

1 December 2017



By Email

Secretary of State for Environment,
Food and Rural Affairs
c/o Water Resources Policy
Area 3D Nobel House
17 Smith Square
LONDON
SW1P 3JR

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Web: www.portsmouthwater.co.uk

Please ask for Paul Sansby
Our Ref PNS/KL
Your Ref

Dear Secretary of State

DRAFT WATER RESOURCES MANAGEMENT PLAN 2019

Please find attached, Portsmouth Water's Draft Water Resources Management Plan 2019 prepared in accordance with Section 37A-37D of the Water Industry Act 1991. A Draft Drought Plan 2018 has also been submitted under a separate email.

Our Security Adviser has confirmed that the document, and the appendices, do not contain any information that would compromise national security (statement attached).

Portsmouth Water has not submitted parts of WRP Table 5 because this contains commercially confidential information. A separate spreadsheet will be provided with this cost information to the Environment Agency.

There are a large number of appendices and these will be forwarded in separate emails to avoid delaying the main text and tables.

Portsmouth Water would like to go out to public consultation in early January 2018 with the aim of publishing a Draft Final Water Resources Management Plan and Statement of Response in July 2018.

Yours sincerely

HELEN ORTON
Finance and Regulation Director

Enc

20 October 2016



(see list)

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Please ask for
Our Ref HMGO/KL
Your Ref

Dear Sir/Madam

WATER RESOURCES MANAGEMENT PLAN 2019 – PRE CONSULTATION

Portsmouth Water is required by the Government to produce a Water Resources Management Plan (WRMP) every five years. This sets out how the company intends to balance the supply and demand for water over the next 25 years.

Portsmouth Water also has to produce a separate Drought Plan which sets out how drought management actions will be implemented over a range of scenarios. These range from a 'Normal Drought' to a 'Severe Drought' which has not been experienced in recent history.

The next WRMP will be submitted to the Secretary of State with the Drought Plan in Summer 2017. These plans will then go to public consultation and the final version, taking account of any representations received, is expected to be published in 2018.

To assist companies in the preparation of their Plans, the Government and the Regulators have published the following guidance.

- Guiding principles (Defra May 2016)
- Water Resources Planning Guidance (EA May 2016)
- Drought Plan Guidance (EA December 2015)
- Drought Plan Direction 2016 (Defra July 2016)

There is a greater emphasis on resilience and the links between Drought Plans and Water Resource Management Plans.

Portsmouth Water has already started work on a revised demand forecast, an updated assessment of source yields and a review of potential options. We are working with the Environment Agency and Natural England and will conduct a formal 'Strategic Environmental Assessment' (SEA) on the Water Resources Management Plan. We also plan to set up a 'Stakeholder Group' to cover the whole planning process. If you are interested in joining this group, please contact Portsmouth Water.

Water UK, the Water Industry trade organisation, has published a 'Long Term Planning Framework' which looks at the resilience issues. Portsmouth Water will take account of this document when preparing the WRMP.

Cont'd/ . . .

Portsmouth Water are fully engaged with the Water Resources in the South East (WRSE) group. This comprises of all the water companies in the South East and the relevant Regulators. The WRSE has invited third parties to propose demand management and supply options in the South East. These will be included in the resilience modelling that is currently being carried out by WRSE.

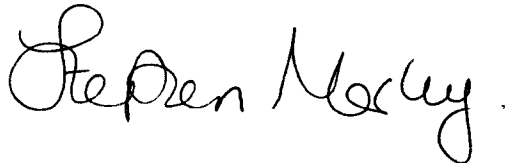
It is possible that some of our 'Preferred Options' from the 2014 WRMP will have to be brought forward to ensure the resilience of public water supplies. We would like to hear your views on:

- Havant Thicket Winter Storage Reservoir
- Bulk supplies to Southern Water
- The possible need for a large number of Drought Permits to maintain supplies in severe droughts
- The levels of service that the Plans are based on
- Your level of support for resilience in the Water Industry and the need for common standards

This letter is a formal requirement under the Water Industry Act 1991 and has been sent to all the stakeholders listed in the Planning Guidance (EA May 2016). The closing date for the consultation is four weeks from the date of this letter.

If you have any queries regarding this consultation please contact our Regulation Manager, Steve Morley on 023 9224 9207.

Yours faithfully

A handwritten signature in black ink that reads "Stephen Morley". The signature is written in a cursive, flowing style.

