
south east water

Accelerated Schemes

South East Water response

April 2023

South East Water
Rocfort Road
Snodland
Kent
ME6 5AH



Pure know_how

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1. Introduction

Overall we are concerned about Ofwat's failure to recognise the urgent need for investment to improve resilience of service to our customers. This response can be read in conjunction with the letter from our CEO, David Hinton to the Ofwat CEO, David Black, seeking to improve common understanding between our company and Ofwat of the issues faced in our supply area.

This response is organised into three sections.

1. The first section aims to address some apparent misunderstandings about our case to improve network resilience. This is the key priority for our company at PR24. We are concerned about the level of supply interruptions that our customers are experiencing and our first priority at PR24 is to address this issue. However, as explained below, there is a need to bring about changes to our network in order to improve its resilience by delivering the network capacity headroom required to deal with extreme weather events.
2. The second section discusses some related concerns about water resource zoning, where Ofwat's response seems to suggest that our zones should be rezoned in our WRMP process. We believe that this comment is based on a misunderstanding of the issues facing SEW.
3. The third section gives detailed responses on specific schemes, responding to some specific questions that were asked and requesting that Ofwat reconsider its decisions, in the interests of our customers, with regard to five specific schemes.

We would like to investigate solutions to improve common understanding around network resilience, capacity and headroom issues that we are experiencing. We propose that Ofwat should engage in a deep dive on our proposed solutions to deliver a resilient service to our customers, and would welcome the opportunity to engage with Ofwat on this issue prior to the delivery of business plans in October 2023.

2. Addressing the resilience of SEW's network

We are concerned by the responses to Schemes 2 and 5. The responses seem to be identical with the exception of the text highlighted in grey below, which is included in the response to scheme 5, but not scheme 2.

Some concerns. Sub-zonal scheme not providing a benefit to zonal supply-demand balance. Company should provide sufficient and convincing evidence of *additionality* e.g. that none of the issues being highlighted should already have been addressed through historic allowances (both enhancement and base). To support the company in making its case for additional investment, if this is a supply demand balance enhancement issue, the water resource zone integrity should be reassessed and re-zoned and then the scheme assessed as part of the WRMP24 with full options appraisal. If not, it may be a scheme to address interruptions to supply risk, and given South East Water's poor performance against target (expected to be delivered through base) it would require further justification to be considered as a resilience enhancement scheme at PR24.

There are two issues here. The first is the suggestion that this issue 'should already have been addressed', and the second is the suggestion to rezone our Resource Zones (RZs). We will deal with the second suggestion in section 2, but we address the first one in this section.

Our focus is on the position that we are in today, and the need to invest in resilience to produce a suite of assets, particularly our network, which is able to absorb shocks without resulting in major supply interruptions. As discussed below, we think that the case for investment is clear. This requires the construction of new assets, and is therefore enhancement expenditure, not base expenditure. These schemes have not been funded in past price reviews.

However, when we presented this case to Ofwat in on 20th October 2022, Ofwat challenged us to demonstrate that we have spent the money that we were funded at previous price reviews. We recognise that this is a legitimate challenge for a regulator to make and we are confident that we can demonstrate that we have done so.

Prior to PR14, water companies were specifically funded for specific capital enhancement schemes, with mechanisms to return funding to customers if funding was not spent, so we can be confident that there were no examples of SEW being funded for expenditure that it did not make prior to PR14. From PR14 onwards, the funding picture is less black and white.

PR14 was funded on a totex basis. We spent £30m less than our totex allowance in AMP6 as a result of efficiencies, which Ofwat did not challenge at the time. However, we expect to overspend the PR19 totex allowance by a similar amount, if not more. It is demonstrably not the case that we are underspending money allowed to us at price reviews, and more detail is given below.

