



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

10 September 2013

Dear Secretary of State

### **South West Water – draft Water Resources Management Plan**

South West Water published its draft Water Resources Management Plan (dWRMP) on 17 May 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. 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, South West Water needs to consider further the following areas in finalising its dWRMP:

- clarifying when its customer engagement took place and what areas its covered;
- presenting its customer engagement evidence in relation to its planned level of service; and
- providing an economic justification and evidence of customer support for any 'do the right thing' options proposed, including options for incremental leakage reductions.

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### **1. Incorporation of customers' views**

In general the company needs to be clearer in its plan about its customer engagement, what recent willingness to pay (WTP) studies it has carried out, when its research took place and what areas its customer engagement covered.

South West Water says that its customer research shows that there was no support for deterioration in levels of service and no desire to pay for enhanced levels of service. But we can find no details in the dWRMP of its customer research in this area. The company should provide this information in its final plan.

The dWRMP states that the evidence on WTP for reducing leakage is not yet available. Once it has obtained its WTP information, South West Water should provide an economic justification and evidence of customer support for any leakage reductions proposed in its final plan.

### **2. Baseline supply-demand balance**

We have not identified any particular concerns in relation to this section of South West Water's draft plan.

### **3. Options appraisal**

South West Water considers several 'do the right thing' options, such as improving interconnections between water resource zones, reducing the demand for water through water metering and further reducing leakage. The final plan needs to provide a clear economic justification for such options, including evidence on customers' WTP. The company should set out the evidence and demonstrate robustly that the costs of carrying out discretionary investment are less than the benefits that it will deliver.

We welcome that South West Water has contacted other water companies about its surplus water being available for possible water transfers.

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#### **4. Final planning solution and scenario testing**

We have not identified any particular concerns in relation to this section of South West Water's draft plan.

Yours sincerely

**Andrew Walker**  
**Director – Wholesale Price Control Review**