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WATER RESOURCES MANAGEMENT PLAN
ANNUAL REVIEW 2025

Response to Joint Regulators Feedback

Portsmouth Water Ltd, PO Box 8, West Street, Havant, Hampshire, PO9 1LG

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EXECUTIVE SUMMARY

On the 23rd October 2025 the Department for Environment Food & Rural Affairs (Defra) wrote to us jointly from Defra, the Environment Agency and Ofwat ('the Regulators'). This letter recognised the issues and challenges that we have faced to our supply in a dry year scenario and acknowledged our progress in delivering demand reduction. It also highlighted ongoing concerns about our risk of supply.

This document provides the information requested by the Regulators in that letter, and because it forms part of our AR25 we will publish it on our website. We have structured this document to align with the headings in the Annex table of the Defra letter:

- Section 2: Supply Demand Balance (SDB)
- Section 3: Leakage
- Section 4: PCC
- Section 5: Headroom Allowance

Within each section of this document, we state the issue raised by the Regulators and then provide our response.

Supply Demand Balance

The primary concern around our Supply-Demand Balance (SDB) is our risk to supplying Southern Water with the full Bulk Supply volumes quoted in the WRMP24 of 30 Ml/d. Following discussions with the Environment Agency and Southern Water, we have clarified the requirements for changing our WRMP24 tables regarding bulk supplies and have received a new deadline of 17th December 2025 to complete this work. By this date we will provide:

- Updated WRMP24 tables in alignment with Southern Water.
- Updated Annual Review narrative and data tables.

Leakage

In this response we have provided an update to our leakage action plan, projected end of year targets, and an update to the implementation of the new leakage methodology. We aim to have surpassed our WRMP24 leakage target by the end of 2026-27.

Per Capita Consumption (PCC)

In this response we have provided an update to our PCC and metering action plans and projected end of year targets. Whilst we are unable to accurately predict the dry weather uplift that we will apply to our outturn PCC values for the AR26 reporting scenario (as it is dependent on the weather throughout 2025), we aim for our real time outturn numbers to outperform our WRMP24 PCC target by the end of 2024-25. We also confirm our intention to over-perform our WRMP24 metering installation assumptions, which will drive PCC down further throughout AMP8.

Headroom Allowance

We acknowledge the feedback that we are unable to remove the full headroom allowance when calculating our adjusted supply demand balance in AR25. We will correct this and adjust the narrative within the amended Annual Review 2025, which will be submitted with the updated tables in December.

1 INTRODUCTION

1.1 Background

The Water Act 2003 places a duty on all water companies to prepare an updated Water Resources Management Plan (WRMP) every five years. As part of the WRMP process, it is a statutory requirement to review progress against the Plan and report it to the Secretary of State (SoS) within an Annual Review.

Our most recent 'Annual Review 2025' (AR25) was used to assess our performance against our current and published 'WRMP24'[1].

On the 23rd October 2025 the Department for Environment Food & Rural Affairs (Defra) wrote to us jointly with the Environment Agency and Ofwat ('the Regulators'). This letter recognised the issues and challenges that we have faced regarding our supply in a dry year scenario and our progress in delivering demand reduction. It also highlighted ongoing concerns about our risk of supply.

The actions that the Regulators require us to undertake to address these concerns were set out in an Annex to their letter. Additionally, they require evidence in writing that demonstrates we have undertaken the actions specified.

1.2 This document

This document provides the information requested by the Regulators in that letter, and because it forms part of our AR25 we will publish it on our website. We have structured this document to align with the headings in the Annex table of the Defra letter:

- Section 2: Supply Demand Balance (SDB)
- Section 3: Leakage
- Section 4: PCC
- Section 5: Headroom Allowance

Within each section of this document, we state the issue raised by the Regulators and then provide our response.

[1] Our Final WRMP24 can be found here: https://www.portsmouthwater.co.uk/news/publications/water-resources-planning/

2 SUPPLY DEMAND BALANCE (SDB)

2.1 SDB Issues and actions raised in the Regulators letter

The Regulators are concerned that despite reporting an outturn SDB of zero in our supply area, uplifted data under a 1-in-200 year drought scenario indicates that we would have faced a supply deficit across both Dry Year Annual Average (DYAA) and Dry Year Critical Period (DYCP) conditions.

