

Yours sincerely

Andrew Walker
Director – Wholesale Price Control Review