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By email

Daniel Johns
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Dear Mr Johns

Water Resources East (WRE) draft regional plan

We welcome the opportunity to comment on WRE's draft regional plan published on 14 November 2022. This letter, which has been published on our [website](#), sets out our assessment of the draft plan. Our comments build on those we provided on the [emerging plan](#) that was published January 2022.

Long term water resources planning is a key business planning activity and is essential for the efficient delivery of resilient water services for customers and protecting and enhancing the water environment. Ofwat has a key role to play in enabling this by funding business plans through the 2024 price review (PR24). Therefore, it is vitally important that we consider whether water companies are identifying the best value approaches to achieve the right outcomes. The regional plans and Water Resource Management Plans (WRMPs) are essential in helping Ofwat and water companies get this right. Our assessment of these plans has focused on the need for investment, options considered and their cost, decision making processes, and the approach to understanding best value. We have separately set out the approach we have taken to reviewing the draft WRMPs and regional plans and this letter must be read in conjunction with that overarching letter which is available on our [website](#).

The comments provided in this letter are without prejudice to any subsequent statutory consultation responses we may make on the relevant company WRMP or decisions that we make regarding business plans at PR24 and any subsequent price review. We expect WRE to address our feedback in its final regional plan, and we expect the final regional plan to inform

companies' final WRMPs. We will take the quality of the final WRMP into account when assessing company business plan proposals¹.

This letter identifies the main themes that we are seeing across the regional groups before summarising the main points relevant for WRE and finally going into the more detailed feedback covering each of the five areas of our assessment in depth.

Main themes

The draft plans, most of which were published in November 2022, have moved on significantly from the previous emerging plans published in January 2022 and we welcome the progress that has been made. Nonetheless, many of the cross-cutting themes we raised previously are still relevant. These cross-cutting themes apply across the regional groups and are set out below.

The **scale of water needs** has grown significantly from previous planning rounds, driven by long term changes to abstraction under the environmental destination scenarios included in the [water resources national framework](#), agreed sustainability reductions and the impact of time limited licence capping. The latter is raising significant challenges in the short term as many of the options to meet water needs will take time to develop. Because abstraction changes are large and uncertain, companies need to present plans that avoid abortive investment and plan investigations that can prioritise the right solutions. The long-term delivery strategies which companies are developing for PR24 will help manage the uncertainties in this area and we expect to see the common reference scenarios used to identify and justify low regret investment in the final plans.

Despite our previous feedback, and the predicted increased water needs, most regional groups have chosen 2039-40 as the regulatory target for achieving **1 in 500 year level of drought resilience without sufficient testing or explanation**. We expect regional groups to explore fully the trade-offs around different pathways to 1 in 500 year drought resilience at a regional scale and to identify and present the costs and benefits of varying the timing of this in the final plans.

We are still seeing insufficient options scoped in many draft plans. We understand this is linked to the significantly increased water needs the draft plans are seeking to meet. However, water companies, and regional groups, need to develop new and innovative options to demonstrate that the proposals they are putting forward are optimal. This has been reinforced by our review of option costs in the draft WRMPs which has found some companies

¹ [Creating tomorrow, together: our final methodology for PR24. Appendix 9 – Setting expenditure allowances](#), Ofwat (December 2022)

with notably high unit costs that suggest decision-making models have insufficient options to work with.

In line with the UK government's strategic requirements for Ofwat, we expect companies, working as part of regional groups, to **reduce demand for water** to relieve pressures on water supply and increase resilience to extreme drought. We expect companies to use these regional plans to adhere to demand targets including:

- halving leakage across the industry by 2050, in comparison to 2017-18 levels²;
- reducing personal consumption to 110 litres per head per day (l/h/d) by 2050².

A further target, set in the Environment Act 2021³, also now requires the use of public water supply in England per head of population to reduce by 20% from the 2019 to 2020 baseline reporting year figures, by 31 March 2038, and we expect regional groups to demonstrate how they will deliver against this target in their final plans.

