Natalie Akroyd
Director of Quality & Environment
Cambridge Water

Sent by e-mail only.
NatalieAkroyd@south-staffs-water.co.uk

Date: 11 October 2024

Dear Natalie,

Cambridge Water Company WRMP Annual Review 2024

Thank you for your submission for Cambridge Water's water resources management plan (WRMP) Annual Review 2024. The delivery of WRMPs is important in providing resilient water services for customers and protecting and enhancing the water environment, and so the efforts of companies in providing progression updates against this delivery is welcomed.

We are writing this letter to you jointly from Defra, the Environment Agency and Ofwat (the Regulators). The Environment Agency and Ofwat have assessed Cambridge Water's WRMP Annual Review 2024 and have highlighted serious concerns with Cambridge Water's security of supply, and risk to the environment. You should take immediate action to address the issues that are set out in this letter.

This year, the annual review is particularly important because of its position ahead of a published WRMP24 and the start of the next five-year investment period in April 2025. The Regulators have applied a high level of scrutiny to the process, and we expect companies to improve performance on the issues raised.

We expect companies to achieve their WRMP19 commitments as funded at PR19 on demand reduction and supply-side delivery. Through the PR24 draft determinations, Ofwat has proposed taking action where customers have not received the funded benefit, and continued non-delivery on PR19 schemes could result in interventions at final determinations and throughout PR24. Good performance and delivery against WRMP19, and the forecasts it sets out, gives confidence in the WRMP24 starting position, effectiveness of spend and deliverability. We will hold companies and their Boards to account where performance does not meet expectations. We will also continue to engage with companies and collaborate as regulators to gain further insights into poor performance and take targeted action where necessary.

We are pleased with the positive actions and results for Cambridge Water's PCC (Per Capita Consumption) this year. Progress meetings have shown the Can for the Cam programme

has had positive effects, with PCC lower than the WRMP19 forecast. It is, therefore, disappointing to see Cambridge Water's other metrics indicate a poorly performing company. Progress against other WRMP19 commitments has caused us concern for the delivery of the plan and securing resilience for customers and the environment. Our concerns are set out in further detail in the table in Annex 1. In summary, Cambridge Water:

- has reported a company level supply-demand balance (SDB) deficit of 0.52Ml/d compared to forecast surplus of 2.71Ml/d. This is the third time you have reported a SDB deficit in AMP7. The SDB deficit appears to be caused by higher than forecast outage and demand. We are also concerned that deployable output was not reported in a way that aligns with our Annual Review guidance. An SDB deficit puts customers and the environment at risk, and you must prioritise the work required to understand and address the deficit. Cambridge Water is not on track to meet the WRMP24 starting position for its SDB in April 2025. This is concerning given proposed growth in housing and non-household demand in your supply area.
- must improve its performance on reducing leakage as a priority. The company is reporting leakage 6.9% above the WRMP19 forecast. Although this is a reduction in leakage compared to last year, it is above forecast for the third consecutive year. There are also issues with company data that reduce regulator confidence that leakage has been reported and forecast correctly.
- needs to take action to increase meter penetration as the company is 4.38% behind its forecast. This is the fifth year running Cambridge Water has been below the WRMP19 forecast, with the gap increasing year on year. The company is also not on track for its WRMP24 starting position in April 2025. The company has proposed to catch up in year 1 of AMP8 but given its recent performance and statements made by the company in its draft WRMP24 which indicate customers being moved to meters later in AMP8, this raises concerns. The company should clearly set out the programme of work that will deliver the forecast meter penetration in WRMP24.
- has reported outage 72% above forecast at 8.6Ml/d. The majority of this is unplanned outage and has contributed to the SDB deficit. Three long term outages are of concern with deployable output adjustment being a risk to security of supply. Cambridge Water is not on track to meet its WRMP24 starting position for outage. The company needs to prioritise and take control of outage management to bring it in line with planning assumptions.
- has reported a decrease in Distribution Input (DI) this year. However, DI remains above forecast for the fourth consecutive year. Concerns remain that this is driven by non-household consumption as well as leakage. The company should work to better understand what is driving the increase in non-household consumption, including improving its consumption data, and work to bring consumption down.
- has reported that supply-side scheme delivery is off track, with two borehole schemes delayed. This represents a combined benefit of 2.52Ml/d that was forecast to be delivered by 2024/25. This is a particular concern in the context of your SDB deficit.

