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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,

### **Icosa Water – draft water resources management plan 2019**

Icosa Water published its draft water resources management plan 2019 on 15 March 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.

Icosa 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.

Icosa Water supply a single water resource zone in Norfolk. The zone is currently under development and was previously used by the Royal Air Force for residential purposes. When complete the development will supply 300 households and 20 non-households – with the potential for a further 200 households in the future. The zone is supplied through a bulk supply of water from the local incumbent water company (Anglian 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, Icosa Water has presented a plan broadly responsive to the scale and complexity of its area. 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 draft plan. Icosa Water should clarify how it has engaged with customers to date and how intends to engage further in the future.
- The presentation of its demand forecast could be enhanced. There are inconsistencies between the narrative and data presented for population and leakage, together with some uncertainty around per capita consumption (PCC) assumptions.

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 Icosa 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

Icosa Water has followed a satisfactory approach to its draft 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.
- The levels of service in it's bulk supplier's (Anglian Water) draft water resources management plan needs to be reviewed. The impact of the chosen levels should be discussed and the outcomes of this exercise clearly explained within its final plan.

### 2. Customer participation

We recognise that the site is under development but we expect Icosa Water to provide clarity in its final plan on how it intends to engage with its customers. There

is no evidence of customer participation in the development of the draft plan and we would expect to see engagement on issues such as customer preferences with regard to leakage and water efficiency activities for example.

### **3. Demand forecast**

Icosa Water has considered all the key components of demand and has referenced these within the plan narrative. We welcome the company's ambition to gather more data from its automated meter reading system in order to further define demand profiles, however, the presentation of the demand forecast could be enhanced. In particular:

- Icosa Water has provided a clear narrative regarding its existing and projected future population, but should revise the planning tables to ensure non-household properties are clearly identified and accounted for.
- The company appears to overestimate demand due to the initial assumption of a high 'industry average' PCC and the application of a peaking factor. This assumption should be further clarified in the final plan.
- Icosa Water should address the inconsistencies with the rising leakage profile of 5 to 10% described in the draft plan narrative and numbers included in the planning tables.

### **4. Supply forecast**

Icosa Water is supplied through a bulk supply of water from Anglian Water and the company demonstrate in the plan a detailed understanding of the system that supplies them. While we have identified no concerns regarding the bulk supply arrangements, as noted above in section 1, the levels of service need to be confirmed in the final plan.

### **5. Uncertainty**

The narrative suggests that Icosa Water has adopted a satisfactory approach to determining target headroom but the outputs of this need to be provided in the final plan.

### **6. Supply-demand balance**

The supply-demand balance profile appears adequate. Although to aid clarity the supply-demand diagrams included in the draft plan narrative should clearly quantify supply and demand values.

## **7. Options**

We welcome Icosa Water's consideration of demand management activities in its draft plan, however, given the low level of development of its sites we expect the company to continue to develop its approach in this area. In particular:

- The company should consider how it will use the data from its smart meter network to confirm the benefits of any water efficiency activities and to demonstrate leakage reduction.
- The company intends to maintain leakage at the economic level which will be estimated once development at the site becomes significant. The company may need to consider whether this is appropriate when it has collected additional data from its metering systems.

## **8. Decision making**

Icosa Water should clarify the assurance process undertaken for the plan and provide evidence that the company Board has been involved as part of the decision making process.