For DYAA this was reported as a deficit of -12.2 Ml/d against a WRMP24 forecast of -2.74 Ml/d, and for DYCP, this was reported as a supply deficit of -3.49 Ml/d against a WRMP24 forecast of 7.51 Ml/d. This is an improvement on the position reported AR24, but there is concern that we are not meeting our WRMP24 baseline forecast starting position under either scenario.

This section addresses the Regulators concerns around how we account for our bulk supplies with Southern Water. Within our AR25 we accounted for a theoretical 'best endeavours' 30 Ml/d transfer to Southern Water. However, we acknowledged that the full planned export volume would not be possible in the hypothetical scenario that 2024/25 had been a 1-in-200 dry year. The Regulators are concerned that our WRMP24 planning assumptions overstate our ability to provide bulk supply exports to Southern Water in a dry year, which could present challenges to Southern Water whilst they are developing their own WRMP.

The Regulators have asked us to:

- Review and update WRMP24 planning assumptions related to bulk supplies and revise our WRMP accordingly if required. These assumptions should reflect guaranteed volumes and contractual obligations rather than the current best-case estimates.
- Work with Southern Water and the Regulators to discuss any changes to our WRMP and impact on planned exports, to ensure alignment and clarity from both water companies.
- Submit updated WRMP tables with a detailed narrative to explain the proposed changes and impact on the plan, for review and discussion with the Regulators.
- Provide an update on progress with delivery of these actions and our performance against WRMP24 forecast baseline for SDB to Defra and the Regulators.

2.2 Response to the supply demand balance issue

Following discussions with the Environment Agency and Southern Water, we have clarified the requirements for changing our WRMP24 tables regarding bulk supplies and have requested an extension to which we have been given a new deadline of 17th December 2025 to deliver this work with due assurance. The steps we need to take:

- Agree the position with Southern Water, for both companies to go through due assurance and governance for these proposed changes.
- Consult with WRSE on any changes to be modelled in the regional plan to ensure there are no unintended consequences to other plans regionally.
- Update our WRMP24 tables.

Once complete, we will update our Annual Review 2025 narrative and tables to incorporate these changes, and the changes made to the headroom sections (described in section 5 of this response). This will be provided at the same time as our updated WRMP24 tables by 17th December 2025.

3 LEAKAGE

3.1 Leakage Issues and Actions raised in the Regulators letter

The Regulators are concerned that our reported total leakage of 28.1 Ml/d is 17% above our WRMP24 forecast of 24 Ml/d and is therefore contributing to our SDB deficit.

Although leakage is only 1% higher than in 2023–24, they are concerned that it has increased, particularly since 2024–25 was a 'normal year' for rainfall and groundwater, and leakage now exceeds the WRMP24 starting assumption of 24 Ml/d for April 2025.

Their concern is the impact of not meeting our leakage reduction targets may increase the volume of water taken from the environment and could cause deterioration in the status of the water bodies. Furthermore, achieving our planned leakage reductions is reputationally important as we are asking customers to reduce their water use. We have been asked to provide:

- An updated action plan that demonstrates how we plan to reduce leakage in line with our WRMP24 leakage forecast. The plan should clearly identify our targeted leakage levels at 6-monthly intervals to profile our recovery to WRMP24 levels.
- The action plan should include the activities planned to be undertaken, with the associated benefits in Ml/d, the dates for delivery, and evidence of progress to date. We should include how our stated 'dedicated additional resources' will be used to bring our leakage back in line with our WRMP24 leakage forecast.
- An update on our progress to the Regulators in November/December 2025 and every 6 months thereafter throughout 2025-26, including the leakage level at the time of update and the latest best estimate of the end of year level and the timescale for meeting the WMRP24 targets.
- Confirmation of when we intend to update our water balance reporting to reflect data improvements as this may impact our reported leakage levels.

3.2 Response to the leakage issue

We do recognise that our leakage performance is not where we want it to be. We are committed to meeting both our leakage forecasts in WRMP24 as well as meeting our Ofwat Performance Commitment obligations to driving leakage down by 50% by 2050. We have plans in place to address this performance challenge, and have kept the EA up to date with these on a monthly basis.

