

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

17 March 2014

Dear Secretary of State

Independent Water Networks – Draft Water Resources Management Plan

Independent Water Networks (IWN) Water published its draft Water Resources Management Plans (dWRMP) for each of its three operating regions on 7 March 2014 and this letter summarises our views of those plans. These views are based on a high-level review of the processes described in the plans against the requirements of the Water Resources Planning Guideline.

Before finalising its dWRMP, IWN needs to clarify how it will resolve the existing peak supply demand deficit that it has identified in its Great Billing Way water supply zone. For future rounds of planning, the company should base its forecasts on actual operational data and attempt to understand its customers' preferences.

1. Incorporation of customers' views

There is no evidence that IWN has consulted customers in any of its supply zones to determine their preferences for levels of service, which are aligned to the levels of service of the relevant water company providing the bulk supplies of water. While we recognise that this is an early stage in the development of IWN's business, and that information available to it is limited, we expect the company to attempt to understand its customers' preferences for future rounds of planning.

Letter to Secretary of State for Environment, Food & Rural Affairs

17 March 2014

Page 2

2. Baseline supply-demand balance

Due to lack of data, IWN has used some standard assumptions in developing its baseline supply demand balance. For example, IWN has used average per capita consumption (PCC) figures of 125l/h/d, in line with the standard set for new housing, while occupancy rates reflect those of the water resource zones in which the company operates. We recognise that this is an early stage in the development of IWN's business, and that information available to it is limited. However, as the company gains operational experience over the coming years, we expect it to use actual data to inform its forecasts in future rounds of planning.

3. Options appraisal, final planning solution and scenario testing

The company concludes that one of its water supply zones in the Anglian operating area, Great Billing Way, has an existing supply demand deficit under the peak demand scenario. However, the dWRMP is not clear about how the company proposes to resolve this problem. The company does state that it will consider increasing the daily limit quoted in the bulk supply agreement, but a definitive solution is not identified. The company should be explicit about how it will resolve this deficit in its final WRMP.

Yours sincerely

PP Jon Ashley

Andrew Walker

Director – Wholesale Price Control Review