We believe that we have repeatedly raised concerns about growth, resilience and network capacity headroom at successive reviews, but Ofwat has chosen not to fund the expenditure that we were asking for to address the problems. We suggest that it is not productive to allocate blame for this. We accept that we could have made our arguments in a more compelling way, or perhaps explained them differently. However, at the end of the day, Ofwat decided not to fund the schemes that we put forward, and it is clearly not the case that SEW has been provided with funding to address the issues that it is now seeking to address.

The situation is now deteriorating, and we are very keen to avoid another periodic review where this issue is not addressed. A number of factors have progressively eroded the resilience of our assets in recent decades. Climate change is making the situation worse as we are now clearly experiencing more extreme weather, which is undermining the ability of our asset base to absorb shocks, such as winter storms, electricity failures, droughts and freeze-thaw events. The most extreme example of this is large winter temperature swings which result in pipe failures on both customer and company assets. In addition, housing growth is particularly high in South East England, and we are experiencing changed demand patterns following Covid. All of these factors are further eroding resilience and network capacity headroom.

2.1 AMP7 expenditure including forecasts

We have summarised our base expenditure for AMP7 in Table 1, and compared this to the funding from our final determination. We have taken actuals from 2020 to Oct 2022, and forecast spend up to 2025, and the FD values quoted were our initial assessment of budgets for each investment line from the Botex determinations.

Table 1: Base and resilience Expenditure comparisons for AMP7, £m

Investment Area 2022-23 Prices	AMP7 FD	AMP7 forecast	Difference: Funding vs Spent
	£m	£m	£m
Maintenance Above (MNI)	154.82	202.90	+48.08
Maintenance Below (IRE)	88.99	72.05	-16.94
Sub-Total	243.81	274.95	+31.14
Modelled zonal/ new connections	103.85	101.05	-2.80
Total	347.66	376.00	+28.34
Resilience enhancement schemes	12.92	15.38	+2.46
Final Total	360.58	391.38	+30.80

- All prices in 22/23 cost base
- FD for AMP7 is assumed 49% of Botex determination
- Resilience in AMP7 is sites at risk of flooding, Wellwood to Potters and small amount of money for Barcombe WTW

This demonstrates that over the current AMP and with our actual and forecast spend for the remaining two years, we have fully invested our base maintenance and growth funds into our asset base. The balance between IRE and MNI has changed as we balanced the risks across the whole investment programme choosing to reduce the risk of works or reservoirs failing as an increased priority.

2.2 Ofwat's approach to funding growth at PR19 - why SEW was not funded to resolve these problems.

Ofwat has been unable to model growth funding at periodic reviews. We have sympathy for this problem. We have tried and failed to come up with robust models ourselves. We think that the problem is 'network capacity'. If there is spare capacity in a network, it doesn't need much enhancement to deal with the extra demands which result from new properties (or other demands) being added to the network. If, however, the network is already running at 'full capacity', then new properties will require larger mains, or more cross connections, or both.

This is not a 'black and white' issue. In reality no network runs at full capacity. Networks need spare capacity in order to be resilient to droughts, leakage breakouts or demand spikes such as Covid. This can be thought of as 'headroom'. If you add properties to a network that is already close to full capacity without reinforcing the network, then you will simply eat into the headroom. At first no problems will be observed, but as soon as there is any kind of incident, the network will not have sufficient headroom and customers will begin to experience low pressure or supply interruptions. This is what is happening at SEW.

This conclusion is shared with Ofwat's Arup report, published in April 2022 (https://www.ofwat.gov.uk/wp-content/uploads/2022/11/Arup_Growth_related_Costs_Final.pdf). The report (particularly see page 16) also concludes that network capacity is both a crucial driver, and very hard to measure.

In order to make the concept of 'network capacity' work in an econometric model, we need to be able to 'numerise' it, and so far nobody has been able to do so.