Cambridge Water faces significant challenges across its single water resource zone. It must supply a growing demand for water from population growth and nationally and internationally important businesses, whilst doing more to reduce the impact of its abstractions on the environment. It must manage supplies, prevent deterioration in status of water bodies, and protect vital chalk streams and other protected sites.

Accurate and representative data is essential to demonstrate and give assurance to regulators on how the company is performing. Cambridge Water should work to improve the data for all metrics as a priority. Your current performance is a risk to the environment and security of supply and is making achieving the planned starting point for WRMP24 more difficult. This undermines confidence in the company and has implications for further proposed development in the area. We lack assurance that anticipated progress for the start of WRMP24 will be achieved due to Cambridge Water's poor performance in AMP7. You may be asked to revise your draft WRMP24, unless there is a substantial change in performance.

We are concerned that this is the second consecutive year that Cambridge Water has received a joint Regulators letter. Therefore, we will be continuing with the series of meetings between Cambridge Water and Senior Management from Defra, the Environment Agency and Ofwat. These will take place every 6 months, in January and July, and you will be expected to report progress with the delivery of Cambridge Water's actions. We are aware of other ongoing meetings with regulators (such as regular liaison meetings), where we will seek progress on these performance issues as well. Where appropriate, we may seek to align these meetings.

The actions which the Regulators require you to take to address these concerns are set out in the table at Annex 1. We also require you to provide us with evidence in writing by the deadlines in the table at Annex 1 which shows us that Cambridge Water has taken the actions specified.

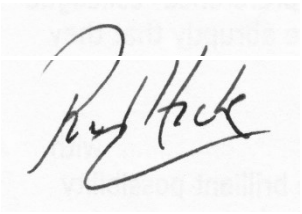
This year, this joint Regulators letter is to be published on the Ofwat website to drive transparency in the delivery of the water resources management plans. We request that Cambridge Water publishes its WRMP Annual Review data and narrative and this letter on your website to support this. We will ask this of all companies.

The Environment Agency's summary of the data assessed by regulators to determine the outcome of the 2023-24 WRMP Annual Review has also been published here.

Cambridge Water's WRMP is an essential plan for securing customers' water supplies, in a sustainable way for the environment. It is therefore vital for Cambridge Water to maintain and deliver its plan to the satisfaction of its regulators and customers.

Yours sincerely

Richard Thompson
Deputy Director,
Water Resources,
Environment Agency



Paul Hickey
Senior Director,
RAPID and Environmental Planning,
Ofwat

Martin Woolhead
Deputy Director,
Water Management,
Defra

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

Supply Demand Balance (SDB)
 	
You reported a company level Supply Demand Balance (SDB) deficit of 0.52Ml/d against a WRMP19 forecast surplus of 2.71Ml/d. This is the third time a SDB deficit has been reported in AMP7 with the same root causes of above forecast demand for water and outage.
 	
We are concerned that you have not followed the Environment Agency's guidance in reporting deployable output and SDB in your annual review. This means you are overstating deployable output and underestimating the true risk to supply.
 	
You have not included changes to deployable output due to climate change (8.1BL in the WRMP19 data tables) or reductions to restore sustainable abstraction (8.2BL in the WRMP19 data tables) in your reported deployable output figure as required by the guidance.
 	
You have also increased deployable output by 4.82Ml/d due to increased abstraction outputs during 2022 when groundwater
	Your reported deficit reduces our confidence in your ability to:
	
	• provide a secure supply of water
	• support planned growth
	• maintain abstraction to levels that will not risk causing deterioration in the status of water bodies
	• successfully deliver action plans provided to Defra/EA/Ofwat to address non-delivery of WRMP forecasts
	• accurately report your supply demand balance due to overstating deployable output. This reduces confidence in the data presented.
	
