



Department
for Environment
Food & Rural Affairs

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Sent by e-mail only.

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Date: 23 October 2025

Dear Jim,

Portsmouth Water WRMP Annual Review 2025

Thank you for Portsmouth Water's water resources management plan (WRMP) Annual Review 2025. The delivery of your WRMP is essential in providing resilient water services for customers and protecting and enhancing the water environment.

We are writing this letter to you jointly from Defra, the Environment Agency and Ofwat. The Environment Agency and Ofwat (the Regulators) have assessed your WRMP Annual Review 2025 and have highlighted serious concerns with Portsmouth Water's security of supply. You should take immediate action to address the issues that are set out in this letter.

We recognise the issues and challenges regarding your supply in a dry year scenario and your progress in delivering demand reduction. We have set out these issues and our concerns in further detail in Annex 1. In summary,

- The bulk transfer agreements, outlined in the WRMP24 forecasts, contribute to the dry year deficit reported in Annual Review 2025. This approach taken may overstate the actual risk to supply, as the company indicates that any deficit would be mitigated by reducing planned bulk supply exports.
- We expect Southern Water and Portsmouth Water to review what volumes are reliably available for transfer to each zone under dry year conditions. This should be appropriately evidenced based on the current and near-term supply-demand balance. Regulators can review the evidence provided and consider whether changes to assumed transfer benefits in the WRMPs are appropriate, without requiring changes to existing bulk supply agreements. We are keen for the key transfer to remain available to support resilience in the region. We expect the company to review and update its WRMP24 planning assumptions related to bulk supplies accordingly.

- Portsmouth Water's reported leakage and Per Capita Consumption (PCC) levels are above forecast and do not align with WRMP24 baseline assumptions. Focused interventions are required to reduce levels and get back on track to deliver WRMP24 targets. Escalation of WRMP non-delivery could include investigations and enforcement by the relevant regulators.

This marks the sixth consecutive year that Portsmouth Water has received a joint letter from the regulators. While we acknowledge that some areas are beginning to show signs of improvement, progress has been significantly delayed, and it is imperative that Portsmouth Water accelerates its response.

To support this, we will continue the established series of biannual meetings between Portsmouth Water and senior representatives from Defra and the Regulators. These meetings will take place in October/November and April, and you will be expected to provide a detailed update on the progress made against Portsmouth Water's agreed actions.

We are also aware of other ongoing engagements with regulators, such as regular liaison meetings, where we will continue to monitor performance. Where appropriate, we may seek to align these meetings to ensure a coordinated approach.

The actions we require you to take, to address these concerns, are set out in the table at Annex 1. You should provide us with written evidence of these actions by the deadlines set out in Annex 1.

Portsmouth Water's WRMP is an essential plan for securing customers' water supplies, in a sustainable way for the environment. It is therefore vital for you to maintain and deliver your plan.

Yours sincerely



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Management,
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Paul Hickey
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Annex 1:

The following table outlines the issues we have identified, the impact and the actions we require you to take.

