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By email

Minister for Climate Change,
Welsh Government

24 February 2023

Dear Minister,

Albion Eco – draft water resources management plan 2024 consultation response

Albion Eco published a draft water resources management plan 2024 (draft WRMP) for consultation in November 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 Welsh Government's strategic priorities and objectives for Ofwat.

Our assessment has considered:

- whether the draft WRMP adequately follows the requirements of the water resources planning guideline and the Welsh Government's guiding principles for developing water resources management plan 2022;
- how the draft WRMP helps achieve our strategic priorities, 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.

Albion Eco is a new appointee (or NAV, which refers to our new appointment or variation 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. New appointees have an important role in the water sector and have potential to provide wider benefits.

Albion Eco supply a single Water Resource Zone (WRZ) in Deeside; one single non-household customer. The zone is supplied through a bulk supply of water from the local incumbent water company (Dŵr Cymru Welsh Water). Albion Water was granted an appointment as a water undertaker in 1999 in respect of the Shotton Paper Mill site and in July 2016, Albion Eco replaced Albion Water as the water supplier for the site.

Following the sale of the site and the cessation of paper production at the Shotton Mill, work has commenced on converting the site for cardboard manufacturing. Albion Eco is forecast to maintain a supply surplus throughout the planning period. This means there would be sufficient water to maintain supply to the customer during planned-for severe drought conditions.

Ofwat has reviewed Albion Eco's draft WRMP for consultation. While many aspects of Albion Eco's draft WRMP are in line with our expectations and Albion Eco has presented a draft WRMP broadly responsive to the scale and complexity of its area, there are important areas where the draft WRMP could be improved. In particular:

- The draft WRMP states that the maximum bulk supply is made up of a guaranteed 18MI/d plus 4MI/d if available. There is a small risk in 2025/26 that if the additional 4MI/d isn't available, there could be a deficit of -1.91MI/d. Albion Eco should clarify how they intend to manage this risk.
- Albion Eco should clarify its levels of service in its 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 Albion Eco's statement of response and final WRMP.

Once Albion Eco has had a chance to consider these comments in detail, we would welcome the opportunity to speak with Albion Eco about them and to hear how they plan to address them. My team will be in touch with Albion Eco 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 companies, including NAVs, to make significant effort on demand reduction, significant water efficiency activities and delivering low levels of leakage.

Albion Eco's draft WRMP includes discussion on the technology and practices they plan to use for effective leakage detection and repair.

Albion Eco should set out in its final WRMP how it proposes improving water efficiency at the Shotton site.

Assessment of water needs

Albion Eco has used methods and data appropriate to the scale and complexity of the problem that it needs to address. The draft WRMP plan 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 appears to have been followed.

However, the draft WRMP states that the maximum bulk supply is made up of a guaranteed 18Ml/d plus 4Ml/d if available. There is a small risk in 2025/26 that if the extra 4Ml/d of water

isn't available, there could be a deficit of -1.91Ml/d. Albion Eco should clarify how they intend to manage this risk. From 2026 onwards consumption is forecast to be 17.99Ml/d for the rest of the planning period, within the guaranteed bulk supply.

Albion Eco stated in its draft WRMP that it will align with the incumbent water company's drought plan levels of service with regard to drought orders and restrictions. However, the levels of service that Albion Eco stated do not match those for the Alwen Dee resource zone in Dŵr Cymru's drought plan. Albion Eco should clarify its levels of service in its final WRMP.

Options to meet water needs

Albion Eco does not forecast a supply demand deficit during its draft WRMP and therefore no options were presented. This is reasonable given the scale of the zone and the forecast trends. However, Albion Eco should provide clarity on options to manage the security of supply risk in 2025/26.

Albion Eco is in discussions with the bulk supplier in relation to industrial growth predictions on the non-potable network.

Customer and stakeholder engagement

Albion Eco has carried out a satisfactory approach to customer participation and stakeholder engagement reflecting the challenges included in its draft WRMP.

We are pleased to see that Albion Eco is in regular communication with the incumbent water company.

Assurance

Albion Eco has provided assurance from its Board that the draft WRMP will meet customer requirements over the next 25 years.