We have reported on a number of initiatives that jointly will improve our leakage performance; these have included bringing forward investment planned for later years into Year 1 of this AMP period. We have highlighted:

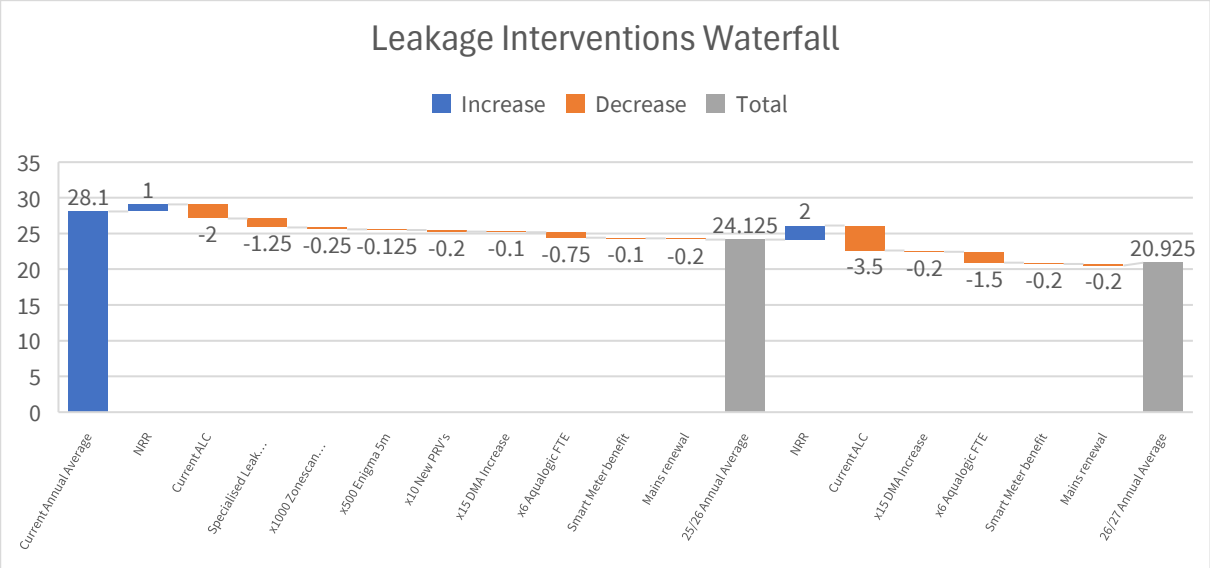
- Accelerated investment in our pressure management initiatives, with a further 10 areas to be brought online before April 2026
- Investment in innovative acoustic equipment including AI enabled logging devices that use machine learning to better identify and target leaks within the network; 1000 Gutermann Zonescan AI loggers and 500 Ovarro Engima 5M loggers have been purchased to enhance our acoustic logging network.
- Accelerated investment to create additional DMA areas, with the objective of improving the efficiency of our leak location operations
- Secured 6fte of additional resources from our partner Aqualogic, who will deploy digital listening stick technology to identify further points of leakage interest on our network. This resource will be in place starting November 2025.

In addition, Portsmouth Water are also looking to accelerate the roll out of our Smart Metering programme which whilst it primarily seeks to drive down demand for water, undoubtedly also supports the identification and resolution of customer side leaks.

Similarly, our ambitious mains renewal programme whilst primarily focused on addressing asset health in our distribution network, is also being focused in locations where the activity will also deliver additional leakage benefit.

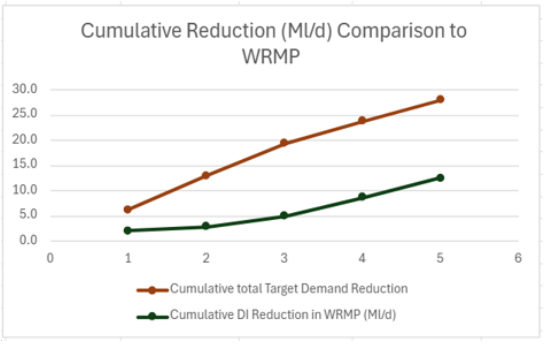
We will continue with the previously reported initiatives, including our use of satellite technology and the use of sniffer dogs, whilst at the same time looking to procure a new leakage 'find' framework to support our in-house activities.

The waterfall below summarises the journey we are on from the April 2025 position to that forecast for 2025/26 and through to 2026/27.