Most regional groups and companies are planning to meet government targets for leakage and personal consumption although there are some exceptions that cause concern, including WRE. We are also still seeing a lack of robust and tailored glidepaths to meet those targets and our concerns remain around the deliverability of demand management strategies. Without robust testing and tailoring of demand management strategies within and between companies we cannot be confident we are seeing optimal proposals. We have previously highlighted the opportunity for companies to deliver non-household demand management and our expectations that company plans deliver significantly improved levels of water efficiency in the business sector. We expect to see ambitious strategies for non-household demand management in the final regional plans and associated WRMPs. We also expect to see companies delivering on the commitments they made in WRMP19 and PR19 and this should be the starting point for these plans.

Summary of points specific to WRE

We have reviewed each draft regional plan and as part of our assessment we have considered:

- Assessment of water needs.
- Options to meet water needs.
- Decision making and prioritisation.
- Ambition and outcomes.

² [February 2022: The government's strategic priorities for Ofwat – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/2022-02-23-the-governments-strategic-priorities-for-ofwat)

³ Defra, [Environment Act](https://www.gov.uk/government/consultations/environment-act-2021) 2021: environmental targets December 2021

- Stakeholder engagement.

WRE's draft plan shows some progress from the emerging plan. It has continued to collaborate with a broad range of stakeholders to inform its draft plan and stands out from other regional groups in this way. WRE has been active in the reconciliation approach that the regional groups have used to help align inter-regional transfers and has supported launch events for the draft and emerging plans. WRE has taken on board some key areas of our feedback, for example, by removing the 10 Ml/d threshold for options to be considered in the plan. While there has been some progress, we have outstanding concerns relating to the draft plan which need to be addressed before it is finalised. These include:

- **Technical evidence** – WRE has provided limited written technical evidence to support its draft plan.
- **Drought resilience** – Despite our feedback on the emerging plan, WRE is yet to explore tradeoffs around different pathways to 1 in 500 year drought resilience at a regional scale rather than leaving this to individual water company analysis.
- **Abstraction** – given the scale of potential changes, WRE needs to demonstrate that its final plan can manage this uncertainty without abortive investment and should plan investigations to find the best value options to adapt to future uncertainty.
- **Options sufficiency** – We have concerns that WRE's range of options is not sufficiently broad given its long-term water needs and the scale of proposed investment. WRE should improve on this for its final plan and for the longer term, noting that an increased range of options could have implications for scaling, timing or selection of large infrastructure projects.
- **Consideration of transfers and third-party options** – We question whether the potential to use transfers that could cascade through the network from, for example, the Water Resources North region, has been sufficiently explored. Third party options are also very limited. WRE needs to provide evidence in its final plan that it has explored the potential for transfers, and third-party options, thoroughly.
- **Best value** – WRE should provide more clarity on what its best value analysis means for the final plan, how sensitive decisions are to the assumptions made, and how cross-sector best value metrics are treated in associated WRMPs.
- **Adaptive planning** – WRE has not presented a single plan with one preferred adaptive solution and set of options with suggested branch point dates. This should be presented in the final plan.
- **Low regrets investment** – WRE's final plan needs to demonstrate that the investment proposed is low-regret by providing evidence that the Ofwat common reference scenarios have been used to test adaptive pathways against plausible variations in key assumptions including climate change, environmental destination and technology.
- **Water efficiency risks** – WRE needs to set out an approach for managing the risks arising from its reliance on government water efficiency interventions in its final plan.
- **Fens reservoir** – WRE should provide clear and robust evidence around the selection of Fens reservoir as a best value, least regrets option given its comparatively high unit

costs, driven by the relatively low yield (Fens reservoir has a unit cost of £20.37m MI/d against South Lincolnshire Reservoir's unit cost of £11.01m MI/d). WRE should also work with the relevant water companies to further evidence the robustness and reliability of the Fens reservoir option.

- **Ambition** – WRE should strengthen its approach to water efficiency so that it is in line with government targets on personal consumption, including non-household water efficiency, and also explore how it can achieve better results by profiling interventions intelligently across the region and planning period. WRE, and its member water companies, should also set out a more ambitious plan on leakage, including testing more stretching reductions up to the 50% leakage reduction target by 2050.
- **Engagement** – WRE should engage with customers further on bill impacts and trade-offs before publishing its final plan.