Issue	Impact	Action and deadline
<p>Supply-Demand Balance (SDB)</p> <p>Despite reporting an outturn SDB of zero in your supply area, uplifted data under a 1-in-200-year drought scenario indicates you would have faced a supply deficit across both Dry Year Annual Average (DYAA) and Dry Year Critical Period (DYCP) conditions.</p> <p>For DYAA, this was reported as a supply deficit of –12.2Ml/d against a WRMP24 forecast of - 2.74 Ml/d. For DYCP, this was reported as a supply deficit of -3.49 Ml/d against a WRMP24 forecast of 7.51Ml/d.</p> <p>Although the reported supply deficit is an improvement when compared to Annual Review 2024, you are not meeting your WRMP24 baseline forecast starting position under either drought scenario condition at the beginning of the planning period.</p> <p>Non-delivery on your forecasts for leakage and non-household consumption contributes to the deficit. In addition, you have accounted for a theoretical ‘best endeavours’ 30 Ml/d transfer to Southern Water, but you acknowledge that the full planned export volume would not be possible in a 1-in-200 dry year, to resolve the deficit and</p>	<p>Your reported deficit misrepresents and may overstate the risk to your customers supplies in a dry year.</p> <p>Your WRMP24 planning assumptions are outdated in overstating your ability to provide bulk supply exports to Southern Water in a dry year. This is opaque and presents challenges for the receiving water company when developing their WRMP.</p> <p>Your reported deficit reduces our confidence in your ability to provide a secure supply of water and support planned growth in the area. Continuation of your current performance puts you off-track from your WRMP24 starting point and makes the subsequent glidepath more difficult to achieve.</p>	<p>You should:</p> <ul style="list-style-type: none"> • Review and update WRMP24 planning assumptions related to bulk supplies and revise your 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 Portsmouth Water’s 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 your performance against WRMP24 forecast baseline for SDB to Defra and the Regulators by 8th December 2025. <p>Deadline for submission of updated tables and narrative: 24th November 2025</p>

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<p>ensure that Portsmouth Water is able to meet its own customers security of supply.</p> <p>Linked to the headroom allowance issue raised in this annex, it is not appropriate to exclude headroom in order to reduce a supply deficit as is proposed.</p>		
<p>Leakage</p> <p>Your reported total leakage of 28.1 MI/d is 17% above your WRMP24 forecast of 24.0 MI/d.</p> <ul style="list-style-type: none"> • Whilst leakage is only 1% higher than last year, it is concerning and disappointing that leakage has increased year on year, especially as you reported in your narrative that “<i>the outturn scenario for 2024-2025 was close to a ‘normal year’</i>” in terms of rainfall and groundwater levels. • Leakage is significantly above forecast and is contributing to a SDB deficit. <p>You are now off-track on your WRMP24 starting position for total leakage of 24.0 MI/d at the start of the planning period in April 2025.</p>	<p>Failure to meet leakage reduction targets may increase the volume of water taken from the environment and could cause deterioration in the status of water bodies.</p> <p>It is also contributing to the reported SDB deficit and putting the planned bulk supply to Southern Water at risk.</p> <p>To reach WRMP24 forecasts, a significant decrease in leakage needs to be achieved.</p> <p>Achieving your planned leakage reductions is reputationally important, as you are asking customers to reduce their water use.</p>	<p>You should:</p> <ul style="list-style-type: none"> • Provide us with an updated action plan that demonstrates how you plan to reduce leakage in line with your WRMP24 leakage forecast. Your plan should clearly identify your targeted leakage levels at 6-monthly intervals to profile your recovery to WRMP24 levels. • The action plan should include the activities planned to be undertaken, with the associated benefits in MI/d, the dates for delivery, and evidence of progress to date. In your annual review narrative, you stated you have dedicated additional resources to reducing leakage. You should include in the action plan an explanation of how these resources will be used to bring your leakage back in line with your WRMP24 leakage forecast • Deliver the action plan according to the timelines you have set out • Provide an update on progress with delivery of the action plan and your performance

