

29th November 2024

Sent by email only:

Richard Thompson – Deputy Director Water Resources, Environment Agency Paul Hickey – Senior Director RAPID and Environmental Planning, Ofwat Martin Woolhead – Deputy Director Water Management, Defra

Dear Richard, Paul and Martin,

Thank you for your letters dated 11th October outlining your feedback and requirements for both our Cambridge and South Staffs Water Resources Management Plans (WRMP19) Annual Reviews. We appreciate that demonstrating the ability to provide resilient water services for our customers, while protecting the environment, is an important part of the regulatory process, and we are committed to being transparent in our performance.

We absolutely recognise that there are areas of our performance that have fallen behind the high standards that we strive for. While there have been areas of excellent delivery, our performance is not consistent across the range of measures. Our focus is firmly on delivering the necessary actions and improvements, detailed in the annexes to this letter, that will deliver the performance that our customers and our environment expects of us. This is a commitment which runs through every level in our organisation.

Much has changed since we prepared our Water Resources Management Plan in 2019. In 2024 the regulatory and policy baselines are different, and targets, assumptions and commitments have moved on. Our WRMP24 plans reflect these changes which are taken into account in the actions and investment proposals in our Business Plan submission to Ofwat. I am confident that they will enable us to deliver reliable water supplies in both our regions, provide a high quality of service to our customers and provide better protection to the environment. I have summarised the main changes relevant to your comments in the paragraphs below.

South Staffordshire

• PCC has remained higher than planned because of a change in working habits driven by the pandemic and our evidence shows that many people *no longer commute to the nearby business centres but are working from home. We* believe that universal metering is the best way to help customers think about



their consumption and we are actively developing plans for rollout from 2025 onwards.

- We have carried out a detailed, independently verified technical audit of leakage. The resulting back-casting more accurately reflects our position so that we can now better monitor compliance with Ofwat targets. We have realigned the leakage baseline in WRMP24, and in future will update our WRMP so that it is consistent with Ofwat Performance Commitment monitoring. It's important to note that leakage today in South Staffs is at its lowest ever level, and that we missed the target because of a weaker performance in the first year of the three-year rolling average.
- During the 2022 drought we had to postpone some planned outages to ensure that we would not jeopardise supplies to customers. The work was therefore delayed to 2023/24.

Cambridge

- PCC in Cambridge is the lowest in the sector, and we are pleased that an ongoing series of campaigns have been well-received and have proved effective in engaging customers to reduce their consumption. We are committed to reducing our abstractions from the sensitive Chalk aquifer but the potential to do so is limited until the new strategic sources are operational. However, in the interim we intend to continue to support our customers through ongoing demand management initiatives.
- As with South Staffs, a better understanding of leakage levels has led to a realignment of our leakage baseline in WRMP2024. We met all our Ofwat leakage targets for AMP 7 and are committed to continuing to drive leakage down further – in 2023/24 we had the fourth lowest leakage level per person across the industry – and have set out a series of additional actions in the annex to this letter.
- Meter penetration in Cambridge currently stands at a significant 74%. The pandemic reduced our ability to service optants, and we have seen a reduced number of requests subsequently, but in AMP8 we have plans for achieving universal compulsory metering using AMI technology.
- Ensuring the quality of the water we supply to our customers is our top priority. We have regrettably had a series of unplanned outages in Cambridge as a result of withdrawing borehole sources from supply in order to be confident of maintaining standards. Despite our best efforts to mitigate the impact of these actions the overall yield from our sources has reduced. We are considering treatment options to improve resilience in what is a challenging operational regime.



The following annexes set out a detailed response to your comments, with Annex 1 addressing our South Staffs region, Annex 2 addressing our Cambridge region and Annex 3 providing a summary of our action plan. We have provided stretching yet realistic action plans, which may take some time to see the step change occur.

We believe there is a need for regulators and ourselves to improve our collaboration in order to deliver the outcomes we all are striving for. We welcome the on-going engagement and will continue to feedback on our progress during our regular liaison meetings.