We are disappointed that the WRE data tables were only submitted to regulators in mid-January 2023 following publication of the plan on 14 November, and do not appear to have been published. As a result, we have been unable to analyse these in time to inform our consultation response which has used aggregated data from the water resource management plans of the four companies that make up WRE. We therefore reserve our position to raise any additional concerns outside of the consultation period.

Detailed comments for WRE

This section sets out our more detailed comments on each of the five areas we have focused on specific to the draft WRE regional plan.

Assessment of water needs

An appropriate assessment of need is the foundation of a successful plan. We have identified a range of areas that require further focus in relation to this, which are set out below. WRE is facing a high risk planning challenge with significant water needs and high complexity factors driven primarily by population growth, climate change and environmental pressures. Our comments take into account the complexity of the challenge WRE is seeking to meet and our expectations of WRE are high because of this challenge.

We welcome aspects of WRE's approach to assessing water needs in its draft plan. These include:

- **Methodology:** References to industry guidance are made and appear to have been followed based on the narrative.
- **Multi-sector planning:** WRE has taken a broad approach to developing its plan across sectors and technical disciplines and stands out from other groups in this area in terms of its level of ambition and approach.

Other aspects of WRE's assessment of water needs require further focus before the final plan and these are set out below.

Planning horizon: WRE has met the requirement for a regional plan to forecast supply and demand over at least 25 years. However, the planning period should be appropriate to the risks the region faces. Given the challenges and risks WRE has identified and issues being seen on the ground now such as the moratorium on accepting applications for new supplies for new manufacturing and processing purposes in Essex and Suffolk's Hartismere zone due to a lack of water availability, it may be more appropriate for WRE to plan for the next 50 years and WRE should consider the case for this while developing its final plan. This is to ensure the regional plan identifies the right solutions to meet future pressures.

Drought resilience: Despite our feedback on the emerging plan, WRE is yet to fully explore tradeoffs around different pathways to 1 in 500 year drought resilience at a regional scale rather than leaving this to individual water company analysis.

Sensitivity testing should be undertaken for the final plan around the year in which plans aim to meet 1 in 500 year drought resilience. WRE has told us (via a query response) it expects to complete this during May to July 2023. Sensitivity testing should include flexing delivery to 2050 where more flexibility is considered appropriate to identify if there are significant cost savings or additional benefits that could be achieved from moving this date. This is important as WRE has identified that the timing of 1 in 500 year drought resilience is a major driver of investment.

Exploring transfers: There are no new transfers from other regions to WRE selected. Transfers from Water Resources North (WReN), Water Resources West (WRW) or Water Resources South East (WRSE) have not been explored further. WRE should provide sufficient and convincing evidence that the recommendations and actions from the 'Inter-regional reconciliation of regional plans' in Spring 2022 have been completed. This would provide evidence as to whether fair consideration of the case for transfers both in and out of the region involving the other regional groups, and including best value analysis, has been undertaken. The reconciliation report also stated that the 'reverse trade' (a reduction in the existing transfer to Affinity Water) would be considered further in a specific scenario alongside the draft plan; this has not been presented. WRE should provide evidence in its final plan that this work has been completed and set out how it has informed the final plan.

WRE is very low on options to meet longer term water needs, currently relying on desalination. We therefore question whether the potential to use transfers that could cascade through the network from, for example, WReN region, has been sufficiently explored. WRE should provide further analysis of this in its final plan.

Abstraction: WRE has progressed its work on the required changes to abstraction since its emerging plan by being clearer on the numbers and starting to think about prioritisation of

changes across the planning period. However, much remains to be done. WRE has used the Environment Agency BAU+ scenario in its plan for regulators and the Water Resources National Framework and says that this is in line with the scenarios used by member water companies. However, WRE also says it remains focused on getting to the 'enhanced' scenario. WRE should clarify what that means for the plan and associated investments.