We acknowledge that the WRMP24 leakage target for 2025-26 is 22Ml/d and that we will not be able to achieve that by the end of this reporting year. However, with the continuation of our action plan, we estimate that we will have surpassed our target of 22.40 Ml/d by the end of 2026-27.

It is important to note that in looking to address under performance, our efforts to put our Ofwat PC targets back on track will outperform the forecasts of WRMP24. This is highlighted in the two graphs below. This will have the effect of driving headroom into the SDB.



In addition to the practical interventions, we have also been significantly improving the quality of our leakage reporting. Any changes to reporting methodology require explanation to Ofwat, with particular focus on back-casting to the baseline period of 2017-20 on which the three-year rolling average calculation is based. We have had dialogue with Ofwat through 2025 and have a further update session planned for 2nd December 2025. This work is not forecast to impact the SDB of WRMP24 because the work does not identify any 'new'

water but only seeks to improve our confidence of where that water is going – in either consumption, leakage or operational losses. For instance, should the improvement suggest leakage should be higher, there would be a corresponding reduction in the volume of water assumed to have been consumed or lost.

In addition to working with Ofwat on this updated change of reporting methodology, we will discuss progress through our regular meetings with the Environment Agency, our Annual Review 2026 and any subsequent Joint Regulator meetings.

4 PER CAPITA CONSUMPTION (PCC)

4.1 PCC Issues and Actions raised in the Regulators letter

Our reported PCC of 169 l/h/d is 3% above our WRMP24 forecast of 163.5 l/h/d. Whilst the Regulators acknowledge that the increase in PCC since last year is partly the result of the downward revision in our population estimation, they are concerned that both our average household PCC and unmeasured household PCC remain amongst the highest in England.

Our revised population data now more accurately reflects our customer database, but this update has also impacted our PCC moving it away from our WRMP24 target of 163.5 l/h/d. As a result, achieving our target and maintaining the intended glidepath has become more challenging.

We have been asked to provide:

An action plan that includes:

- The specific steps and timelines we will take to reduce average household PCC to align it with WRMP24 forecasts.
- Targeted PCC levels at 6-month intervals to demonstrate our recovery trajectory.
- How we will deliver an effective smart metering programme to support customer water efficiency, specifying
- 6-monthly targets for both meter installations and the transitions of customers from non-revenue meters to measured billing.
- Identify the number of household water efficiency visits we aim to complete at 6-monthly intervals.
- The expected l/h/d benefit for each proposed action.

Updates to the Regulators every 6-months during 2025-26. Each update should include:

- Current PCC levels and the latest best estimate of the year-end level.
- Confirmation of the timescale for achieving WRMP24 targets.
- Performance against the WRMP24 average household PCC forecast, starting position, and target position.
- Progress on metering delivery and the transition from unmeasured to measured billing compared to planned targets.
- Clearly report progress against WRMP24 metering delivery and unmeasured / measured billing switching against our planned targets.

4.2 Response to PCC issues

Our approach to PCC reduction remains fully aligned with our PR24 plans, and we have a robust, though challenging, programme to deliver the required reductions. The key elements of our plan are set out below.

4.2.1 Our Overall Metering Strategy

A key enabler of PCC reduction, accounting for over 20% of the total reduction and underpinning many of our other activities, is the continued growth of metering across the region. We will deliver this through our Meter Conversion activation plan and the compulsory metering of customers via our Smart programme.

Meter Conversions

At the start of the year, we had 21,179 properties where a meter had historically been installed but the customer was still charged on an unmetered basis (previously referred to as not-for-revenue meters). For these locations we have now begun installing Smart technology for these customers where possible and converting customers to metered charges on analogue meters where Smart is not currently feasible.