Yours sincerely,

Hunt

Andy Willicott Managing Director



Annex 1 – Cambridge WRMP19 AR

Supply Demand Balance

While we remained short of our WRMP19 forecast, we have made improvement in our SDB from the previous year. We now have the lowest PCC in the country at under 120 litres per person per day (l/p/d). However, a greater demand in NHH consumption has driven a rise in DI. In addition, water quality issues from an unprecedented surge in raw water nitrate levels following the wet winter of 2023/24 have caused longer unplanned outages. Our action plan below outlines the measures we are taking to reduce the impact of these going forward.

Distribution Input

Both the previous and current Government have been supportive of focusing on Cambridge for development opportunities. This has outstripped our WRMP19 forecasts, particularly for non-household demand for water. Cambridge has a high level of Research and Development (R&D) users, which has increased since the outbreak of the COVID-19 pandemic. We have supported this economic growth and are actively involved with the Water Scarcity Group so that we can identify opportunities to sustainably support the growth ambition.

As a result, we have accelerated our AMP8 plans to deliver a reduction in our NHH consumption, as this activity was not included in our WRMP19 or business plan for AMP7. Examples of this activity include the following:

- We have formed an innovative partnership with Whitbread to jointly fund water saving retrofits to Premier Inns and their associated restaurants.
- We have engaged with Addenbrookes hospital to provide water efficiency advice to support identification of water reuse or reduction opportunities across the estate.
- We are part of an Ofwat Innovation fund bid working with Waterscan and several self-serve large non-household organisations focusing on behavioural change in a NHH setting. This will be submitted in January 2025.
- We are part of multiple NHH water efficiency forums working with other water companies and retailers to develop joint programmes of work to undertake water efficiency activity across the NHH population.

In addition, as of April 2025 we will be bringing in an enhanced focus on all nonhousehold applications. This will see approvals of connections only being made where certain thresholds have been met, such as application use and/or quantity required.



Leakage

We acknowledge that our leakage was higher than our WRMP forecast. However, we have met all our Ofwat three-year rolling average leakage targets for AMP7. In 2021/22 we back-casted to meet the convergence requirements set out by Ofwat in its reporting guidance. This led to a difference in our WRMP and reported leakage targets. The recasting increased our overall leakage position for all previous years, which was not mirrored within the WRMP19 tables. We have realigned our leakage baseline in WRMP24.

In our Cambridge region in 2023/24, we had the 4th lowest level of leakage per person across the industry and we continue to be committed to leading in this area, as outlined in our actions in Annex 3.

Metering

During 2023/24, we fitted 1,346 meters to previously unmetered households in our Cambridge region, plus 14 non-household smart meters. From development in the area, we made 1,180 household and 21 non-household new metered connections. All meters installed were AMI ready. This brings meter penetration in our Cambridge region to 73.62% for 2023/24. We also replaced 3,130 household meters, and 57 non-household meters.

We based our WRMP19 metering forecasts on the number of customers we expected to request a meter, known as 'optants', using historic data. However, we have seen the COVID-19 pandemic and the subsequent cost-of-living crisis impact the number of our customer requesting meters. This is despite our ongoing promotion of the benefits a meter can deliver through advertising campaigns, information on our website and social media and on bill inserts. We also introduced a new mobile 'water on wheels' role, which is out and about in our Cambridge community promoting metering and supporting customers to understand the benefits and support we can offer.

We have agreed a change in delivery model with our contract partners for the remainder of the current year. This includes adding additional teams, to enable us to fit more meters, as we have now seen a rise in optant requests in 2025. By the end of AMP7 we are forecasting a meter penetration of 74%-75% in our Cambridge region.