	Accurate and representative data is integral to demonstrating progress and delivery of your WRMP. Your reported SDB should be consistent with your actual outturn supply-demand situation.
	
	Current performance makes achieving the planned WRMP24 starting point, and subsequent glidepath, more difficult.
		You should:
		
		• provide us with an explanation of why you have not successfully addressed the continued deficits and brought your SDB back in line with WRMP19 forecast
		• provide us with an update of your Annual Review 2023 action plan to ensure that it demonstrates how you plan to bring SDB in line with your WRMP19 and WRMP24 forecasts. Your plan should
		  ○ detail how you will address the underlying causes of your SDB deficit
		  ○ include actions on leakage, metering, outage and DI and NHH demand.
		  ○ include the expected benefits and associated timescales for each action
		  ○ show how you have taken account of the reasons for your continued failure to meet SDB forecasts when identifying actions to be taken in the updated plan to achieve success
		  ○ describe how the updated plan differs from your previous action plan so you can ensure delivery
		
		Deadline: 29th November 2024

Issue	Impact	Action and deadline
levels were lower than average. However, as WRMP19 is based on a 1:200 dry year scenario and WRMP24 is based on a 1:500 dry year scenario, evidence needs to be provided to show increased yields would be available under these planning scenarios. Your Annual Review 2023 action plan has not addressed the ongoing issues with SDB. You are not on track to meet your WRMP24 starting position of 4.13Ml/d in April 2025.		• deliver the updated action plan according to the timelines you have set out in the plan • provide an update on progress with delivery of the action plan and your performance against WRMP19 forecasts for SDB and draft WRMP24 forecast for SDB to Defra/EA/Ofwat in January and July 2025 at the 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25 **Deadline: January 2025 and every six months thereafter** • ensure data in future annual review submissions reflects your true supply risk • provide us with evidence to show the 4.82Ml/d increase to deployable output because of increased abstraction outputs would be available in a 1:200 and 1:500 planning scenario and so can be included in dry year deployable output. **Deadline: Future Annual Review submissions**
Distribution Input (DI) Your reported DI of 84.32Ml/d is 3.09% above your WRMP19 forecast of 81.79Ml/d and is above forecast for the fourth consecutive year.	Your above forecast DI continues to contribute to your SDB deficit and represents a risk to your customers' security of supply.	You should: • provide us with an action plan that demonstrates how you plan to bring non-household consumption in line with your WRMP19 and WRMP24 forecasts. Your plan should:

Issue	Impact	Action and deadline
Non-household consumption is the main reason for your distribution input exceeding forecast and has increased for the third consecutive year. While some increase is due to data improvements, you are not on track to meet your WRMP24 baseline forecast for non-household consumption at the start of the planning period. We are also concerned that lack of data has caused large uncertainty in your WRMP19 forecast and this undermines confidence on your WRMP24 plan forecasts.	Accurate and representative data is integral to demonstrating progress and delivery of your WRMP. Uncertainties in data reduce confidence in the forecasts for WRMP19 and WRMP24.	○ detail how you will continue work to improve the consumption data available, such as through conducting your own readings of non-household meters. As confidence in the consumption data improves, this will form a basis to identify the positive impact of the planned work to reduce non-household consumption. ○ provide additional information about the actions detailed in the annual review narrative to reduce non-household consumption, including the expected Ml/d benefits and timescales of each action. **Deadline: 29th November 2024** • deliver the action plan according to the timelines you have set out in the plan **Deadline: Ongoing delivery as set out in your action plan** • provide an update on progress with delivery of the action plan and your performance against WRMP19 and WRMP24 forecasts for non-household consumption to Defra/EA/Ofwat in January and July 2025 at the 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25 **Deadline: January 2025 and every six months thereafter**

