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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

30 April 2018

Dear Secretary of State,

Veolia Water Projects – draft water resources management plan 2019

Veolia Water Projects published its draft water resources management plan 2019 in 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.

Veolia Water Projects 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.

Veolia Water Projects serves a single water resource zone in the Tidworth area, consisting of a Ministry of Defence (MoD) garrison (housing up to 6,000 personnel and 1,300 service families), 900 civilian properties and over 120 commercial properties. The company maintains and operates groundwater supply sources (three boreholes) and a service reservoir. It also exports water to the local incumbent water company, Wessex Water. Veolia Water Projects 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, Veolia Water Projects demonstrates good understanding the complex variable demands from the MoD garrison and has outlined a number of supply enhancement options to improve performance under peak demand conditions. However, we cannot be certain that the plan will deliver in the best interest of customers because of the lack of evidence or clarity in some areas. The following aspects should be addressed when finalising the plan:

- There are inconsistencies between the presented plan narrative and the supporting planning tables. These include differences in key metrics related to population and property forecasts, demand components and the supply-demand balance. This significantly reduces the clarity and confidence in the plan.
- The calculation of per capita consumption (PCC), leakage and climate change impacts and other components used to determine the supply-demand balance are not clearly explained. This makes it difficult for us to say that the estimates are robust.
- While we welcome their consideration of options to improve performance under peak demand conditions, greater clarity is required on how these would be assessed. Many of the options require data collection improvements or trials to enable them to be evaluated appropriately. We would expect a timeline for these activities in the final plan and clarity on how options will be assessed once this work is completed.

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 Veolia Water Projects statement of response and final plan.

Yours sincerely



Colin Green

PR19 Delivery Director

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

Veolia Water Projects 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.
- The planning period needs to be clearly and consistently stated (currently this is indicated as 2017-2040 in the plan narrative but as 2020-2045 in the planning tables).
- The level of service with respect to water usage restrictions should be further analysed to validate the levels stated are meaningful for the future, which are based solely on past performance and conditions.

2. Customer participation

Veolia Water Projects has provided a clear and effective summary of the preferences of the MoD but should provide evidence of engagement with their wider customer base, including local domestic residents.

3. Demand forecast

Veolia Water Projects has demonstrated ambition in determining the demand profile, through coordination with the MoD, use of Netbase (specialised water network management software) and incorporation of projected growth using housing development plans. However, further clarity and justification are needed to better understand the specific components of forecast demand as the methodology used to derive some components does not appear to be sufficiently robust. In particular:

- There are inconsistencies between the narrative and the planning tables and further clarity is required to show there is a clear connection between the components of demand described and the figures used in the planning tables.
- There is a flat demand profile shown throughout the planning period, which does not appear to be justified in the draft plan. In the final plan Veolia Water Projects need to demonstrate that their demand projections are calculated following current planning guidance.
- PCC is reported as 324 l/h/d, which appears unrealistic and the PCC estimate for additional personnel based on the site (130 l/h/d) lacks justification and needs to be explained.
- The uncertainty factor driven by military usage is set out in the plan and the company should state how it intends to develop this factor in the future as it obtains further metered flow data relating to military usage.
- We cannot understand how the leakage figures have been determined and further evidence needs to be provided to support the leakage forecasts within the final plan.

4. Supply forecast

Veolia Water Projects has generally adopted a satisfactory approach to supply forecast, but there are a number of areas where further information is required to ensure the forecast is robust. In particular:

- The plan suggests that climate change will have no impact on deployable output but this is not justified in the plan. The final plan should demonstrate

that the potential impacts of climate change are mitigated and provide an estimate of likely climate change impact upon each source.

- Further assurance is required regarding non-drought resilience as periods of high demand require the use of all of available sources. The company should demonstrate that there is sufficient capacity to maintain supplies during any maintenance outages (planned and unplanned).
- The plan should provide more details regarding the export to Wessex Water and explain how this would currently be managed under drought conditions and what is proposed following the end of the current agreement in 2022.

5. Forecast uncertainty

The planning tables do not present any headroom estimates and these need to be provided in the final plan. The narrative suggests that Veolia Water Projects has adopted a satisfactory approach to determine target headroom but the outputs of this need to be evidenced.

6. Supply-demand balance

The supply-demand balance profile does not raise any concerns and seems reasonable, subject to the concerns raised on the components described above. We would expect Veolia Water Projects to prepare a final plan to provide further detail regarding the components and ensure the narrative is consistent with the data tables to give us confidence that the plan is robust.

7. Options

Veolia Water Projects are not predicting a deficit in their plan and we welcome their consideration of options to improve performance under peak demand conditions. However, in a number of areas further information is required and a timeline for the proposed data collection improvements should be provided. There is also the potential for greater ambition in the use of options to increase water efficiency to manage demand. In particular:

- Trends indicating improvements in the quality of the raw water at the company's sources are noted in the draft plan. The company should ensure it collects further data and investigates the catchment to understand if these improvements can be sustained or enhanced in the long term.
- The promotion of water efficiency schemes, such as rainwater harvesting, is noted in the plan. The company should provide further details regarding how it

intends to assess the benefits of such schemes and encourage customer participation in the development of these options.

- The company have currently provided insufficient evidence to explain the proposed forecasts for meter penetration and leakage across the planning period.

8. Decision making

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