We have looked at the option to install meters at properties where they have not been requested by customers; however, this is essentially compulsory metering, which is a change in our strategy and one which has not been communicated to our customers. Experience from other sectors, such as electricity, and other water



companies, has shown that pre-engagement with customers is vital if a roll-out such as this is to be successful, the required benefits be delivered and customers supported suitably through the process. We could install the meter but not use them for billing purposes; however, this does not count towards metering penetration. As such, we are not proposing to progress either of these options, but will continue with our promotion and marketing of metering to drive additional optant requests. We will be introducing universal metering from 2025 onwards and are working on our upfront engagement plans for our customers.

Our action plan for AMP8 outlined in Annex 3 is dependent on Ofwat accepting our AMP8 business plan proposals. We will incorporate any shortfall from AMP7 as part of our universal metering programme. We will promote customers to switch to metered billing as soon as possible. However, we recognise that there will be some customers who are concerned about the affordability of their water bills when paying metered charges, and we will offer them transitional support to help them plan for this change. We are also expanding our Assure social tariff to ensure we can support more of our vulnerable or low-income customers into AMP8.

We have changed our strategy for AMP8 following Ofwat's draft determination and will now be fitting AMI meters as part of our universal meter rollout. We have reprofiled the first year of AMP8 to enable us to adapt to this new strategy and deliver the new infrastructure required as well as update the procurement and external support agreements we will need as a result. We have engaged a third-party consultant to help us deliver this at pace including all the customer engagement work and meter rollout prioritisation.

Outage

During 2023/24 we have had multiple long-term unplanned outages which are attributable to raw water quality issues rather than asset health. We have had emerging issues with cryptosporidium and PFAS, which cannot be resolved quickly. In addition, we have seen a significant rise in raw water nitrate levels across multiple borehole sites, following the wet winter of 2023/24. This is a trend that was also seen elsewhere across the East Anglia region. While we have undertaken actions to mitigate this as far as possible, it still means there are some sites, such as Morden Grange, which we cannot operate currently without additional treatment, and some sites where we are unable to maximise the full yield, therefore contributing to the outage number.

We included a scheme for Morden Grange in our AMP8 business plan and, providing funding is approved at the final determination by Ofwat, we plan to deliver this scheme by the end of the second year of AMP8 (2026/27).



This year, we have got Sawston Mill back in supply following the successful commissioning of a granulated active carbon (GAC) plant to remove the PFAS levels in the raw water.

We have given outage and reduced yield a strong focus to enable us to understand, track and resolve through the creation of a senior leaders fortnightly meeting.

Supply Scheme Delivery

As outlined, we have three supply schemes in WRMP19 for completion by the end of AMP7, and our WRMP24 plan assumes that the benefit is realised in the first year. While we have a delay in our programme of delivery, we still expect to receive the benefit from two of these schemes by the end of the first year of AMP8, and one shortly into the second year.

St lves:

St Ives, which will bring a benefit of 1.6MI/d average upon completion, has had an extended design period while we seek to understand the impact of aligning with the new Fenstanton supply scheme. The Fenstanton scheme is in WRMP24 and due to be completed by 2027, and will transfer 0.44 MI/d to St Ives for treatment. Following further investigations at Fenstanton, this may rise to 1MI/d during AMP8.

We need to ensure our St Ives scheme is designed correctly to accept this increased supply, and any quality implications this may bring. We are completing water quality sampling in Fenstanton to confirm any additional needs in the St Ives scope, and the design team are reviewing to finalise plans.

We have planned for St Ives to be in operation by July 2026, with our St Ives project plan as per the following completion dates:

- Fenstanton Sampling and Analysis Feb 2025
- Process and Outline Design March 2025
- Detailed Design August 2025
- Procurement November 2025
- Construction May 2026
- Commissioning July 2026
- Water Into Supply (WIS) July 2026

Kingston:

We are continuing with our feasibility review, which is due to be complete in February 2025. Alongside completion of the feasibility review, we are also creating



an adaptive plan to consider our alternative options to deliver this additional 0.9 MI/d should the feasibility review demonstrate this option is no longer suitable or has a disproportionately high cost to deliver. These alternative options will include reviewing our demand management ambitions to understand the potential to deliver additional savings through these.