Issue	Impact	Action and deadline
Leakage Your reported total leakage of 12.29Ml/d is 6.9% above your WRMP19 forecast of 11.5Ml/d.	Achieving your planned leakage reductions is reputationally important, as you are asking customers to reduce their water use. Your above forecast leakage continues to contribute to your SDB deficit and represents a risk to your customers' security of supply. Overperforming on demand metrics such as leakage would help to address the supply demand balance issues you have reported in the last two annual reviews. Your above forecast leakage reduces our confidence in your ability to successfully deliver action plans to address non-delivery of WRMP forecasts.	You should: • provide us with an action plan that demonstrates how you plan to reduce leakage in line with your WRMP19 leakage forecast and performance commitment targets for leakage set by Ofwat. Your plan should: • clearly identify the actions you will take to address your above forecast leakage • include the expected Ml/d benefits and associated timescales of each action **Deadline: 29th November 2024** You should: • deliver the action plan according to the timelines you have set out in the plan • provide an update on progress with delivery of the action plan and your performance against WRMP19 total leakage forecast to Defra/EA/Ofwat in January and July 2025 at the 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25. **Deadline: January 2025 and every six months thereafter**

Issue	Impact	Action and deadline

Metering
 	
Your reported total household metering penetration of 73.62% is lower than your WRMP19 forecast of 78%. This is the fifth consecutive year that you have not met your forecast, and you are falling further behind each year.
 	
Your Annual Review 2023 action plan has not addressed the ongoing issues with metering.
 	
Your annual review narrative states that the metering catch up programme of work to address the metering shortfall has ceased for the remainder of the current AMP. However, the compulsory metering programme included in your draft WRMP24 includes a two-year grace period before customers are moved to be billed by meter. Therefore, it is unclear how you will achieve your planned forecast until much later in the AMP8 period. You have also not explained how AMP7 funding for metering has been used effectively as catch-up work has now ceased until AMP8.
	Meters have been shown to reduce customer consumption. While you are on track for your PCC forecast, further reducing household consumption would help to address the supply-demand balance issues you have experienced in the last two annual reviews.
	
	Increasing household metering penetration provides additional data on household consumption. This will support your continued work to improve data accuracy and will increase confidence in your demand PCC forecasts for WRMP24.
	
	Your below forecast metering reduces our confidence in your ability to successfully deliver action plans to address non-delivery of WRMP forecasts provided to Defra/EA/Ofwat.
	
	Delaying metering catch up work until AMP8 risks you falling further behind forecast as you move into WRMP24.
		You should:
		
		• provide us with an explanation for why you have not successfully addressed the continued non-delivery of WRMP19 and brought your metering back in line with WRMP19 forecast
		• provide us with an update of your Annual Review 2023 action plan to ensure that it demonstrates how you plan to bring metering in line with your WRMP19 and WRMP24 forecasts. Your updated plan should
		  ○ include an installation plan (how meters will be installed) and a billing plan (how customers will be moved to billed by meter to be included in meter penetration figures) to show how the grace period for customers to be moved to meters in AMP8 is factored into your plan, whilst achieving your forecast
		  ○ clearly identify the actions you will take to address your below forecast metering
		  ○ include the expected benefits and associated timescales of each action
		  ○ show how you have taken account of the reasons for your continued failure to meet metering forecasts when identifying actions to be taken in the updated plan to achieve success

Issue	Impact	Action and deadline
You are not on track to meet your WRMP24 baseline metering penetration forecast of 76.4% at the start of the planning period.		○ describe how the updated plan differs from your pervious action plan so you can ensure delivery ○ explain how AMP7 funding for metering was used with sufficient effect to justify your plan to stop metering catch-up work until AMP8 **Deadline: 29th November 2024** • deliver the updated action plan according to the timelines you set out in the plan **Deadline: Ongoing delivery as set out in your action plan** • provide an update on progress with delivery of the updated action plan and your performance against WRMP19 and WRMP24 metering penetration forecasts to Defra/EA/Ofwat in January and July 2025 at the 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25 **Deadline: January 2025 and every six months thereafter**
Outage Your reported outage of 8.62Ml/d is significantly above your WRMP19 forecast of 4.8Ml/d. This is the fifth consecutive year that your reported outage has been above	The ongoing trend of higher-than forecast outage continues to contribute to your SDB deficit	You should: • provide us with an explanation of why you have not successfully addressed the continued failure to meet your outage forecasts for WRMP19 and brought your