WRE is proposing an extensive period of investigation and analysis to reduce the uncertainty associated with the nature, scale and timing of changes required. Since the local evidence and understanding will not be available for some time, WRE should focus on how that uncertainty will be managed in its final plan. To support this WRE should:

- Explain how its final plan considers the full range of potential abstraction changes without unnecessarily bringing forward investment that may not be needed.
- Carefully scope its planned investigations to better understand the links between abstraction and the environment locally (for example, surface water and ground water interactions) and the type of option that may be most beneficial in that context.

The proposed investigations are important because solutions could include reductions in overall abstraction, changes in how abstractions operate (such as changing river flow related conditions or seasonal variations) or moving where abstractions or discharges are in the catchment or waterbody. We are keen that this sort of thinking informs regional and company plans as we want to see local water management solutions thoroughly considered before companies select replacement water from the list of feasible supply options. Local water management solutions have the potential to be lower cost and to bring greater benefits than simply replacing the water lost with another supply option that is likely to bring its own environmental impacts.

WRE should set out more explicitly in its final plan **how water needs have changed** across the iterations of its plans and the reasons for those changes.

Options to meet water needs

Identifying the right range of options to meet water needs within a region, and more broadly, is a critical part of the regional planning process. The delays to WRE's data tables have been particularly problematic for this area of our analysis. We have identified a range of areas that require further focus, and these are set out below.

Options sufficiency: WRE considered 38 unconstrained options of which 19 were selected. We queried how many unique options (removing sub-options) were included on the feasible list, how much water they could provide and what proportion of expected water needs at 2050 these could meet. In its response, WRE confirmed it has 38 unique schemes capable of supplying 1,439 Ml/d of water. When compared to the expected needs in 2050 of 596 Ml/d WRE therefore has feasible options that can meet around 242% of its need. While this comfortably

provides enough water to meet expected needs, the capacity is only just over double the need. Within this, two thirds of the total capacity available is from desalination options. These tend to be high cost and energy intensive as well as bringing associated local environmental issues to work through such as brine management. This means they are often unlikely to be selected where there are viable alternatives. Having such a high proportion of the feasible options as desalination therefore constrains the likely decision making to a narrow field of options (those that are not desalination) despite having a theoretically wider range of options available. A broad range of comparable options is required to develop an optimised programme and to provide viable alternatives across the region.

We have concerns that WRE's range of options is not sufficiently broad given its long-term water needs and the scale of investment it is proposing. We also recognise that there are challenges with water resources in the east of England that constrain options availability. The region receives comparatively low rainfall and there are sustainability issues associated with groundwater abstraction. This makes options development challenging. However, because having a broad and deep range of options is so important to arriving at the best value programme of options, we want WRE and its member water companies to focus again on how they might increase the range of feasible options available. This should include revisiting the unconstrained list of options, working with Internal Drainage Boards (IDBs) to seek out innovative water management practices and considering the potential for transfers from other regions such as the north, south-east and west. This is important to give greater confidence that the final plan, and subsequent plans that look further ahead, arrive at the best value outcome.

Strategic schemes: Fens reservoir has a comparatively high unit cost of £20.37m Ml/d. This is against an average unit cost for new reservoirs across company WRMPs of £9.34m Ml/d and is significantly higher than the South Lincolnshire Reservoir which is £11.01m Ml/d. Fens Reservoir is a large project which will require significant investment. WRE should provide clear and robust evidence around its selection of Fens reservoir, and the best value least regrets size and yield, in its final plan and present a clearly evidenced and thought-through approach. This should include consideration of other options to increase the yield of the Fens reservoir. WRE should provide assurance that costs for the Fens reservoir and the South Lincolnshire Reservoir used in regional modelling are the latest costs.

Third party options: WRE has continued its engagement across sectors. However, so far this seems focused on understanding the problem rather than developing solutions and does not seem to have yielded third party options yet. WRE should make use of its networks and its extensive stakeholder engagement to seek these options out, particularly with the power and agriculture sectors as they may offer more attractive options than water companies are able to develop independently that deliver broader social value.