STEPHEN MORLEY
Regulation Manager

Steve Morley
Regulation Manager
Portsmouth Water Ltd
PO Box 8
Havant
Hampshire
PO9 1LG

Our ref: WRMP19 Pre-con
Your ref: HMGO/KL

Date: 2 December 2016

BY EMAIL ONLY

Dear Steve

Response to WRMP pre-consultation request for information for Portsmouth Water

Thank you for consulting us for information and advice in preparation of your draft water resources management plan (WRMP). This letter is our formal response to your pre-consultation request for information. We will be pleased to continue discussions on your draft WRMP as you continue to develop it.

In the sections below we set out the issues that you should address that are specific to Portsmouth Water, together with wider issues that we are asking all water companies to consider and our responses to the specific questions raised in your letter.

1. Specific areas to address in your 2019 draft WRMP

There are a number of issues that you should resolve when preparing your draft water resources management plan to ensure you have used appropriate methods and data to develop your WRMP and can provide a secure public water supply across the planning period.

- **Deployable output**

Earlier this year we noted from your WRMP annual review that although work is progressing, you have still to complete work on improving your approach to assessing your deployable output. We expect this work to be completed to inform WRMP19.

- **Non household demand**

In our advice to Defra on your current WRMP, we recommended you undertake research into your non-household customers to determine future forecast demands. This is because of the uncertainty around future non-household demand and the impact this could have on the potential surplus for trading or development. We expect you to work with Castle Water to understand future trends.

- **Water efficiency, metering and leakage**

In our advice report on your last plan we encouraged you to investigate whether you could do more on water efficiency, metering and leakage to reassure your customers that you are taking sufficient action to manage demand.

Following representations on your last WRMP raising concern that your metering rates may not be achieved through optant metering, we advised that you develop your metering strategy and seek advice from other water companies about encouraging customers to opt for a meter to inform your WRMP19.

- **Sustainable Economic Level of Leakage (SELL)**

In our advice to Defra on your current WRMP (dated January 2014) we stated that you need to work to confirm your SELL and explore whether a revision would impact on your supply demand balance. The information should be clearly presented and auditable in your WRMP.

- **Links between WRMP and drought plan**

We expect to see clear links between your WRMP and your Drought Plan.

- **SEA**

You will need to demonstrate how your Strategic Environmental Assessment has informed development of your WRMP throughout the process.

- **Customer Views**

We would like your new WRMP to clearly show how your customers' views have influenced and shaped your final plan.

2. Wider issues to consider

Government expects water companies to follow the water company water resources planning guideline when preparing their draft WRMP. We plan to issue an interim update of the WRMP guideline in February 2017.

To support our guideline, we have also produced a set of supplementary documents and templates that provide further information on specific topics. These include the supply-demand and water company level tables to be used for capturing and presenting water resources planning data at a resource zone level to support your WRMP. These are all available from Huddle or upon request from the Environment Agency.

We expect you to consider our emerging Water Industry National Environment Programme (WINEP) for PR19 for your company. Your WRMP should clearly demonstrate your commitment to protect and improve the environment.

We expect you to review the outputs of the Water UK project titled 'Water Resources Long Term Planning Framework' and consider what it means for your company and the range of resilience solutions you have considered. We would also expect solutions identified for Portsmouth Water through the WRSE work to feature in your WRMP unless there is a good very good reason for not doing so.

3. Pre-consultation letter questions

Our response to the specific questions you raised in your pre-consultation letter are below.

Havant Thicket Winter Storage Reservoir

In our advice to Defra on your last WRMP we stated that you should consider whether you should develop a strategic source of water (Havant Thicket reservoir) for sharing with neighbouring companies, even though you may not need it for your own customers. We expect your WRMP to demonstrate whether any new resource development is needed to supply your own and/or other water company customers. Your WRMP should appraise whether this is the most appropriate resource option if one is needed.

It is recognised by local stakeholders that the option, if need can be demonstrated, has the potential to provide ecosystem services and an Ecosystem Services Assessment of the option could be explored, as a means to describe and quantify the socio-economic and environmental costs and benefits. Natural Capital approaches could also be considered.

Bulk supplies to Southern Water

We expect companies to fully explore resource sharing during WRMP 2019 and beyond and are pleased you are fully engaged with WRSE. Any options to export water to Southern Water must be done in a way that does not pose additional risks to water supply or the environment from which you abstract. It must also be done in a way that ensures compliance with WFD actions and objectives.