Assuming the project is found to be feasible, our project plan is as per the following completion dates:

- Feasibility February 2025
- Design June 2025
- Procurement October 2025
- Construction February 2026
- Commissioning March 2026
- Water into Supply (WIS) March 2026

Croydon:

Our final supply scheme in the Cambridge region for AMP7 is the Croydon, where delivery is already under way. We had previously planned on completing this scheme by the end of the final year of the current AMP; however, we now expect to complete this by February 2026.

Croydon experienced some unexpected delays during the delivery phase inspection of the filter vessels, which identified these could not be refurbished without significant additional expenditure. As this would impact process guarantees, we have had to develop an alternative design, which is impacting programme and procurement delivery.

The project plan as per the following completion dates:

- Revised Design March 2025
- Procurement October 2025
- Construction February 2026
- Water into Supply (WIS) February 2026

We recognise that postponing these schemes will affect the trajectory of additional resource availability; however, we also understand the necessity of implementing a clear and effective mitigation plan during the ongoing essential engineering feasibility studies to maintain a reliable supply for our customers while considering environmental impacts. Additional proactive maintenance of strategic treatment



facilities, along with the reconfiguration of our supply network, ensures the optimal utilisation of all available water sources whenever feasible.

In addition, our Environmental, Network, Capital Delivery, and Production teams are committed to implementing short-term mitigation strategies alongside a mediumterm plan (AMP8). They conduct weekly reviews of all risks, addressing them both proactively and reactively, a practice they have maintained for the past 18 months, this is now a standard review function and will remain in place permanently.



Annex 2 – Action plan summary

Area	Review and actions	Delivery date
Leakage	Continue the build of new DMAs through year 5 and into AMP8. Aiming for 5 this year. This work	31/03/2025 and
	involves metering areas of our distribution network that have previously been unmetered and	ongoing
	therefore difficult for us to track leakage outbreaks. This will mean we gain better visibility of the	
	demand and leakage on our network.	
	Undertaking a Stop.Watch logger trial to aid with the location of customer-side leaks. A Stopwatch	31/03/2025
	logger is placed on a customer's external stop tap and uses the heat signature of the pipe to	
	determine if the customer has a leak. It can also be used to better understand usage patterns, void	
	property consumption, usage and internal plumbing losses.	
	Start the leakage aspect of the Datatechnics trial – using machine learning and AI to locate leaks on	01/02/2025
	our network based off historical data.	
	Develop a 'lift and shift' acoustic logger programme and purchase the latest acoustic lift and shift	01/12/2025
	and permanent loggers:	
	 ~700 lift and shift loggers 	
	 ~1350 new Permanent Acoustic Loggers, with all fitting to be completed by end of June 2024. 	
	These are now all in the ground and working.	
	 Optimising the locations of ~500 Permanent hydrophone and acoustic loggers. Moving them 	
	between DMAs to better target leakage. Over half of this work is completed, with the other half	
	aiming to be completed before winter.	
	Expanded internal leakage technician resource from 34 to 43 FTE.	Complete