Our forecast and plan for this workstream remains as follows:

Meter Conversion Activity	Forecast completed at 31st March 2026	Forecast completed between 1st April 2026 and 31st May 2026
Analogue Meter Activation	13,038	0
Smart Meter Conversions	4,423	3,718

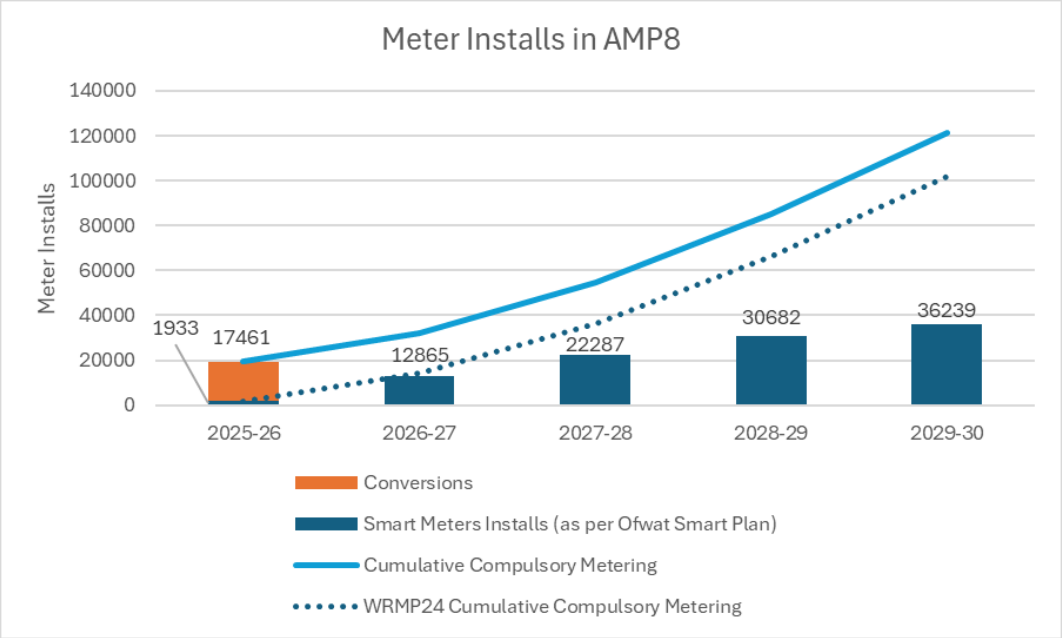
To date, we have already converted 6,107 (29%) of these customers to metered charging (either through occupier changes or compulsory metering post 1 April 2025).

Projected Total Metered Customer Growth in AMP8

A key aspect of delivering our PCC reduction is the number of customers metered. Our proposed metering plan will deliver the following estimated number of metered household customers throughout AMP8, significantly growing our metered population (and resulting meter penetration rate). These figures are forecast and subject to change depending on:

- the specific network areas being metered (driven by network availability), and
- the mix of new meter installs versus existing meters in those areas.

This graph provides a forecast and indication on where our metered properties will be based on our broad range of activities (it does not include meter optants which are reactive).



As shown, the additional conversions that we are doing in Year 1 help to increase our overall metering performance in the AMP by over 17,000.

4.2.2 Additional Activities

Flow Regulator Installations

Aligned to our Smart Meter programme, we will install flow regulators at the same time as the meter installation, which is a higher volume than in our original scope.

Our original scope was to install 100 devices per year of this AMP. We have already done this and intend to install the remaining 400 promised plus more in the remainder of this year . The pilot activity has demonstrated that this combined approach delivers greater demand savings than providing a meter alone and we are currently reviewing the potential to replace our retrofit programme for the remainder of the AMP with these devices. This approach would allow us to reach a significantly higher number of properties with flow regulators than our initially proposed standalone retrofit programme would as they rely on customer self selection to participate.

This approach:

- reduces reliance on customers actively opting into the programme, and
- is more efficient on a per-property basis.

If our approach is approved in 2025–26 we will complete procurement for the ongoing supply of these devices to support delivery through both AMP8 and AMP9.

Communication Campaigns

As planned, we are continuing to design and deliver communication campaigns, and have already implemented enhanced activity over the summer period of 2025–26.

High-level successes from the summer campaign include:

- Broadcast radio activity reaching 252,000 customers and distribution of 251 water butts.
- 11 community events delivered.
- 75,000 properties reached through community magazines.
- 92,000 properties reached via the PWL printed newsletter.

Our winter campaign is due to launch shortly and will focus on:

- leak awareness,
- freeze/thaw protection, and
- the continued promotion of water butts.

Behavioural Engagement

Across the AMP, we are continuing with our plans to engage customers through our behavioural platform and to develop a broader water efficiency support platform in 2026–27, with deeper integration into our wider technology stack.