Issue	Impact	Action and deadline
your forecast and reported outage has contributed to deficits in your SDB. Additionally, you have reduced deployable output by 9.44Ml/d due to a long-term outage event. This is the second consecutive year that long term outages have led to deployable outage reductions. Your Annual Review 2023 action plan has not addressed the ongoing issues with outage. The outage experienced in the reporting year does not indicate that the company is on track to achieve its WRMP24 baseline outage allowance of 4.8Ml/d at the start of the planning period. We do not consider that you have provided the evidence to demonstrate how you would have successfully reduced outage if you had experienced a dry year to reflect your WRMP24 dry year annual average forecast.	This is an ongoing issue that presents a continued risk to your customers' security of supply and reduces our confidence in your ability to successfully deliver action plans to address non-delivery of WRMP forecasts provided to Defra/EA/Ofwat	outage back in line with your WRMP19 forecast • provide us with an update of your Annual Review 2023 action plan to ensure that it demonstrates how you plan to bring outage in line with your WRMP19 and WRMP24 forecasts. Your plan should: o clearly identify the actions you will take to address your above forecast outage o include the expected Ml/d benefits and associated timescales of each action o show how you have taken account of the reasons for your continued failure to meet outage forecasts when identifying actions to be taken in the updated plan to achieve success o describe how the updated plan differs from your previous action plan to ensure delivery **Deadline: 29th November 2024** • deliver the updated action plan according to the timelines you have set out in the plan • inform Defra/EA/Ofwat of any significant outages as soon as they occur, including timescales to implement solutions (in accordance with Water resources planning guideline supplementary guidance - Outage produced by the Environment Agency) and

Issue	Impact	Action and deadline
		should deliver those solutions in accordance with those timescales • ensure unplanned outages are resolved in a timely manner to maintain supply-demand resilience and meet the definition of outage as short-term **Deadline: Ongoing delivery** • provide an update on progress with delivery of the action plan and your performance against WRMP19 and WRMP24 outage forecasts to Defra/EA/Ofwat in January and July 2025 at the 6 monthly joint regulator meetings and at the Quarterly Director Meetings throughout 2024-25. **Deadline: 29th November 2024**
Supply Scheme Delivery Supply-side scheme delivery is off track, with two borehole schemes at Kingston and St Ives delayed. This represents a combined benefit of 2.52Ml/d that was forecast to be delivered by 2024/25. You have now indicated that these schemes are expected to be delivered by year 1 of AMP 8. However, your annual review narrative states that both schemes are still in the feasibility stage, raising concerns	A delay to customer funded supply-side schemes has a negative impact on your available supplies. This represents a risk to your operational resilience, customers' security of supply, and to the environment.	You should: • provide us with a detailed action plan outlining your programme of work and timeframes in which the revised delivery dates for the Kingston and St Ives borehole schemes will be met. This plan should also include a clear presentation of the risks associated with delaying the schemes, including any potential impacts on resilience and the measures you will take to mitigate these risks. • deliver the action plan according to the timelines you have set out in the plan

Issue	Impact	Action and deadline
about your ability to meet the revised timelines. Additionally, you have reported difficulties in finding a cost-effective solution to deliver the 0.9Ml/d benefit at Kingston, which further questions the deliverability of these schemes.		If the Kingston borehole scheme is found to be unfeasible, you should provide an action plan to us outlining alternative solutions to deliver the 0.9Ml/d benefit, including timelines for delivery and an assessment of risks associated with these alternatives and you should deliver the action plan according to the timelines you have set out in the plan. **Deadline: 29th November 2024 for providing the action plan.**