Cross sector options: We note that WRE's estimated future water needs for energy production are highly uncertain and range from 28-347 Ml/d. Given the potential volume of water

associated with future energy production we expect to see evidence that WRE and the energy sector are developing innovative options to bring together energy and public water supply that benefit customers and the environment.

Drought measures: WRE should ensure there is alignment between the final plan and water company Water Resources Management Plans (WRMPs) on drought measures and Level of Service.

Cost information: WRE has presented some but not all of the cost information relating to options within its planning Table 4. Further details in Table 4 are required for net present benefits of all options, Average Incremental Costs (AIC) of all options, environmental and social monetised cost impacts of options and total carbon cost impacts of all options. There are no details in the plan to clearly identify the assumptions and methods applied to the cost calculations, other than the optimism bias factors. The final plan should provide clear narrative on this, accompanied by worked examples for preferred demand and supply side options showing the profile of annual costs.

Continuity and consistency of data: We have identified a range of inconsistencies within the cost data that companies in WRE have shared. This needs to be improved for the final plans and companies should clearly articulate the costs and benefits of their preferred final plan. We expect companies to be able to clearly explain how their preferred programme has changed from draft to final, clearly explaining any changes in cost and benefit. We also expect companies to explain clearly why these changes have been made, for instance due to better quality data or more accurate cost information from increased market engagement.

Cost efficiency: In the review of costs from the WRE company WRMPs, there has been a large increase in the requested enhancement expenditure from WRMP19, particularly from Cambridge Water. The key drivers of this for the region are strategic resource options to meet supply needs and interconnecting the network. In the final plan, companies should ensure they provide sufficient and convincing evidence that they have developed optimal long-term plans based upon efficient cost estimates. When comparing the enhancement expenditure proposed for preferred plans in the 2025–30 period, WRE companies are delivering benefits at a high cost compared to other regions when comparing against the industry median. In the final plan, companies, and WRE, should ensure they provide sufficient and convincing evidence that they have developed optimal long-term plans based upon efficient cost estimates.

Decision making and prioritisation

Plans must compare options appropriately to arrive at the right outcomes. Overall, we welcome some aspects of the approach WRE has taken to decision making and prioritisation. We have drawn some of these out below.

- The approach to identifying and using best value metrics is appropriate. WRE's Multi-objective robust decision-making (MO-RDM) tool identified a range of metrics that reflect stakeholder interest.
- WRE have removed the 10 Ml/d threshold for options to be considered in the plan.

We have also identified a range of areas that require further focus before the final plan is published.

Addressing our feedback: WRE has not fully responded to our feedback on the emerging plan decision making and prioritisation; we expect all our feedback to have been considered and responded to within the final plan.

Decision making approach: WRE has provided no additional information on problem characterisation outcome, justification for the planning period and made no changes to its optimisation approach following our previous feedback.

WRE should present the outcome of its problem characterisation to justify its choice of decision-making approach. WRE has looked across the required 25 year planning period but would benefit from looking further ahead given the challenges the region faces. WRE is using a decision-making tool that is only optimising on metrics relevant to drought resilience and tracking others. WRE should consider optimising across a broader range of metrics to achieve a robust best value plan.

WRE state that a detailed cost benefit assessment (CBA), which will enable costs and benefits of interventions to be fully understood, is underway for completion by the final plan. WRE should explain how this work will inform the final water company WRMPs when the draft WRMPs will have already been consulted on. During the completion of the CBA, our common reference scenarios should be used and WRE should optimise its approach to demand management.

WRE needs to ensure that decision making is transparent and provide a clear narrative that includes how it fits with WRMPs. Information provided in the final regional plan should be consistent with company WRMPs. This should include achievement against leakage targets and the approach to improving levels of service.

Carbon: The draft plan explains that carbon is considered using the Integrated Environmental Assessment (IEA) approach, which was developed specifically for the regional plan. However, WRE has not set out how it will use carbon emissions impact as a metric for decision-making in its best value plan. In its final plan WRE should present total carbon emissions in the reconciliation baseline and compare this with the carbon emissions in the final best value plan. WRE should also provide a clear discussion on the trade-offs made between whole life carbon emissions and other considerations to agree the final best value plan.