In 2025–26, compared with 2024–25, we have already seen:

- a 51% increase in platform registrations; and
- a 74% increase in completion of behavioural surveys on the platform.

Although this performance remains below our challenging internal targets, we continue to drive improvement and will increasingly use our growing metering base as a springboard for further behavioural activities.

In addition, we have launched customer access to their own usage data through our “My Account” functionality and our transition tariff communications.

Retrofit Gadget Assumptions

Through our behavioural engagement platforms, we continue to promote retrofit water-saving gadgets. However, our emphasis on this channel will reduce over time as we increasingly deliver the same or greater outcome benefits via the Flow Regulator workstream.

Whilst performance is still below our ambitious targets, registrations are up by 51% compared to last year, and we have already issued 2,729 water-saving devices to customers, delivering an estimated 3,083 litres of water saved per day. This is 32% higher than the number of devices issued last year.

Leak Repairs

As part of our hypercare approach to meter installations, we are formalising how we identify and manage leaks using smart meter data and associated tools and processes. Across our Smart Meter population, we have so far:

- identified 373 leaks (defined as continuous flow over seven days); and
- 312 customer leaks have already been repaired as a result of our identification, customer engagement and support, taking an average of 11.09 days from initial identification to resolution.

During 2025–26 we will formalise and, where possible, automate leak engagement processes and strengthen our leak repair toolkit, including:

- finalising our in-home repair proposition, including tailored support for vulnerable customers;
- creating a field services retail team to support customers with water efficiency advice; and
- developing our virtual audit proposition.

Previous Campaigns – Household Visits

During the first half of the year, we established a household visit contract with Cenergist to:

- install retrofit devices,
- provide behavioural change advice, and
- complete small in-home leak repairs.

We promoted this service to several thousand customers in line with our plan. However, we saw low engagement levels, which we believe were largely due to the relatively low perceived financial savings for customers given our already low bills.

As we were in the process of resetting the promotion, Cenergist went into administration, leaving us without a delivery partner and impacting the service.

In response, we are adapting our plans to deliver significantly more Flow Regulators as a replacement for the original retrofit activity (see Flow Regulator section), as this approach can deliver larger PCC benefits.

4.2.3 Current Performance and Forecasts

Because customers may be exposed to multiple concurrent treatments, it is difficult for them to hear, engage with, or participate in all activities. As a result, assumptions about the impact of individual interventions carry inherent caveats, and it is extremely challenging to allocate benefits precisely to specific activities.

Our current assumptions, which we are continuously being refined as more data becomes available, are set out below:

Activity	2025-26 Target	2025-26 mid-year position	Assumed Benefit per day once completed	2026-27 Target
Flow Regulator installations	6,531	175	433,244 lpd	33,525
Behavioural Change *	20,000		100,00 lpd	100,000
Gadgets Assumptions based on SWSM	5,000	2,500	30,900 lpd	5,000
Leak repairs	6,612	373	1,296,030 lpd	6,798

* Behavioural Change is total # customers with whom we have engaged.

Our **PCC assumptions** are expected to be:

PCC	2025-26 Closing position	2026-27 Closing Position
PCC position	158.90	155.09

The Annual Average PCC WRMP24 target for 2025-26 is 161.9 l/h/d and for 2026-27 is 160.2 l/h/d.

Our forecast closing positions are below our WRMP24 targets. However we recognise that the outturn position will be uplifted in the Annual Review 2026 to reflect the hypothetical dry year conditions comparable to the WRMP24 1:200 year scenario. It is not possible to calculate the uplift factor in advance, so we aren't able to accurately forecast this final reported position. However, we remain committed to continuously improving our demand reduction and metering performance through the implementation of our action plans and regular in year effectiveness reviews.

Although six-monthly targets have been suggested by the Regulators, they are difficult to forecast accurately due to seasonality. The first six months of the year cover the typically drier and warmer period, which differs materially from the second six months.

Our proposal is to use year 1 to develop an end-of-September "in-month" indicator as a spot measure of progress. This indicator will be informed by observed year 1 impacts, evolving assumptions, and the scaling-up of our additional activities. We plan to formalise this approach for the Annual Review 2026.