At PR19, Ofwat assumed that growth expenditure was roughly the same in all companies. The totex on which the models were based included network reinforcement, and therefore the funding allowances that those models produced effectively included the 'average' level of network reinforcement expenditure. This means that SEW did receive some funding at PR19 for network reinforcement. And, in fact, Ofwat also recognised this weakness in the models and made a crude adjustment for the 'level of growth' expected within each company. This led to a £7.1m (17/18 prices) additional funding allowance for SEW. However, these adjustments were based on amounts of growth, and took no account of capacity. This means that a company such as SEW with severely eroded headroom and high growth was still underfunded, whereas a company with lower growth and spare network capacity was overfunded.

2.3 The effect of underfunding at successive reviews

PR19 was not the first review to underfund SEW for the costs of meeting growth. The result is that headroom has been steadily eroded over a long period of time, to the point that the network is no longer resilient to shocks. The following quotes demonstrate what has happened at previous reviews:

PR09 – we submitted a request for **£116.4m**, with Ofwat’s response being *“You have made a case for a programme of DMA reorganisation and your zonal strategy scheme but we have concerns over the high costs of this work. We have therefore reduced the proposed expenditure by 25% (£29.1m capital expenditure)”*

PR14 – we produced a detailed Appendix and set out specific business case and cost for 11 strategic mains, 8 service reservoir extensions and 1 new service reservoirs at a cost of **£54.3m**. Ofwat said *“We acknowledge that SEW appear atypical from a supply demand perspective. However, we are unconvinced about the intervention that the company has put forward to address this. As the company has not addressed our concerns regarding the regional / zonal strategies claim we have not recognised that additional enhancement expenditure is required to deliver the programme. Our top down totex modelling cannot be disaggregated to specific drivers of expenditure. It is only possible for us to consider enhancement expenditure collectively.”* Due to this approach from Ofwat we cannot pull out how much money was funded for these activities, but in reality it was just the average for all companies (which as we have discussed above, underestimates the real cost to SEW)

PR19 – we produced an appendix based on the same modelled approach but purposefully made it less technical than the previous two rounds. Our original investment need was **£81.5m** during 2020-2025 but after reviewing the programme in conjunction with more challenging leakage and PCC targets, and by increasing low pressure and supply risks in Ashford and Basingstoke (both areas forecast for high growth) our revised total was **£58.3m**. Ofwat included growth related expenditure in their base econometric models and stated *“We consider this expenditure to be for supply demand balance if the transfers were between water resource zones rather than within a zone”* and *“South East Water’s total enhancement allowance appears lower than at draft determination because the **£41.8 million** allowance we make for intra-zonal growth we now allocate to growth as an addition to our base plus modelling, rather than allocating it to enhancement as we did at the draft determination.”* (Note that an additional £7.1m was added to give a total £48.9m, £9.4m less than requested)

As can be seen from the above, South East Water has carried out the same consistent approach based on robust science and evidence with Ofwat’s assessment and determinations varying each time. Funding has been given, but never fully funded with any shortfall being assumed by Ofwat to be fully funded in base cost.

2.4 The consequences of eroding headroom

Our network has experienced a series of extreme weather events since 2018, which have resulted in significant performance impacts, primarily seen through customer supply interruptions. None of them

have been as a result of asset health issues, but rather the materialisation of these network capacity risks.

These events are summarised below:

Event Name, Time	Extreme Weather Type	Primary Failure Mode	Description
Beast from the East, Mar 18	Extended cold weather Fast thaw	Customer owned pipe bursts Increased sudden demand	Siberian weather leading to <10°C temperatures and high snowfall, and then sudden warming. 80% of increased demand driven by customer side issues. Led to dewatering of number of service reservoirs in Sussex and Challock region.
Summer Heat Wave, Jul 20	Extended hot weather	High localised customer demand	Extended period of high temperatures combined with demographic and consumption pattern changes due to Covid led to extremely high demands. Led to dewatering of number of service reservoirs in Sussex and near misses in several areas in Kent.
Storm Eunice, Feb 22	Extreme high winds	Extended 3 rd party power failures	Red weather warning for high winds in Sussex. Knocked out a wide range of power infrastructure for extended period. This was beyond that covered by SEW generator strategy, or UKPN mitigation plans. Led to loss of supplies for East Grinstead and Bexhill
Summer Heat Wave, Aug 22	Extended hot weather Drought	High localised customer demand Localised 3 rd party power blips	Extended hot weather during summer drought, including red weather warning for temperature, led to extended outage for Challock and Molash region in Kent.
Freeze-thaw event Dec 22	Extended cold weather Fast thaw	Customer owned pipe bursts Increased sudden demand	Rapid change in temperature led to ground movement, resulting in multiple pipe failures on the customer and company side. This led to a demand spike in areas of Kent and Sussex which we were unable to meet.