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		<p>against WRMP24 total leakage starting and targeted positions to Defra and the Regulators in November/December 2025 and every six months thereafter throughout 2025-26. This update should provide 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 WRMP24 targets.</p> <ul style="list-style-type: none"> You should confirm when you intend to update your water balance reporting to reflect data improvements as we understand this may impact your reported leakage levels. <p>Deadline: 24th November 2025</p>
<p>Per Capita Consumption (PCC)</p> <p>Your reported PCC of 169 l/h/d is 3% above your WRMP24 forecast of 163.5 l/h/d.</p> <p>It is understood that your population figures were revised down this annual review period by 17,247, and when removing the impact of the updated population, average PCC would be 165.8 l/h/d, a decrease on the previous year's PCC of 166.3 l/h/d.</p> <p>However, with the new changes to population data, both your average household PCC and unmeasured household PCC remain amongst the highest in England.</p>	<p>The revised population data represents a positive improvement compared to last year, as it now more accurately reflects your customer base.</p> <p>However, this update has also impacted your reported per capita consumption (PCC), moving it further away from your WRMP24 target of 163.5 litres per household per day. As a result, achieving the target and maintaining the intended</p>	<p>You should:</p> <ul style="list-style-type: none"> Provide an action plan that includes the specific steps and timelines you will take to reduce average household PCC to align it with WRMP24 forecasts. Your plan should include targeted PCC levels at six-month intervals to demonstrate your recovery trajectory. It should also set out how you will deliver an effective smart water metering programme to support customer water efficiency, specifying six-monthly targets for both meter installations and the transition of customers from non-revenue meters to measured billing. Additionally, the action plan

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	<p>glidepath has become more challenging.</p> <p>You are now further from meeting your WRMP24 target, and the path to achieve your forecast will require additional effort and strategic adjustments. Performance has also been consistently behind WRMP19 forecasts, which causes uncertainty around the delivery and recovery of PCC performance.</p>	<p>should identify the number of household water efficiency visits you aim to complete at six-month intervals.</p> <ul style="list-style-type: none"> • Your action plan should include the expected litres per head per day (l/h/d) benefit for each proposed action. • Deliver the action plan in line with the timelines you have committed to. • Provide progress updates to Defra and the Regulators by 24th November 2025 and every six months thereafter during 2025–26. Each update should: <ul style="list-style-type: none"> ○ Report current PCC levels and the latest best estimate of the year-end level. ○ Confirm the timescale for achieving WRMP24 targets. ○ Clearly show performance against the WRMP24 average household PCC forecast, starting position, and target position. ○ Detail progress on metering delivery and the transition from unmeasured to measured billing compared to planned targets. • This update should also clearly report progress against WRMP24 metering delivery and unmeasured/measured billing switching against your planned targets. <p>Deadline: 24th November 2025</p>

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<p>Headroom Allowance</p> <p>The narrative alongside your annual review incorrectly uses the removal of headroom allowance to reduce a supply deficit in an adjusted 1-in-200-year dry weather scenario. This is not the intended use of headroom allowance and is inappropriate given residual uncertainties will remain with the data you have reported.</p> <p>In your commentary, you explain that headroom allowance could be used to reduce the supply deficit in supplying Southern Water from -12.2MI/d to -7.3 MI/d in annual average 1 in 200 year dry event and from -3.5 MI/d to 2.3 MI/d in the critical period of this scenario.</p> <p>You describe that bulk supplies to the company would be limited to 22 MI/d during dry conditions to prioritise your customer’s supply. Although your forecast indicates that you would be able to provide Southern Water with the necessary volume during a dry year critical period, it does not show that you would be able to maintain a positive SDB during a dry year annual average period.</p> <p>The Water Resource Planning Guideline defines headroom as <i>“the minimum buffer that a prudent water company should allow between supply</i></p>	<p>Your approach to headroom removal in the AR submission does not adequately account for uncertainties which remain and therefore poses additional risks to customers and misrepresents the SDB.</p> <p>In addition, we note that your reported deficit appears to misrepresent and overstate the risk to your customers supplies in a dry year, with respect to the bulk supply agreements.</p> <p>Your reported deficit reduces our confidence in your ability to provide a secure supply of water and support planned growth in your supply area.</p> <p>Current performance puts you off-track from your WRMP24 starting point and makes the subsequent glidepath more difficult to achieve.</p>	<p>You should:</p> <ul style="list-style-type: none"> Amend and resubmit your annual review 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 a SDB deficit. <p>Deadline: 24th November 2025</p>

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<i>and demand to cater for specified uncertainties”</i> . By removing headroom allowance from your AR submission, uncertainty in the metrics reported are not accounted for if headroom allowance is removed.		