



PR19 Consultations
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Dear Sir/Madam,

PR19 draft determinations: Southern Water draft determination

I am writing to you on behalf of the [Partnership for South Hampshire](#) (PfSH) Planning Officer's Group. Membership of PfSH (formerly PUSH) includes East Hampshire District Council, Eastleigh Borough Council, Fareham Borough Council, Gosport Borough Council, Hampshire County Council, Havant Borough Council, New Forest District Council, Portsmouth City Council, Southampton City Council, Test Valley District Council and Winchester City Council. We previously responded to the Ofwat report '*Notice of Ofwat's proposal to impose a penalty on Southern Water Services Limited*' by letter dated 12 July from the Chairman of PfSH, Cllr Seán Woodward.

With regard to this draft determination, we support your proposal to cut water bills for residents within the PfSH area by 14.3% in real terms. We also welcome the substantial allowance you have made within the draft determination for Southern Water to invest in improvements towards service, resilience and the environment, including £547m towards the Water Industry National Environment Programme (WINEP) obligations.

We note that Ofwat's assessment of Southern Water's first draft of its PR19 plans (released January 2019) stated that:

'The plan also falls significantly short on accounting for past delivery, where we have concerns about the ability of the company to deliver the improved performance in relation to outcomes that it proposes to deliver for customers.'

The January 2019 assessment awarded the plan a 'D' for *Securing long-term resilience*, and a 'D' for *Accounting for past delivery*. We are concerned about these assessments, and would like to know how this second draft has improved upon these grades.

With reference to Southern Water's deliberate under-performance during the period of 2010-2017, as well as other known water quality incidents involving Southern Water which have potentially caused harm to both human health and the natural environment within the PfSH area, we would like to see an increase in the allowance allocated towards WINEP obligations within PR19, to account for past under-delivery. We are concerned that the fine amount will not address the damage caused and are concerned that there is an assumption in this consultation - as listed within table 2.1 of the consultation document - that Southern Water are fully rectifying the impacts of their compliance failure.

In our letter responding to the consultation on the *Notice of Ofwat's proposal to impose a penalty on Southern Water Services Limited*, we suggested that an **Environmental Remediation Fund** be established through increased financial penalties on Southern Water for their actions during the period of 2010-2017. We do however note that the investigation into this matter is being considered separate to this consultation, with its findings informing the final determination. Due to this arrangement, and the uncertainty of its outcome, PfSH would like to take this opportunity to request an increased allowance towards environmental mitigation within PR19, beyond the proposed £547m.

In support of this we refer to page 30 of the consultation document which highlights that Southern Water are less efficient in a range of WINEP schemes, including conservation drivers, wastewater investigations and phosphorus removal. Based on their historic under-performance, these inefficiencies, and the known water quality issues within the Solent area, we consider additional allowances should be made.

An increased environmental mitigation fund could be used to help address the pressing concern facing PfSH authorities related to the damaging level of nutrients within the Solent. The recent PfSH Joint Committee requested an increase in Southern Water's allowance towards infrastructure investments and environmental improvement obligations to help address the Solent nitrate issue.'

The high levels of nitrogen and phosphorous - of which WWTWs are significant contributors - is having a detrimental impact upon the integrity of protected habitats and species. Due to this situation many PfSH authorities have temporarily halted granting planning permission on residential, tourism and hotel proposals, unless they can be demonstrated to be 'nutrient neutral'. The cost of becoming nutrient neutral is an additional obstacle to development, particularly for brownfield sites, and will potentially reduce the delivery of affordable housing, amongst other development benefits.

In response to this situation, the PfSH authorities are working on a mitigation strategy to provide nutrient neutrality options to all developments. While this strategy is at an early stage, increased investment by Southern Water in programmes such as enhanced nitrogen-stripping technology, provision of wetlands downstream of WWTWs, and catchment-sensitive farming schemes would be of great benefit to the delivery of this mitigation strategy.

Support towards the delivery of a mitigation strategy, which would help provide environmental, social and economic benefits within the PfSH area, would also align with *The government's strategic priorities and objectives for Ofwat (2017)*, which includes priorities for Ofwat to:

- 'challenge water companies to improve planning and investment to meet the wastewater needs of current and future customers.'
- 'challenge companies to further the resilience of ecosystems that underpin water and wastewater systems' including having 'regard to the wider costs and benefits to the economy, society and the environment.'
- 'Keep under review what it can do to make sure that company planning and delivery keeps pace with housebuilding and supports development across the country, taking account of its duty to contribute to the achievement of sustainable development.'

Given the urgency of the need to deal with these water quality issues we consider that PR19, rather than PR24, is the appropriate stage to incorporate additional environment allowances.

Should you accept the need for increased allowances towards such programmes, our preference would be for the costs to be absorbed by Southern Water, rather than be passed onto its customers, which would run the risk of negating the value of the rebate, should it be agreed.

I trust that you will consider our comments further and PfSH representatives will be more than happy to meet with you and provide additional information. If you have any further questions on our response, please do contact myself, or my PfSH colleague Gayle Wootton (gwootton@fareham.gov.uk) at Fareham Borough Council.

Yours faithfully,

Jayson Grygiel

**Manager of Planning Policy, Gosport Borough Council
On behalf of the Partnership for South Hampshire**