Any proposed raw water transfers should be assessed for their potential to spread Invasive Non-Native Species (INNS). Any identified risks and mitigation measures would need to be discussed with Natural England and ourselves. In the near future we will be publishing a position statement on INNS and water transfers.

The possible need for a large number of drought permits to maintain supplies in severe droughts

You should set out in Table 10 what is the most appropriate solution for various plausible droughts, taking into account the social, environmental and economic costs and benefits, your customer views and risks to supply. You should appraise the options for each scenario and justify your selection. You should set out under what circumstances a drought permit/order will be used, the mitigation measures that will minimise the impact on the environment and the appropriate monitoring.

The levels of service that the plans are based on

Aside from any potential government direction, your plan should clearly demonstrate how you have considered and tested what the right level of service is for your customers and whether there is a case for improving resilience. Your plan should set out the options you have considered, on what basis the decision is made, including planning assumptions, and consider the balance of investment bearing in mind the long term needs of your customers. You should also have regard to the impacts of restrictions on businesses and households when deciding on a planned level of service. We expect to see meaningful engagement with customers using descriptions and indicators that will help them understand the risks and reasons for the measures proposed. Informed by this engagement you should set out clearly in your plan how solutions are resilient for your customers over the long term,

including the risks to delivery of those solutions, flexibility, and evidence that you have considered the full range of options for managing those risks.

You should justify how your level of service has been considered in your deployable output assessment. This should cover drought events more severe than the 1 in 20 year severity, which the 2014 WRMP is currently based upon. The company is an outlier in terms of the severity of drought you plan for as evidenced in the recent Water UK Water Resources Long-Term Planning Framework.

Your level of support for resilience in the water industry and the need for common standards

Defra's guiding principles and the water resources planning guideline clearly set out the importance of considering the resilience of your supplies to both drought and non-drought hazards and where appropriate setting out options to improve resilience in your plan.

The Water Act (2014) gives powers for the Secretary of State to direct one or more companies to plan for a specified minimum level of service. Defra are considering this power and we are expecting an announcement over the coming months regarding this.

4. Customer and third party involvement

We welcome your proposals outlined in your pre-consultation letter to set up a 'Stakeholder Group' to cover the whole planning process. We would like to join this group.

We would encourage you to consult with a range of statutory and non-statutory stakeholders, including your customers and neighbouring water companies. As stated in our advice report to Defra on your last WRMP, we recommend that you consider developing strong links with local authorities to produce a joint 'plan' based property and population forecast for your next WRMP.

We look forward to working together with you as you develop your new WRMP and drought plans. Samantha Bunce will continue to be your lead contact throughout this process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Howarth', with a stylized flourish at the end.

David Howarth
River Basin Account Manager, South East

Date: 17th November, 2016



By email only to: K.Limb@portsmouthwater.co.uk

Customer Services
Hornbeam House
Crewe Business Park
Electra Way, Crewe
Cheshire CW1 6GJ

T 0300 060 3900

Dear Steve

Portsmouth Water WRMP19 – Pre-consultation

Thank you for your letter outlining the approach to the next Water Resources Management Plan and inviting comment on a possibility of bringing forward elements from your 'Preferred Options' in the 2014 WRMP. On the latter I have the following initial observations:

Havant Thickets Winter Storage Reservoir

Natural England has commented on this proposal over the years and our advice remains essentially the same on the biodiversity aspect. The proposal would involve a loss of habitat, mainly deciduous woodland, that is of a priority type for conservation. There is planning policy for the protection of priority habitats and the habitats used by priority species. If an overriding need for the development proposal can be demonstrated then mitigation and compensation measures will be required. In this case that will involve a project design that avoids impact as far as is reasonably possible and compensates for unavoidable loss by establishing replacement habitat and the habitat of priority species at least equal to that lost.

Bulk Supplies to Southern Water

This has merit given the water scarcity in the Southern Water supply area and a water surplus in the Portsmouth Water (PW) supply area (assuming the latter is still holds). The case will be stronger where it can be demonstrated that such supplies are environmentally advantageous, for instance by lessening pressure on water bodies not achieving their designated site or WFD objectives (e.g. River Itchen) and do not adversely pressurise other water bodies from increased abstraction. Headwater chalk streams in the South Downs part of the PW resources area could be vulnerable from increased groundwater abstraction. Thus consideration of the wider environmental implications, and not just the transfer pipeline, is important.

