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Please ask for
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Dear Sir or Madam,

Portsmouth Water response to the PR24 and beyond: Long-term delivery strategies and common reference scenarios discussion paper.

Thank you for the opportunity to respond to this discussion paper. We welcome the greater focus on the long-term within the price review process and fully support Ofwat's direction towards long-term delivery strategies and common reference scenarios. In particular we welcome the following inclusions:

1. The five parts of long-term delivery strategies that provide clear guidance of the overall process required. With the tight timeframe of the price review, it is important that clear guidance is given up front to maximise efficiency in the price review process.
2. The required use of adaptive planning to ensure strategies are flexible to a range of potential futures. The future is uncertain, but the importance of water means it is crucial that water company plans allow for potential worst-case future scenarios.
3. No (and low) regrets investment, and investment required to ensure future options do not become significantly more expensive, are to be included within the core pathway. We acknowledge that the future is uncertain and will require a "multi-AMP" approach, where AMP8 will be used to gather data and therefore we see PR24, to a large extent, as the 'learning plan'.

Through WRSE, the WRMP24 process is leading the way with adaptive planning and indicates there are no regrets investment that is needed right now, and we are pleased to see that PR24 is aligned. Ensuring secure water resources in the future is our biggest immediate challenge and we are confident that the WRSE process will provide the evidence required to be included in the core pathway. It is also important that we consider intergenerational funding within the price review process to ensure the financial burden is appropriately shared.

Whilst there will be upward pressures on our bills from inflation, the cost of decarbonisation

and expansion of metering coverage through compulsory metering, it is also important that investment to ensure long-term resilience is considered within this price review. This is strongly supported by customers.

We feel, in general, that the discussion paper is well written and commend Ofwat for its collaborative approach. We agree with almost all points raised in the paper, but list our improvement suggestions below for consideration:

1. We have welcomed the collaborative approach to engagement in this area through excellently run scenario planning workshops. Thank you for facilitating these workshops for all water companies, these not only allowed us to feed in suggestions, but also helped to provide clarity over this discussion paper document.

It would be beneficial that the content of more recent communications from Ofwat should be incorporated into the final PR24 guidance document, in particular the clarification email sent by Mr Tim Griffiths on 20th December 2021 after the workshop on the 17th December.

2. We welcome guidance over the technology scenarios and appreciate that there are a large number of potential technologies that could emerge over the next 25 years.

Whilst the majority of technologies will help reduce demand, certain new technologies such as the emergence of hydrogen production could increase water usage.

We feel it would be beneficial to include further guidance on how best to include increased water demand from new technologies within the scenarios. Would it be preferable to include within the technology reference scenario outlined, or to include as a separate bespoke scenario?

3. Despite being optimistic that new innovative technologies will lead to greater efficiencies, we feel it would be prudent to also plan for slower technological advancement than set out in the scenarios. We are concerned about the risk of reliance on unknown future technologies leading to a delay in investment, particularly with the potential for increased demand from some known new technologies as explained above. We would therefore prefer a greater difference between the dates indicated in the two technology scenarios.

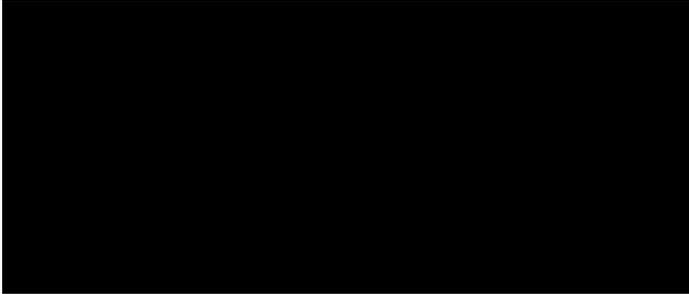
We also notice that both high and low technology scenarios include carbon-free baseload electricity by 2035. We would like to clarify whether this is correct as we are concerned there is not enough differential between the two technology scenarios.

4. We understand the need not to include too many scenarios to avoid complexity, and welcome comments in workshops from Ofwat colleagues emphasising the preference for simplicity where possible. We also recognise that adaptive planning should be built around quality of scenarios, rather than quantity. We are keen to avoid 'creating an industry' in adaptive planning and support a clear line of sight to the overall strategy.

However, we do feel that a beneficial common scenario would be potential regulatory compliance and/or legislation changes. The potential changes to legislation dealing with Lead, for example, would result in a fundamental change in investment requirements whilst also positively impacting demand reduction efforts through supply pipe renewal. Whilst we understand that we can include additional bespoke scenarios, we feel that this would be a scenario that meets the parameters for a common reference scenario; simple, material, exogenous and national.

We see PR24, to some extent, as 'the learning plan', where the industry begins to fully understand what is required to prepare for the long-term future. We therefore thank you for your collaborative engagement in the development of long-term scenario planning and we look forward to being involved in the next stages of the process.

Yours faithfully



Chief Executive Officer