5 HEADROOM ALLOWANCE

5.1 Headroom Allowance Issues and Actions raised in the Regulators letter

In our AR25 narrative, we remove the headroom allowance to reduce our supply deficit in an adjusted 1-in-200 year dry weather scenario. Although we have not used this approach for the reported values within the data tables, the Regulators have highlighted that this is not the intended use of headroom allowance and is inappropriate given residual uncertainties that will remain in the data we have reported. This approach to headroom would pose additional risks to customers and misrepresents the SDB.

We have been asked to:

- Amend and resubmit our AR25 to Defra and the Regulators to reflect a more appropriate approach to headroom. The commentary should remove the option of excluding headroom allowance to reduce the SDB deficit.

5.2 Response to Headroom Allowance Issues

We acknowledge the Regulators concerns in our approach of removing our headroom allowance in our adjusted SDB. We will therefore remove any reference to the exclusion of the headroom allowance within the commentary of our amended Annual Review 2025.

This will not alter our reported SDB as we only commented on this approach within the narrative rather than using the results within our reported data tables.

The yellow highlighted text shown in the sections below will be removed, although please note that the remaining wording will also change following the changes to the bulk supply and resulting SDB narrative. As previously mentioned, the amended Annual Review 25 will be provided on 17th December.

5.2.1 Amendments to the Annual Review 2025

Section 5.2 Amendments

In Figures 9 and 10, the columns showing 'Adjusted Outturn SDB (no headroom)' will be removed. The following highlighted text will also be removed from the narrative:

"The supply demand balances suggest that if 2024-25 had experienced a prolonged period of dry weather equivalent to a 1 in 200 year event, it would have been more challenging to supply the maximum volume of bulk supplies to our neighbours (if they had requested it). This can be explored further by considering the true SDB deficits i.e. those that exist once the buffer for uncertainty (headroom allowance) is removed.

The charts in Figure 9 and Figure 10 show that if we remove the headroom allowance, our true deficit for 2024-25 was 7.26 Ml/d for the annual average condition. For the critical period condition there would have been a small surplus. This implies that for the shorter critical period (peak summer demand), we estimate that we would have been able to provide just over 26 Ml/d the full 30 Ml/d to SWS. However, had SWS requested 30 Ml/d every day of the year, we consider that we would have only been able to provide around 17 Ml/d 22 Ml/d on average."

Section 6 Amendments

The following paragraph will be removed from the narrative:

"However, if we exclude the headroom allowance (our buffer for uncertainty), the true deficit for 2024–25 improves to -7.3 Ml/d on an annual average. For the critical period condition, there would have been a small surplus of 2.3 Ml/d. This suggests that, during peak summer demand, we estimate we could have provided the

full 30 Ml/d to SWS. However, had the full 30 Ml/d been required every day of the year, we consider that we could have only provided approximately 22 Ml/d on average."

5.2.2 Future Approach

Headroom is defined in the UKWIR 2002 guidance (An Improved methodology for assessing headroom – Report Ref No. 02/WR/13/2) as, "… the minimum buffer that a prudent water company should allow between supply and demand to cater for specified uncertainties (except for those due to outages) in the overall supply demand balance".

This is translated within our WRMP24 target headroom allowance calculations by considering both:

- The accuracy of the planning assumptions (associated with measurements and modelling), as well as,
- The range of potential future forecasts (uncertainty around longer-term influences such as climate change or changes in demographics).

This means that when reporting our outturn figures within our Annual Review, we can remove a portion of our Headroom allowance as we no longer have uncertainty on factors such as climate change or changes in demographics, as these have been calculated as an actual value for that reporting year.

This approach was demonstrated in the new layout of the Environment Agency data tables whereby headroom was removed completely within the reporting template for outturn data. It can therefore be assumed that any headroom included within the adjusted data tables (reflective of the 1 in 200 year scenario) will consider only the factors associated with the uplifting of outturn data.

This will be explored further within Annual Review 2026.

6 NEXT STEPS

To reiterate, our next steps regarding the Annex table of the Regulators letter are:

- To provide an update on our action plans and progress to the Regulators during our next 6-monthly meeting, scheduled for the **28th November 2025**
- Update our WRMP24 tables with the amendments to the bulk supply volumes by **17th December**
- Update our Annual Review 2025 and associated data tables with: the amendments to the bulk supply volumes, resulting SDB, and headroom by **17th December 2025**