2.5 How is resilience funded in Ofwat’s regime?

Resilience funding is a relatively new concept in Ofwat’s regime. Companies had a specific opportunity to apply for funding to enhance resilience at PR19, and SEW did so. However, only a small proportion of funding was delivered in the FD.

Of course, resilience is not a new issue in the water industry. At the point of privatisation, water networks generally had good capacity headroom. This largely reflects that Britain was (and is) a post-

industrial society. Water networks were sized to serve both industrial and domestic demand, so when industry diminished there was plenty of spare capacity in most networks. This was particularly true in urban areas (with the possible exception of London) and northern and midland England. Although there has been some erosion of this headroom in some areas, most water networks retain plenty of spare capacity.

Ofwat's regime did not really need to take account of headroom shortages because there was not a shortage of capacity in most places. However there have been some resilience issues which have emerged, and been dealt with by Ofwat's regulated regime in a more ad-hoc way in the post-privatisation era. These include:

- Thames Water Ring Main (mostly pre-privatisation)
- Yorkshire Water resilience grid
- Wessex Water resilience grid
- Birmingham resilience project
- Anglian Water Elsham works and strategic mains (this is partly to address supply resilience)
- Thames Tideway

These have all been large schemes, which are high profile, and so perhaps easier to understand for Ofwat staff. By contrast, the small schemes which we have put forward to improve resilience in rural Sussex are not so intuitively easy to grasp, and perhaps that is why they have not been funded at successive reviews. The list above shows that SEW is not unique in experiencing resilience issues, but it is uniquely vulnerable, because we operate small discrete water systems, which do not cross RZ boundaries. This means that our resilience requirements tend not to be as immediately obvious as they are for companies with more integrated networks serving large conurbations where resilience issues are likely to cross RZ boundaries, and therefore fit the WRMP tests that have been referred to.

We understand that these issues are difficult for Ofwat to get to the bottom of. It requires a good understanding of how our network operates and the solutions required to ensure resilient supplies for customers. We propose a deep dive into the detail of these schemes. This deep dive can commence before the business plans are submitted in October. We would welcome the opportunity to meet with the appropriate individuals at Ofwat to progress this. We don't think that our customers can afford another wasted opportunity to address these issues at PR24.

3. The case for rezoning

Ofwat's response to schemes 2 and 5, above, appears to suggest that we should resolve our sub-zonal deficits by changing our Water Resource Zoning. We understand the logic behind this suggestion and earlier in the WRMP process, we considered it ourselves as a work around to the funding issue we have faced historically.

Water Resource Zones (hereafter RZs) are not defined solely by the ability to move water within them, but also by the exposure to supply demand imbalance and the risk of water restrictions. If RZs were to be defined simply by the ability to move water within them, this would result in a dramatic increase in RZs across the country.

We have worked in conjunction with all our regulators throughout the WRMP process and the possibility of differentiated supply risks within RZs has always been understood. Ofwat's response to the WRPG, which explicitly recognises that sub zonal scheme requirements may arise, was as follows:

*We also reiterate our pre-consultation feedback, which aligns with the WRPG, **that sub zonal schemes (not impacting on zonal WAFU) can be discussed within the narrative of the WRMP to provide context, but they need to be presented and justified with sufficient and convincing evidence in PR24 business plans rather than the WRMP.** When presenting such enhancement schemes, companies should clearly identify how they have assessed the degree of overlap with activities it is funded to deliver through base expenditure. Companies should not expect additional customer funding to address risks resulting from under delivery in the current or previous periods."*

We propose that it is far too late in the Water Resources Management Planning process, to fundamentally change our approach. Such a manipulation of RZs would not be in line with what the RZs are meant to describe. The proposed solution is impractical, and would require a remodelling across the industry.

