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By email

Secretary of State for Environment,
Food & Rural Affairs
Water resources management plan consultation



1 February 2023

Dear Secretary of State,

Independent Water Networks Ltd – draft water resources management plan 2024 consultation response

Independent Water Networks Ltd (IWNL) published a draft water resources management plan 2024 (draft WRMP) for consultation in December 2022. We welcome the opportunity to comment on the draft WRMP and this letter sets out a summary of our assessment of the draft WRMP. It is our statutory consultation response, produced in accordance with our statutory duties and the Government's strategic priorities for Ofwat.

Our assessment has considered:

- whether the draft WRMP adequately follows the requirements of the water resources planning guideline and the Department for Environment, Food and Rural Affairs (Defra's) guiding principles for water resources planning;
- how the draft WRMP helps achieve our strategic priorities and objectives, which are, in summary, to protect and enhance the environment, deliver a resilient water sector, serve and protect customers, and use markets to deliver for customers.

IWNL is a new appointee (or NAV which refers to our new appointments and variations process). 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 ongoing retail services. NAVs have an important role in the water sector and have potential to provide wider benefits.

IWNL supplies 448 water resource zones. The zones are all supplied through bulk supplies of water from the relevant local incumbent water company. The zones which are covered in this draft WRMP fall within the areas of 16 different regional incumbent undertakers. The

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

Ofwat has reviewed IWNL's draft WRMP for consultation. While many aspects of IWNL's draft WRMP are in line with our expectations and IWNL has presented a draft WRMP broadly responsive to the scale and complexity of its area, there are a number of important areas where the draft WRMP fails to provide convincing evidence that it delivers in the best interest of customers and the environment. In particular:

- IWNL states its strategy is to reduce per capita consumption (PCC) to the government's target of 110 l/h/d. We consider NAVs should not be constrained by this target and should aim to drive PCC down to lower levels, where appropriate. IWNL should set out a plan in its final WRMP on how it might achieve lower PCC levels than 110 l/h/d.
- More details of communication and information sharing between the incumbent water companies would improve the plan and give confidence about the plan.
- Any uncertainty associated with incumbent bulk supply agreements needs to be detailed in the final WRMP.
- IWNL has not provided a summary of the company problem characterisation which would identify the scale and complexity of the potential problems and vulnerability to various strategic issues, risks, and uncertainties.
- There is no evidence of customer participation in the development of the draft WRMP. Whilst the draft WRMP is available on IWNL's website with instructions on how to respond, someone would have to know it was there. There is no evidence this has been advertised or that customers have been encouraged to engage in the process. IWNL should clarify how it has engaged with customers to date and how intends to engage further in the future so customers can fully participate and inform plan development.
- Where possible, IWNL should include in its final WRMP new sites that have been or will be granted between draft and final WRMP.

Further details on these points are outlined in the annex to this letter alongside more detailed comments on different areas of the draft WRMP. I look forward to seeing these points addressed in IWNL's statement of response and final water resources management plan.

Once IWNL has had a chance to consider these comments in detail, we would welcome the opportunity to speak with IWNL about them and to hear how IWNL plan to address them. My team will be in touch with IWNL to arrange a date for this.

Yours sincerely



Beth Corbould

Director, Ofwat

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 WRMP. Our points reflect our assessment approach focusing on:

- **Ambition and outcomes** – ambition and innovation notably on water demand, leakage and per capita consumption.
- **Assessment of water needs** – including key drivers for WRMP24 and the supply demand balance forecast.
- **Options to meet water needs** – the approach taken to identifying and screening options for both supply and demand, review of demand management and supply side proposals.
- **Customer and stakeholder engagement** – the type and quality of interaction with customers and stakeholders and the impact this has had on the draft WRMP formulation and proposals.
- **Board assurance** – company assurance and governance processes, including Board engagement and signoff.

Ambition and outcomes

We are expecting all companies, including NAVs, to make significant effort on demand reduction including PCC reduction, significant water efficiency activities, and delivering low levels of leakage. You should include discussion on the technology and practices you plan to use for effective leakage detection and repair.

Leakage

IWNL's unaccounted for water has a target of 5% of distribution input. IWNL have considered a reduction of this target to 4.5%. IWNL state they will achieve this reduction through monitoring and repairing leaks on the network as well as installing data loggers on the bulk meter. Data loggers will allow IWNL to monitor night-time flows. We will expect detailed reporting on leakage rates to Ofwat and expect high performance in this area.

Metering

100% of IWNL properties have metres and IWNL state all new properties will be metered using the latest Automated Meter Reading (AMR) technology, in line with the Government policy. However, the draft WRMP does not explain how IWNL will implement its metering strategy and the cost and benefits associated with it. IWNL should provide detail on the smart metering strategy in the final WRMP.

PCC

IWNL states its strategy is to reduce per capita consumption to the government's target of 110 l/h/d. We consider NAVs should not be constrained by this target and should aim to drive PCC down to lower levels. IWNL should set out a plan in its final WRMP on how it might achieve = lower PCC levels than 110 l/h/d.

Assessment of water needs

IWNL has used methods and data appropriate to the scale and complexity of the problem that it needs to address. The draft WRMP adequately forecasts supply and demand over at least 25 years. The demand forecast is documented and reference to the industry guidance has been made and it appears to have been followed.

IWNL has stated in its plan alignment with the incumbent water companies' drought plans, referencing levels of service to drought orders and restrictions, demonstrating alignment between NAV and incumbent water company. More details of communication and information sharing between the incumbent water companies would improve and give confidence to the draft WRMP.

IWNL has not identified any potential risks to the bulk supply agreements it has with the incumbent water companies.

Options to meet water needs

IWNL has not developed supply options as such as it does not have a predicted future deficit, having a surplus throughout the planning period. IWNL has considered demand management activities and has selected active leakage control as an option in the final WRMP.

Customer and stakeholder engagement

There is no evidence of customer participation in the development of IWNL's draft WRMP. Whilst its draft WRMP is available on its website with instructions on how to respond, someone would have to know it was there. There is no evidence this has been advertised or that customers have been encouraged to engage in the process. IWNL should clarify how it has engaged with customers to date and how it intends to engage further in the future so customers can fully participate and inform plan development. This engagement should include working to understand customer opinions on water efficiency options and decisions within its plan.

Customer and stakeholder engagement should be a key aspect of development of the WRMP and Ofwat expects this to be carried out in a meaningful way. IWNL should consider what methods will enable them to best engage with customers and include an explanation of engagement in its final WRMP.

Assurance

IWNL has provided adequate Board assurance of its draft WRMP. A Board statement is provided that the Board have engaged with and overseen the draft WRMP, and are satisfied that the draft WRMP enables IWNL to meet its obligations in supplying water and protecting the environment.