Ofwat's public value principles: Our review suggests that the draft WRE plan adheres to most of the Ofwat public value principles, although it does not directly reference them. WRE should reference Ofwat's public value principles in its final plan and provide narrative on how the principles are followed in the plan.

Adaptive planning: WRE should present an adaptive plan including alternative pathways and trigger / branch points as well as target headroom and explain how these have been established based on uncertainties. WRE should also evidence that it is not double counting uncertainty. Sensitivity analysis around trigger / branch points should be completed and presented in the final plan.

WRE has not presented a single adaptive plan that identifies low-regret investment alongside a set of alternative options with suggested branch point dates. This should be presented in the final plan. Also, in its final plan, WRE should set out clearly the preferred most likely, core and alternative programmes scheduled through the planning horizon. It must be a single plan with a justified set of adaptive pathways linked to programmes of investment. This should include the final size, yield and operation of the solutions including the strategic schemes. It must also be reflected in water company WRMPs and it is not yet clear how this will happen. We do not agree that optimisation around the detail of the big options selected – for example reservoir capacity – should be exclusively at the water company level. WRE needs to clarify how the options from the regional plan will feed into final WRMPs. We provided this feedback following the emerging plan and this point has not yet been addressed.

WRE does not present any alternative future pathways to meet more adverse scenarios or a plan for monitoring when these additional investments might be required. The draft plan seems to suggest that it is not necessary to consider any further supply-side options until 2040 because Fens and South Lincolnshire reservoirs are low-regret.

In its final plan, WRE should present a core pathway in line with the Water resources planning guideline (WRPG) definition that includes low-regret investment to meet future uncertainties and additional option value to allow further flexibility in the future. WRE needs to demonstrate that scenario testing, including all the common reference scenarios, has been used to identify low-regret investment that is required in all or most plausible futures. This should expose what investment should be undertaken regardless of future circumstances.

Low regrets investment: The WRE plan states that it has tested how well each portfolio of supply-side options performs in a range of climate, demand and environmental destination scenarios. However, it is not clear whether these scenarios align with the Ofwat common reference scenarios or if WRE have considered the potential impact of technology on the plan beyond smart metering.

WRE identifies low-regret options as being those that are required in almost every scenario (90% or more). On this basis, WRE include the Fens and South Lincolnshire reservoirs as low-

regret options. We expect regional groups and companies to evidence low-regret best value proposals by showing that the selected investment, and the timing of that investment, is optimal given a wide range of plausible scenarios and their likely occurrence. WRE should explain more clearly its decision-making in its final plan. WRE should provide sufficient and convincing evidence in its final plan about the best value metrics and scenarios used in the regional simulator to give confidence that the selection of option portfolios, including the portfolio of low-regret options, is not artificially constrained. The points we raised earlier around the sufficiency of options that provide comparable alternatives are particularly relevant here.

As part of this evidence, WRE should clearly set out the impact of the Ofwat common reference scenarios compared to the 'most likely' scenarios on which the preferred plan is based. This should include quantifying the impact on demand of the low and high scenarios for climate change, demand, and abstraction reductions across the planning period. WRE should also quantify the estimated impact on the expenditure requirement of:

- 1) planning based on the high scenarios for climate change, demand, and abstraction reductions, and the slower scenario for technology; and
- 2) planning based on the low scenarios for climate change, demand, and abstraction reductions, and the faster scenario for technology.

This will allow for improved understanding of the drivers of investment, the sensitivity of the plan to future scenarios and confidence in the investments being proposed. WRE should use the results of this testing to identify and justify with sufficient and convincing evidence low regret investments, rather than just ones that meet both high and low planning needs in a non-adaptive way.