I suggest it would also be advantageous for water transfers to lie alongside an improving situation on water efficiency in the PW area that catches up on best performance by other water companies that are not in water stressed areas.

Drought Permits

The possible need for large numbers of drought permits may not sit comfortably with protecting water environment needs, especially those for protected sites, when they are likely to be most stressed. This drought permit need should be avoided through planning adequate water resource availability.

Levels of Service

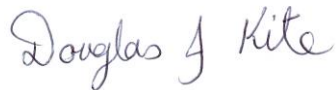
There is a link here with the possible need for drought permits. Research on customer expectations, including possible restrictions, and protection of the environment and aquatic wildlife at critical times of water scarcity would be informative.

Resilience and Common Standards

I have no observations on this matter at the present stage.

If you have any queries on this response please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink that reads "Douglas J Kite". The signature is written in a cursive style with a large 'D' and 'K'.

Douglas Kite
Conservation Adviser (water and wetlands)
Dorset, Hampshire and Isle of Wight Area Team

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Helen Orton
Portsmouth Water
PO Box 8
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Havant
PO9 1LG

8 December 2016

Dear Helen

Ofwat's approach to pre-consultation for water resources management plans 2019 (WRMP19)

We are writing to you to set out our expectations and approach to the pre-consultation engagement for WRMP19.

Water resources management and planning form a key part of your business activities and we expect companies to integrate the development of their WRMPs into their mainstream business planning. We are working closely together with Government and the regulators in both England and Wales to ensure that water resources planning outcomes, including long term, strategic and resilient solutions, are reflected through the price review process.

We are pleased to see that a number of companies have already started pre-consultation engagement with stakeholders. Early engagement by companies with their stakeholders and regulators reduces the likelihood of issues and concerns coming to light at a later stage of the planning process. We note that in our role as a statutory consultee, as set out in the [Final Water Resources Planning Guideline](#), you are required to have pre consultation discussions with Ofwat on your WRMP.

We believe it is important that the pre-consultation engagement with Ofwat is proportionate and does not impose an undue burden. For these reasons, we expect that:

- we would have a pre-consultation discussion meeting with each company (before autumn 2017), focusing on the key issues for the WRMP19; and
 - we would share our feedback with Government and other regulators where we feel that this is appropriate.
-

Within the context of PR19, we expect the pre-consultation engagement to focus on the approach that companies are following to develop their WRMP19, including:

- evidence of customer requirements and outcomes (e.g. level of supply resilience) that need to be delivered over the WRMP19 period;
- the risks in delivering these outcomes and the options for managing those risks;
- the range of options assessed to deliver the outcomes including involving other water companies (water trading as both a supplier and purchaser), other sectors (third party options) and demand management; and
- for companies involved in regional water resource groups, the company role in the development and delivery of the regional water resource plan.

We would also be interested to understand how you are integrating the WRMP19 process into the development of your business plan.

These meetings will take the place of formal responses to companies at the pre-consultation stage and will allow us to provide early feedback, challenge and identify areas where more justification may be required to inform the WRMP and business plan. Depending on the outcomes of these initial discussions further engagement may be necessary, based on the challenges facing companies and the risks identified with the company approaches.

It is important to note that comments regarding a company's WRMP, at any stage of the WRMP19 process, are made without prejudice to Ofwat's decision regarding business plans at PR19 and any subsequent price review.

To arrange your meeting please e-mail wrmp@ofwat.gsi.gov.uk. Please also copy this e-mail address in on all correspondence to Ofwat on WRMPs.

We look forward to discussing your plans.

Yours sincerely



David Black

Senior Director, Water 2020



Steve Morley
Portsmouth Water
P.O. Box 8,
West Street,
Havant
Hampshire
PO9 1LG



Your Ref:

Our Ref: SWS/NH

Date: 21st November 2016

Contact: 01903 272322

Dear Steve,

Water Resources Management Plan 2019 – Pre Consultation.

Thank you for your letter dated October 20th inviting Southern Water's comments in respect of Portsmouth Water's intended preparation of its next Water Resources Management Plan (WRMP).