The issue of how to fund sub-zonal schemes was constructively discussed in a meeting between Ofwat and SEW on 20th April. We hope that this process will lead to a better mutual understanding of the issues that we are trying to address, and lead towards solutions that are in the best interests of our customers.

4. Responses to Specific issues in Ofwat's draft decisions

4.1 Delivery Process and Timing

The original submission date for the accelerated schemes was the 17th of October 2022, with companies having been provided ten days to prepare the submitted information. Queries received from Regulators were then relatively high level, and needed to be turned around and submitted in two days. This being a year earlier than the PR24 submission date, and occurring when companies were still relatively early in the development of their long term delivery strategy and PR24 investment plans. The draft WRMP and its associated schemes were published, but WINEP, water quality and wider resilience needs, options and preferred schemes were still in development.

This is reflected in the data we were able to initially submit, and to then provide for the query responses and we therefore recognise that a number of cases were not of sufficient quality to take forward for funding.

However, having reviewed the specific feedback for individual projects there are several elements that we would like to provide feedback on, as we do not believe the assessment conclusions reflect accurately on the schemes and evidence provided. We have broken these down into two sections:

- Section A: is where we disagree with one or more of your concerns but overall we accept that these do not meet the requirements of the accelerated schemes, as laid out in your document.
- Section B: is where we disagree with one or more of your concerns and believe the schemes should be funded as accelerated schemes and provide justifications on this.

4.2 Feedback on Ofwat concerns

4.2.1 Scheme 11: Alternative Power Supplies.

We are not challenging this case as we understand that the submitted scheme was not able to fulfil your process requirements, and that we hadn't had in depth discussions with the power suppliers at this point.

We do, however, want to address one part of your feedback on this scheme, where you stated that the project did not meet the criteria as it referred to the scheme addressing high frequency issues, as opposed to major power outages, and therefore aligned to base unless it can be evidenced that the risk is increasing.

We disagree with this assessment as the analysis, and in our response, we stated that the increase in power fluctuations, dips and outages were particularly being experienced during periods of hot weather. As part of our PR24 work we will provide evidence that heatwaves (10 days or more, greater than 26°C), and maximum daily temperatures are increasing, and will continue to do so as a result of climate change, and therefore the change in the level of power protection is as a direct result of climate related extremes.

The outages are localised and extremely short, but can reoccur several times during hot weather. Our concern is they may not impact domestic customers significantly and although they will be recorded within the Ofgem customer interruption and customer minutes lost measure, they will not be significant or impactful to the power companies own incentives and network reliability. These interruptions do, however, have a large impact on our complex treatment works. At the time of submission we have had limited conversations with the power companies, but this engagement is happening and the results of these will be referenced and taken into account within our PR24 submission in October.

4.2.2 Scheme 8: Cattle Troughs.

This was assessed as not meeting the criteria, but feedback was more around the quantification of need and benefit was not sufficient on this scheme. We believe this meets the criteria (supporting reduction in demand through support to NHH businesses in identifying and reducing leaks on their cattle troughs) and is similar to some of the funded schemes for household free leak repairs. We understand that the standard of evidence was lacking, reflecting where we were in the process, and more quantification is required. We are continuing to develop this scheme further and will include it in our business plan submission.