WRE has not tested the low common reference scenario for abstraction reductions in line with our guidance.⁴ Given that abstraction reduction is a key driver of the supply-demand deficit, WRE needs to test this scenario in line with our guidance to demonstrate its preferred options, including the Fens and South Lincolnshire reservoirs, are low-regret. This scenario is defined as 'assume only currently known legal requirements for abstraction reductions up to 2050'. Following the approach agreed between Ofwat, the Environment Agency and the regional water resources planning groups, it should:

- include agreed WINEP changes and licence capping; and
- use the agreed BAU+ scenario to form a long-term view, but use local reviews to remove licence reductions with significant uncertainty, to form a plausible 'extreme low' scenario.

⁴ [PR24 and beyond: Final guidance on long-term delivery strategies](#), Ofwat, April 2022.

Solving the planning problem: WRE has not provided sufficient and convincing evidence that its planning problem has been solved by the plan presented. In the final plan, WRE should include sufficient options to resolve the supply demand deficit across all water resource zones in the region for the whole planning period.

Sub-zonal schemes: We are reiterating to companies as part of our consultation feedback on WRMPs that where sub zonal schemes (not impacting on zonal water available for use (WAFU)) are selected as part of the preferred plan, these can be discussed within the narrative of the WRMP to provide context but they should be presented for funding with the business plan rather than the WRMP. This is also relevant to WRE as the regional plan should be informing the WRMP.

Comparing supply and demand options fairly: WRE is including leakage and demand management savings in the baseline planning scenarios. Decision making is therefore focused on supply options only which will artificially constrain the best value programme appraisal process. WRE should identify the best value approach to the delivery of demand reductions for the region as well as supply options. WRE should increase the range of stress testing to include non-delivery of options and varying use and non-use of drought permits / orders.

Fens reservoir: WRE state that it has selected a portfolio of low regrets options. Fens reservoir is described as needed to support delivery of licence caps and reductions. WRE needs to demonstrate in its final plan that the uncertainty associated with the required abstraction changes is being managed appropriately and that customers will not be paying for the reservoir until the need is clearly established and the investigations have completed.

Least cost and best value comparison: There is insufficient evidence that WRE has identified a least cost plan as a benchmark for its best value plan and cost comparison with WRMP19. To reiterate our feedback on the emerging plan, WRE should identify a least cost plan as a benchmark for the best value plan and compare the costs and benefits of the two. This is a critical piece of evidence required to justify the best value plan. The difference in expenditure should be clearly stated and cost drivers fully explained. It is important that WRE clearly identifies the bill impacts of the proposed programme at a company level and engages with customers on this issue.

Bill impacts: WRE should work with the relevant water companies to provide evidence on the bill impacts to customers and provide reassurance that Fens reservoir in particular is the optimum solution and a viable commercial model to take forward. WRE should clarify how bill impacts have been considered as part of the final regional plan.

Ambition and outcomes

It is important that the plans are sufficiently ambitious and likely to achieve agreed outcomes. As we said above, Ofwat expects companies to use these regional plans to adhere to demand targets including personal consumption, leakage and overall water use^{2,3}. We have identified a range of areas that require further focus in this area which are set out below.

Alignment with the national framework: WRE's draft plan remains broadly in line with the challenges set out in the national framework. WRE remains active in its work to understand water needs beyond public water supply, however it is not always clear how this has added value to the plan, for example, by identifying cross-sector options that can bring greater benefits than more conventional options. We would like to see WRE translating this good work into more benefits for customers and the environment.

WRE has continued to develop its approach to abstraction changes via its environmental destination scenarios. However, we want to see further progress in this area on prioritisation and profiling of changes and what impacts this has on the plan. We also want to see more evidence of consideration of local water management adaptations (such as changing river flow related conditions or seasonal variations or moving where abstractions or discharges are located) to resolve abstraction issues rather than moving straight to the next water resources supply or demand solutions.

