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Secretary of State for Environment, Food & Rural Affairs
Water resources management plan consultation
Area 3D
Nobel House
17 Smith Square
London
SW1P 3JR

31 May 2018

Dear Secretary of State,

Albion Water – draft water resources management plan 2019

Albion Water published its draft water resources management plan 2019 in April 2018 for consultation. This letter provides a summary of our assessment of the draft plan and is our statutory consultation response, produced in accordance with our statutory duties and the Government's strategic policies and objectives for Ofwat. In this assessment we have considered how adequately the plan follows the requirements of the Water resources planning guideline and Defra's guiding principles for water resources planning.

Albion Water is a NAV (new appointment and variation). The NAV framework allows new entrants to become the supplier of water and wastewater services for new developments, instead of the local incumbent water company. The entrants typically not only build the necessary infrastructure for the developments but also provide on-going retail services. NAVs have an important role in the water sector and have potential to provide wider benefits.

Albion Water serves two water resource zones at Five Oaks and Upper Rissington, consisting of approximately 50 and 600 household properties respectively. The total number of properties served is expected to grow to around 1150 by 2025. Both zones are supplied through a bulk supply of water from the local incumbent water company. Albion Water is installing a dual supply system for its zones to enable non-potable demand to be met with recycled water.

The company is forecast to maintain a supply surplus throughout the planning period. This means there would be sufficient water to maintain supply to customers during planned-for severe drought conditions.

In summary, Albion Water has presented a plan broadly responsive to the scale and complexity of its area. A number of areas are in line with good practice and demonstrate innovation, for example the use of water recycling schemes for non-potable supplies. However, we cannot be certain that the entirety of the plan will deliver in the best interest of customers because of the lack of evidence or clarity in some areas. The following issues should be addressed when finalising the plan:

- There is no evidence of customer participation in the development of the plan. Albion Water should clarify how it has engaged with customers to date and how it intends to engage further in the future.
- There is a lack of clarity and explanation for a number of trends in the plan. This includes the approach to per capita consumption (PCC), climate change and the treatment of imports, exports and non-potable demand. Further clarity and justification are needed to better understand the company's approach to these matters, in order to provide assurance that the approach is sufficiently robust.
- While we welcome the fact that Albion Water has significantly reduced leakage from levels experienced under the incumbent, future plans are not set out in the draft plan. We would like to see these presented in the final plan.

Further details on these points are outlined in the annex to this letter alongside more detailed comments on different areas of the draft plan.

I look forward to seeing these points addressed in Albion Water's statement of response and final plan.

Yours sincerely



Colin Green

Delivery Director, PR19

Annex

In this annex we outline further details on the points raised in our main letter alongside more detailed comments on different areas of the draft plan. Our points reflect our assessment approach and cover:

- 1. Plan building blocks:** The overall approach to the development of the plan in line with the technical guidance and broader resilience issues.
- 2. Customer participation:** The type and quality of interaction with customers and the impact this has had on the plan formulation and proposals.
- 3. Demand forecast:** How the company has considered the impacts of population growth, leakage and water efficiency in its demand forecast.
- 4. Supply forecast:** How the company has considered climate change, abstraction licences changes and transfers in its supply forecast.
- 5. Forecast uncertainty:** The robustness of the plan in accommodating uncertainties in the demand and supply forecasts.
- 6. Supply-demand balance:** The robustness of the overall need for water, if any, and the scenario testing applied to this assessment.
- 7. Options:** The approach taken to identifying and screening options for both supply and demand, including identification of trades and third party options.
- 8. Decision making:** The decision making tools, preferred programme development process and accompanying assurance processes.

1. Plan building blocks

Albion Water has followed a satisfactory approach to its plan, consistent with the identified problem scale and complexity. However, in order to add clarity and rigour to the plan:

- There needs to be clearer reference made to the guidance and supporting documentation used in developing the plan.
- Albion Water should review the levels of service in the supplying companies' draft water resource management plans, discuss any impact of the chosen levels with its suppliers and clearly refer to the outcomes of this exercise within its final plan.

2. Customer participation

Albion Water has provided no evidence of customer participation in the development of its plan. The company should explain how it has so far engaged with customers and intends to further engage going forward.

3. Demand forecast

The approach Albion Water has adopted in forecasting demand appears to be appropriate and the drivers for change within its areas have been explained. However, further clarity and justification are needed to better understand the specific components of forecast demand as the approach does not appear to be sufficiently robust at that level. In particular:

- Albion Water should provide greater clarity regarding the calculation used to determine PCC for the existing population.
- The draft plan does not appear to consider the potential impacts of climate change on demand. The final plan should clarify the potential impacts of climate change and ensure that they are mitigated.

4. Supply forecast

Albion Water intends to implement water recycling schemes that will prevent restrictions of non-potable use up to 1-in-200 year events, which is considered ambitious and improves the resilience of the plan. However, there is a lack of clarity in the draft plan on the flexibility of the bulk supplies and how they interact with water recycling. In particular:

- Albion Water needs to confirm that suitable flexibility is written into the bulk supply agreements to provide resilience in the case of treatment works outage and sustained high demand. For example, the draft plan suggests that supply will be equal to demand if there is an outage at the Five Oaks treatment works and further assurance is required that there is the flexibility in the bulk supply to meet this.

5. Forecast uncertainty

The draft plan suggests that Albion Water has adopted a satisfactory approach to forecast uncertainty and we have no concerns with the approach taken.

6. Supply-demand balance

The supply-demand balance profile, subject to the comments above, does not raise any concerns and seems reasonable. However, further clarity is required in the final plan to support the assertion that available resource will always exceed demand for recycled water and it is not clear how imports, exports and non-potable demand have been calculated and accounted for in the planning tables.

7. Options

Albion Water are not predicting a deficit in their plan and we welcome its consideration of water efficiency and demand reduction options but would like to see greater clarity provided on their leakage plans. Further specific comments:

- The use of a dual supply system with provision of water recycling schemes for non-potable supplies is an example of an innovative and resilient approach.
- Albion Water's leakage plans are not reported in the draft plan. For clarity these should be presented in the final plan. We also expect the company to consider whether the levels are appropriate when it has collected additional data as the zones develop.

8. Decision making

We welcome the fact Albion Water has described its assurance process in the draft plan and the role of the company Board in the decision making process.