As you know I wrote to you in September requesting up-to-date information about current and potential additional Bulk Supplies from Portsmouth Water to Southern Water and, how we might progress consideration of other resource sharing or transfer options as each company develops its next Water Resources Management Plan (WRMP) and Business Plan for PR19. Thank you for your response dated September 30th and we met on November 2nd and progressed this discussion. It will clearly be important to maintain clear dialogue about these options as we each prepare our next WRMP. This should include establishing mutual understanding and consistent use of the Water Resources in the South East (WRSE) Group work and outcome. We must aim for a consistent representation of options and preferences in these aspects across our respective draft and final WRMPs.

I note the recognition in your pre-consultation letter that guidance for preparing the WRMP encourages greater focus on assessment of a range of droughts in respect of both the WRMP and drought management plan and, the need to integrate the two plans. We trust you will be establishing the best estimates you can of existing source outputs and future option outputs across the relevant range of severity of drought events. We have recently seen your presentation to the West Sussex Growers association that gave an indication of your resource by drought severity but we will welcome being kept informed of this as you develop your assessment for your new WRMP.

Your pre-consultation invitation indicated you would particularly like to hear our views on:-

- Havant Thicket reservoir
- The need for drought permits and drought orders
- Levels of service
- Support for resilience and the need for commons standards

I comment on each of these below.

Southern Water, Southern House, Yeoman Road, Worthing, BN13 3NX. www.southernwater.co.uk

Havant Thicket reservoir

Southern Water has been surprised how Havant Thicket reservoir has come to the fore and then receded in prominence in Portsmouth Water's successive WRMP over the last twenty years. We recognise it may be a primary option with respect to Portsmouth Water supporting further supplies to Southern Water. We also recognise Portsmouth Water appears to have established a good level of stakeholder support for the option but we are aware that such options can still encounter difficulties if they are taken to the next level of promotion. For example the occurrence of "ancient woodland" on the proposed site may yet be a difficulty?

In so far as the reservoir may become a necessary support to supplies to Southern Water, Southern Water would like to see a fuller and up-to-date assessment of the yield (deployable output) of the reservoir, including how it may vary with drought severity. We trust you will be doing more work on this and would welcome information as it becomes available.

We also suggest that it is important that a proper perspective should be maintained about the scale of this option; whilst it may be a sensible component of ensuring adequate future resources to maintain reliable supplies, it is a relatively small reservoir with a current yield estimate of only 23 Ml/d. It is important that public expectation is kept aware of this. Given the strategic pressures in Hampshire, including not least the further environmental objectives of the Environment Agency and others, Havant Thicket reservoir may only be a small component of the overall strategic solution that may be necessary for the County.

Other options – metering

I'm sure Portsmouth Water will be reviewing the full range of options available to you, just as we do at Southern Water. One such for Portsmouth Water is metering. Southern Water has successfully implemented a universal metering programme across our company area. This has gone well in respect of customer acceptance and the reduction of water use we've seen as a result. We recommend Portsmouth Water consider this option as an additional or alternative way to achieve an improved supply-demand balance, economically and sustainably.

Drought permits and Drought Orders

We recognise guidance has encouraged greater transparency of the role of drought permits and drought orders within and relative to a WRMP. We see this as another part of establishing the right balance in the WRMP between security of resource and supply provision and the level of investment needed (and so impact on customer bills). Essentially more investment in permanent resources (or leakage reduction or water efficiency) should mean less [risk of] reliance on drought permits and drought orders. However this must also relate to "Levels of Service" agreed with customers and to establishing suitable resilience with respect to scenario considerations.

Levels of Service

We understand that agreement of "levels of service" with customers remains a cornerstone of WRMP and drought plan preparation; it is a fundamental link across the two plans. We understand Portsmouth Water assessed deployable output relative to a hydrological drought

severity of the order of once in twenty year return frequency in preparing its current WRMP because it felt this was the correct way to align deployable output and levels of service. We consider this approach concludes more resource available but that resource is less reliable than we would expect or consider appropriate for a WRMP and public water supply.

Resilience

Southern Water welcomes the increased focus on resilience; it is increasingly apparent that situations could arise in future that could severely test existing systems and how they envisage maintaining supplies. We believe it is vital that the consideration of security of supplies is expanded in the way that has been encouraged. The new category of "resilience scheme" remains one all companies (and regulators) must establish greater clarity of in developing and promoting the next draft and final WRMP. In many ways further guidance and a view of, or direction to, a "common standard" may help but, we do not underestimate the underlying complexity to be navigated to achieve that.

I hope these comments help and, we look forward to working with you as we each develop our next plans.

Yours Sincerely



Nigel Hepworth
Water Resource Policy Manager
Southern Water
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