4.3 Request to reconsider 5 projects

4.3.1 Scheme 4: Tonbridge Flood Defences.

In PR19 we submitted and had funded a flood resilience case for 92 WTW to meet with National Flood Risk Resilience Review (NFRR) recommendations. In this business case, we clearly indicated that there were 3 more complex sites that had significant additional risk, and that further work would need to be undertaken to confirm what activities could be undertaken to protect them from a 1 in 1000 event. Tonbridge WTW was one of these sites that needed further work. In October 2022, as part of a Tonbridge and Pembury 25 year investment feasibility study, a targeted flooding review, scope and cost was completed, and this formed the basis for the scheme 4 submission.

Our response on Need was therefore to fulfil and bring the site up to the same level of protection as was recommended in the NFRR review (protect against a 1 in 1000 event), and to also provide clear evidence that within the last 5 years we had experienced a significant flooding event that had caused significant damage and complete loss of the site for an extended period (photographic evidence was provided for the February 2020 event).

If further quantification of need is required, then this is an issue, not a risk - we have experienced 2 flood events in the last 5 year period. We are expecting equivalent or increasing likelihood of this event going forward, based on work on extreme events of intense and focussed rainfall occurring, which we will lay out in our long term delivery strategy in October.

Consequences, without flood defences, again are known and don't need to be predicted. Which is that the site has to be switched off and significant repairs made. The 2020 flooding impact, led to the 1.48 Mld output from Tonbridge WTW being unavailable from Dec 2019 to May 2020, almost 6

months. The network is connected so we can bring in water from elsewhere over the short-term, but if a secondary risk materialises, such as a freeze/thaw or a heatwave event, then it will significantly increase the risk of c3000 customer outages in the wider area. This was experienced in the 2022 Freeze/ Thaw event in December 2022, where Tonbridge was out of supply in part due to flooding damage that occurred in the previous month.

We described in some detail a range of options for alternative approaches to securing the output from Tonbridge, showing how the majority were not possible due to knock on impacts to the wider flood plan and the guidance set out in the National Planning Policy Framework (NPPF) and a full bund (complete protection) would cost >£15m. We didn't submit this as a table, but the information is clearly available within the response.

The scheme would also not impact on existing delivery and make sense to be completed this AMP, as the flood defence programme is progressing well and is being delivered as a discreet workstream with specialist supplies and contractors. The size of the scheme is big compared to an average flood scheme, and represents c50% increase to the existing delivery programme, but is deliverable by 2025.

Finally, resolving this flood risk supports the resilience of supply in the Tunbridge Wells area, which has seen two significant outages in recent years associated with extreme weather (and directly contributed to by Tonbridge being out of supply due to flooding). Being able to fund and deliver this flood protection work through the accelerated scheme route, would demonstrate significant immediate customer benefit where it matters most.

4.3.2 Scheme 6: accelerated Nitrate plant designs.

We believe in our submission that the need for nitrate removal for the three sites (West Ham, Broughton and Poverty Bottom) was clearly proven, as they each were identified from detailed nitrate investigations undertaken through the 2020-2025 WINEP environmental programme, showing trends that would breach the trigger limits within the 2025-2030 AMP period.

Of the three schemes, two are more urgent with the modelling showing that the PCV limit for nitrate will be exceeded early in the 2025-2030 period. Of these, West Ham, in our Western Region, is a 26 Ml/d site, supplying five water supply zones with a combined population of 182,069 customers, with the exceedance predicted to occur in 2025/26, and Boughton, which is in our Kent region, is a 4 Ml/d site which provides a proportion of the supply to two water supply zones with combined population of 89,454 customers showing an exceedance by 2026/27. The third scheme at Poverty Bottom, is required later in the AMP.

The accelerated funding request was for funding to progress with design and optioneering, to develop preferred, costed solutions that could go for planning and commence construction at the start of the next AMP. The plan is to review and develop full options as, and the best value solution confirmed as part of this transitional activity.

To protect customers, should the best value solutions prove to be significantly less costly than the current scheme estimates (which are based on full nitrate plant installations), we are planning to put in place appropriate Price Control Deliverables. This reflects where we were in the process, that the

initial planning assessments were out with consultants, and that we couldn't request funding or deliver the full scheme within the transitional time period.