Leakage and water efficiency: We are pleased to see WRE's draft plan is based on achieving the 110 l/p/d personal consumption target by 2050. However, WRE is reporting personal consumption figures for a normal year which are lower than what they would see in a dry year. Our expectations around personal consumption are for the 110 litres per person per day (l/p/d) figure to be met on a dry year annual average basis. Having reviewed the proposed personal consumption reductions in WRE company WRMPs in a dry year, we have concerns that the majority of companies are not getting to the 110 l/p/d target based on that metric. In its final plan we expect WRE to set out its approach to achieving the 110 l/p/d personal consumption target in a dry year.

WRE is proposing to reduce leakage by 29% from a 2017-18 baseline by 2050. We are disappointed that the region is not proposing to reduce leakage by 50% by 2050 from a 2017-18 baseline. For its final plan we expect WRE to set out a more ambitious approach. It should test more stretching reductions than 29%. If any reduction less than 50% is selected as the final plan solution, it should provide sufficient and convincing evidence that the national target will still be met. WRE should also provide sufficient and convincing evidence of target testing and an explanation of its decision-making process as a justification for the selected leakage reduction in its final plan.

WRE should set out in its final plan how it will align with the [government target](#) to reduce the use of public water supply in England per head of population by 20% from the 2019 to 2020

baseline reporting figures, by 31 March 2038, with interim targets of 9% by 31 March 2027 and 14% by 31 March 2032, and to reduce leakage by 20% by 31 March 2027 and 30% by 31 March 2032.

Profiling activity across the planning period: The plan is not clear how water efficiency and leakage glide paths have been tested. It suggests that water efficiency options are selected preferentially until they become too high cost at which point supply options fill the gap. WRE should be clearer on how it has tested different glide paths on personal consumption and leakage and how this integrates with the development of the overall preferred portfolio.

Previously funded options: WRE should provide sufficient and convincing evidence to explain how the benefit of funded schemes has been factored into the supply demand balance for the final plan.

Wider resilience: WRE continues its broad approach including projects benefiting flood risk management such as the Norfolk Water Programme, Essex Water Strategy, Granta Chalk Streams project, Bedford to Milton Keynes Waterway and Future Fens Integrated Adaptation. However, the draft plan has not moved on significantly in explaining how these schemes and this thinking has shaped the plan and the impact this thinking has had on the preferred programme of options.

Stakeholder engagement

Stakeholder engagement must be meaningful and have sufficient reach. We are concerned by the delay in providing the WRE data tables and that these have not been published. This has constrained our ability to engage with the plan and may have also presented an issue for others. WRE should make this information widely available and make sure that it is provided alongside its final plan. Nevertheless, we are encouraged to see the wide engagement carried out by WRE to seek views on the approach taken and the proposed programme of solutions.

Customer preference: The draft plan shows customer preferences for different types of schemes alongside customers' reasons for these preferences. The Triangulation report highlights gaps in WRE research, such as regarding Willingness to Pay values and vulnerable customers. WRE should set out how it plans to address these gaps ahead of the final plan.

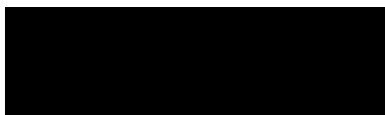
Engaging stakeholders and customers: The draft plan should highlight key choices and present meaningful questions to stakeholders and customers. WRE has developed its draft plan since the emerging Plan. The questions posed to stakeholders are also shown clearly. However, WRE should demonstrate how it has used stakeholder feedback to inform the draft plan.

The draft plan should be transparent and show how decisions were made. WRE do this well through the Supply Side Options Development Annex, where the option selection process is described as well as the criteria and actions needed to pass.

Summary of decision making: WRE should continue to liaise with stakeholders on how the consultation responses will affect the final plan. WRE should now consider the responses to its draft regional plan consultation, and any additional stakeholder engagement carried out, and explain how these have influenced its final plan.

Planning to meet water resources needs over the coming 25 years and beyond is of the utmost importance and these plans will have important implications for customers, society, and the environment. This is why we have pulled together this detailed feedback and why we expect to see the necessary improvements for the final plans. Once you have had a chance to consider these comments in detail, we would like to hear how you plan to address them and will be in touch to arrange a date for this in mid-April 2023.

Yours sincerely



Aileen Armstrong
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