



South Staffs Water

Green Lane, Walsall WS2 7PD
www.south-staffs-water.co.uk

24 April 2023

Accelerated Infrastructure Delivery – Project Team
Ofwat
Centre City Tower
7 Hill Street
Birmingham, B5 4UA

By email: ofwatdefraacceleratedprocess@ofwat.gov.uk

Dear Sir or Madam,

Thank you for your draft decisions on our accelerated delivery schemes. We welcome both the process and the comments made on our submission.

First, we are pleased that the scale and ambition of our **metering programme** has been recognised. However, we would like you to confirm some elements of the metering PCD. This is a new area of the regulatory mechanism and we want to be sure our understanding of the detail is completely correct. We have attached the queries on this area as an appendix to this letter.

We would also like recognition that we will need time to get up to speed in terms of securing the additional meter units from our suppliers and making sure we have the installation resource in place – having only received our accelerated delivery draft decision in April, which was later than originally anticipated. This is likely to mean we are more skewed towards year 5 in terms of delivery rather than numbers being equal in both years.

I would like to turn now to our submission for a **water transfer from Anglian Water's Grafham Water** reservoir to help the supply/demand balance in our Cambridge Water operating area. The representation on this transfer proposes to move the scheme from being delivered at company risk and make it eligible for a PR24 true-up – thereby giving us more certainty with regards to the recovery of funding.

We welcome the challenge from our collective regulators on this scheme. However, we are disappointed that it was not approved as we see it as the quickest way to resolve the water resources challenges in our Cambridge region. This is an issue which is currently drawing a lot of attention from a wide range of stakeholders, including local media and environmental campaigners. Therefore, it is important for us to deliver a sustainable solution, at pace.

We are continuing to work collaboratively with our colleagues from Anglian Water on this issue and would welcome a commitment to the same levels of collaboration between our regulators. We are also working with Atkins on the water quality challenge posed by the DWI on bringing surface water into our Cambridge region, and have been collaborating with the Environment Agency about the availability of water from Grafham Water.

While Anglian Water is not making a separate representation on this scheme, it has committed to make an early start on the enabling works, making use of the usual transition spend approach. Therefore, we are keen to ensure that Cambridge Water is ready to receive the water from Anglian



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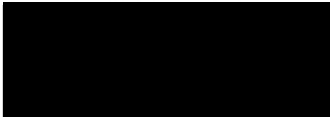
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Water as soon as it is available. We have widespread support for this approach, including from both WRE and the Greater Cambridge Shared Planning team.

We would ask that you look again at this scheme, and the benefits it would deliver to Cambridge Water customers and the environment. We believe that the problems that you perceive to exist can – and will need to be – overcome if we are to achieve our licence cap reductions in line with the Environment Agency's requirements.

I would be happy to discuss any of the points raised in this letter in more detail with you. Please let me know if that would be helpful.

Yours sincerely



Caroline Cooper
Strategy and Regulation Director

Appendix 1: metering PCD queries

As a new mechanism, we want to ensure the PCD for delivery of the accelerated metering programme is completely accurate.

1. We understand that the accelerated delivery funding will apply to metering we deliver above funding from PR19. However we don't recognise the figures you have shown in the PCD as follows:

PR19 delivery AMR meters – unmeasured properties	Number		4,095	5,661	7,000	7,000	7,000
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The first two figures are our reported number of meter optants, however we don't recognise the 7000 per year for years 3 to 5. It does not match the PR19 metering enhancement cost allowance model.

PR19 delivery basic to AMR meter upgrades	Number		1,348	1,716	2,700	2,700	2,700
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We also do not recognise the above figures for upgrades, please can you identify the source? At PR19 we had no specific funding or target for meter upgrades from basic to AMR and Ofwat will see from table 4L of the 2021/22 APR that we have not reported any meter upgrades from basic to smart as enhancement cost. So this should not form part of the accelerated delivery commitment.

2. The PCD already contains committed delivery levels for new meters and replacements. To minimise any confusion we suggest the below derived lines are removed, as other validation activity on properties data over time may mean these numbers do not exactly match with new meters installed or upgraded in future years. The APR will continue to contain the total metered properties so the data is available in future at any time in order to observe the trend of metering growth.

Baseline basic meters - cumulative	Number	249,237	247,889	246,173	243,473	240,773	238,073
Baseline AMR smart meters - cumulative	Number	143,957	149,400	156,777	166,477	176,177	185,877

3. Can we also confirm that the PR19 funded number, that we need to achieve before the accelerated funding kicks in, do not need to be customer elected optants as originally intended – rather we can move to a policy of both optants and selective metering to achieve this PR19 funded level, given that the accelerated level will primarily also be selective metering?
4. Can we also clarify the point about cost sharing mechanisms in the main document and whether it applies here? As this is a linear programme defined by the number of meters being installed, we understand that this means that funding will be allowed (at PR24 efficient rates) for the number actually delivered in these two years. So we think that the cost sharing mechanism is not relevant to this scheme, and perhaps is more relevant to the approved programmes for other companies which are more one off larger schemes? Can Ofwat clarify if we have interpreted this correctly?