During the query process you requested a commitment to detailed design and planning for all three schemes should be completed in 2025. In your review you said our response was "non-committal". We refute this, as we came back with a clear commitment that, for the money requested, we could commit to detailed design and planning for two of the three schemes. This commitment was made after discussion and agreement with our engineering and water quality teams, based on overall deliverability and urgency.

4.3.3 Scheme 9: early start on design and planning of Broadoak Reservoir

Broadoak is likely to be South East Water's first DPC scheme, and is of a magnitude of delivery beyond anything that has been delivered by the company in recent times. Because of the complex nature of this scheme, it has a long delivery period, including significant environmental and planning activities prior to detailed design and construction. Analysing critical path activities for this Water Supply Scheme, including the extra up front commercial requirements for a DPC market event, shows that for delivery by 2033, significant ramp up of activities needs to occur before 2025.

It has a detailed scope and specific, unique skills required, and would require the mobilisation of a specific and separate delivery team and hence, would not interfere with ongoing AMP7 delivery. This combination of being a water supply scheme with a pressing need, detailed scope and the ability to ramp up and deliver separately, was therefore felt to be an ideal candidate for accelerated funding.

Your assessment raised the differences in delivery dates as part of the reason for not including this in the accelerated funding programme, which we reject as a valid reason. In our dWRMP24, the delivery date for this scheme based on supply/demand balance calculations determine by the regional (WRSE) modelling work was 2036. We put forward an alternative plan in our dWRMP24 that took account of more company specific considerations within our decision making, such as our commitments to delivery in WRMP19, and resilience/environmental benefits that the earlier delivery of the scheme would create. This alternative plan was largely supported by stakeholders and customers during the recent dWRMP consultation process and also by the EA and Ofwat within their representations. - Our revised WRMP will therefore show the requirement for this scheme to be 2033, and therefore the urgency for transitional spend remains, especially with the added complexity that will be introduced with it being a direct procurement for customers scheme.

4.3.4 Scheme 2: Faversham Main

The proposed main is primarily removing a **single source of supply** risk, and results in a brand new connection between the Canterbury and Dunkirk supply areas, increasing resilience to all types of supply risk for the 2134 customers fed from the Dunkirk service reservoir.

We can confirm that we have not submitted an enhancement funding request for this scheme at previous price reviews, and the local mains are judged to be in appropriate condition and are not impacting our underlying interruptions performance, and therefore not base expenditure related. The risk that has led us to assess the need and promote this scheme is primarily due to the increased risk

due to climate related high demand, which would lead to supply interruptions, as demonstrated in 2022.

As written in our previous response, this proposed scheme will ensure that the network is reliable and has headroom in the area supplying Faversham, reducing the likelihood and impact of any future incidents to our customers in this area and fundamentally reducing the criticality of this main.

4.3.5 Scheme 5: Detling to Hollingbourne Main

The proposed main has become a viable solution due to the new Butler WTW currently being constructed and providing new water at Alyesford, Kent. This enhancement funding has not been sought previously and was not requested or funded as part of the PR19 Butler WTW enhancement scheme. This is also not been driven by asset condition related requirements and is therefore not considered as being funded by Base.

The key driver is to provide a new connection main and boosters to make best use of this water to increase resilience of supplies to the Detling and Hollingbourne areas. This, along with connecting mains from Butler WTW to Detling, and the funded Wellwood to Potters scheme, will provide a robust route to move 11 Mld of water from the works, across North Maidstone and then down into Ashford, which will be in deficit before 2030. It was therefore included as scheme 22 in our draft dWRMP.

We believe strongly, that these schemes meet your criteria and evidence requirements, and should be reconsidered and included in the accelerated scheme programme.

Contact Us

South East Water
Rocfort Road
Snodland
Kent
ME6 5AH

southeastwater.co.uk

Follow us

