

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

10 September 2013

Dear Secretary of State

Anglian Water – draft Water Resources Management Plan

Anglian Water published its draft Water Resources Management Plan (dWRMP) on 13 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, Anglian Water needs to consider further the following areas in finalising its dWRMP:

- consulting customers on its proposal to increase the level of service for reservoir-fed customers, clarifying what level of service its final planning solution is based on and reflecting the results of its customer willingness to pay (WTP) survey in its final plan;
- explaining clearly the justification for the increases in target headroom;
- presenting clearly the unconstrained and feasible options lists;
- providing more information on the calculation of environmental, social and carbon costs;
- ensuring consistency with other water companies' plans;
- addressing deficits that remain in its final planning scenario; and
- testing the final planning solution against different scenarios.

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1. Incorporation of customers' views

In a number of respects the dWRMP is deficient in incorporating the views of customers and explaining Anglian Water's customer engagement process:

- the draft plan presents a 'key consultation issue' in relation to its preferred proposal to increase the level of service for reservoir-fed customers. We can find no evidence in the draft plan as to whether the company has consulted with customers on this issue or other options for service levels before developing the proposal for its draft plan;
- information in the dWRMP on levels of service appears inconsistent and it is not clear the draft plan accurately reflects average levels of service;
- it is not sufficiently clear whether the company's preference (to raise the level of service for customers supplied by reservoirs) is incorporated in the final planning solutions;
- the plan should better reflect (where appropriate) the results of the customer WTP survey in its preferred proposals; and
- the plan should explain the potential impact on bills of its dWRMP proposals.

The company should address all the above issues in its final plan.

2. Baseline supply-demand balance

The dWRMP shows that a significant proportion of the increase in the deficit over the planning period in a number of water resource zones is due to an increase in target headroom. Anglian Water should explain the need for such significant increases in target headroom in its final plan.

We cannot determine from the dWRMP whether Anglian Water has assessed the deployable output of its surface water and groundwater sources conjunctively, nor can we find any details of treatment works / process losses or of the water efficiency assumptions (for the period beyond 2015) in its baseline demand forecast.

3. Options appraisal

There are a number of weaknesses with the description of options appraisals that the company should rectify in the final plan:

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- the company does not present clearly a full and comprehensive list of its unconstrained or feasible options. Nor does the company provide details of the screening criteria it has used to determine its feasible options list or explain clearly why unconstrained options are not progressed;
- there is insufficient detail of how environmental, social and carbon costs are calculated;
- it is not clear whether any 'do the right thing' options in water resource zones with a baseline surplus have been assessed;
- it is not clear what discount rate Anglian Water has used in its economic appraisal of options;
- the company does not appear to have taken account of the potential for new resource options to be more cost-effective than existing sources of water in its options appraisal; and
- where appropriate, Habitats Regulations Assessments should be completed.

4. Final planning solution and scenario testing

Anglian Water's assumes an import from Cambridge Water, but that export is not included in Cambridge Water's draft plan. The company should discuss such discrepancies with the all donor companies and try and ensure consistency across final plans.

We note that the company's preferred solution allows for small deficits in its Ruthamford South and South Essex water resource zones later in the planning period. The company should explain how it will address these deficits in its final plan.

Anglian Water tests the sensitivity of the baseline scenario to various scenarios for climate change impacts, level of service and sustainability reductions. However, there is no evidence of testing the final planning solution in response to different scenarios. The company should provide this analysis in its final plan.

Yours sincerely

Andrew Walker
Director – Wholesale Price Control Review