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	Employed 3x internal logging technicians, who maintain and deploy loggers on our network and	Complete
	provide leakage Points of Interest for the Technicians. This will help increase the speed at which we	
	find leaks.	
	Using 2/3 FTE from Hydrosave as Logging Technicians, who maintain and deploy loggers on our	On-going
	network and provide leakage Points of Interest for the Technicians. This will help increase the speed	
	at which we find leaks.	
Metering	Increase teams on the ground; we have added two extra teams in our South Staffs region.	Complete
	Fit around 5,000 optant meters throughout 2024/25. This will take us to below the AMP7 target;	31/03/2025
	however, we expect to catch up on this shortfall within AMP8.	
	Increase our campaigns to promote optant meter uptake through social media and email campaigns	31/03/2025
	and through public engagement at our community hub in Wednesbury.	
	Engage third-party consultant to support new AMI AMP8 strategy, to support change of strategy	Complete
	and new requirements as part of this, as well as meter roll-out prioritisation and customer	
	engagement.	
	The following part of our action plan in metering for AMP8 is subject to Ofwat accepting our Draft I	Determination
	proposal:	
	Tender for AMI contract in early 2025 following receipt of our final determination from Ofwat.	28/02/2025
	Install AMI capable meters for optants where scattered locations, to allow us to continue with our	31/03/2025
	metering programme and give us the flexibility to switch to AMI in the future once the network	
	support is in place.	
	Install AMI meters through our universal metering programme, with 11,423 household (HH) and	31/03/2026
	2,329 NHH in the first year across both regions. Starting October 2025.	
	Install 25,701 HH meters per year and 5,239 NHH meters for years 2-5 as outlined in our WRMP24.	On-going



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Outage	Focus on outage and reduced yield through creation of a senior leaders fortnightly meeting.	Complete
	Develop strategic plan for returning to supply sites with long-term outage – to be updated post-final	31/03/2025
	determination.	
	Track trends for outage and complete lessons learned for planned outages that are not completed	On-going
	within programme plan timeline. Identify and implement actions to prevent reoccurrence.	
	Undertake review into outage reporting process across industry to identify discrepancies and best	31/03/2025
	practice. Identify any improvements required to our outage calculation – i.e. removal of sites that	
	are deselected.	
Demand for	Continue to promote water efficiency measures with customers through community events and	On-going
water	locations such as Staffordshire County Show and our Wednesbury customer hub.	
	Deliver the behavioural change campaign with Defra – Yes we Cam.	
	Implement Eco-Tariff trial where customers pay a lower rate for "essential" water usage, designed	Started Oct 2024
	to encourage reduced consumption and provide support for our lower income families.	
	Undertake flow regulator trial in Cambridge – aiming to understand the scale of benefits that could	31/03/2025
	be achieved in a lower PCC area than previous roll-outs have been. Results of this trial to determine	
	suitability of these devices for inclusion in our AMP8 water efficiency programme.	
	Commencement of the Ofwat Innovation fund winning bid with Severn Trent Water and Nectar to	Ongoing
	progress the nectar points trial.	
	Submit bid with Waterscan and participating NHH organisations to Ofwat Innovation bid in January	31/01/2025
	2025 with the focus on NHH behavioural change.	
	Continue delivering two distinct and innovative water saving behaviour change campaigns related to	31/01/2025
	faith and culture, and testing a new water saving device (wudu bottle) as part of our water efficiency	



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	in faith and diverse communities project. Share these learnings and insight to develop practical	
	toolkits to benefit other communities and the wider sector.	
Supply side	Continue to review our resource situation at weekly Supply Planning meeting.	On-going
schemes	Lay a new main in Cambridge to allow additional nitrate blending, increasing security of supply	Complete
	Develop a service level agreement to use Aqua (original engineering manufacturer) for additional	31/03/2025
	maintenance support beyond routine to increase reliability on assets.	
	Continue with actions and build on Cambridge summer action plan 2024 to prepare for 2025	May 2025
	summer.	
	Update on progress against the scheme milestones as outlined.	On-going
	Fenstanton:	
	 Fenstanton Sampling and Analysis – Feb 2025 	
	 Process and Outline Design – March 2025 	
	 Detailed Design – August 2025 	
	Procurement - November 2025	
	Construction – May 2026	
	Commissioning – July 2026	
	Water Into Supply (WIS) – July 2026	
	Kingston:	
	Feasibility – February 2025	
	Design – June 2025	
	Procurement – October 2025	



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	Construction – February 2026
	Commissioning – March 2026
	Water into Supply (WIS) – March 2026
C	Croydon:
	 Revised Design – March 2025
	Procurement – October 2025
	Construction – February 2026
	Water into Supply (WIS) – February 2026