




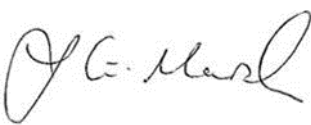
Statement of Response, Draft Water Resource Management Plan 2019

Independent Water Networks Ltd.

March 2019



Document Control Sheet

<p>TITLE:</p> <p>Statement of Response, Draft WRMP 2019</p>	<p>VERSION:</p> <p>Final v2 25th March 2019</p>
<p>Document Business Owner:</p>	 <p>Paula Agutter, Water Compliance Manager, IWNL</p>
<p>Authorised:</p>	 <p>John Marsh, Director, IWNL</p>

Introduction

This is the Statement of Response of Independent Water Networks Limited (IWNL) to representations received by DEFRA from various consultees during its consultation on IWNL's draft 2019 Water Resource Management Plan (WRMP).

IWNL has listed below the representations received and has explained the changes made to the draft WRMP as a consequence of such representations or, where no changes have been made, IWNL has given its reasons for not doing so.

Context

IWNL is part of the BUUK Infrastructure group of companies which focuses primarily on the new build market, dividing its activities between the regulated ownership of utility network assets and the unregulated provision of utility infrastructure and asset management services.

IWNL is a regulated water and waste water undertaker appointed by OFWAT under its new appointments and variations process. As a new appointee IWNL have been granted various appointments to provide water and wastewater services for certain new housing developments in discrete geographical regions, and instead, of the incumbent undertakers identified in the tables below.

IWNL owns no water resources or treatment assets. It operates by securing bulk supply and discharge services from the incumbent supplier and retailing this to its customers.

A summary of the IWNL asset portfolio is shown below.

Anglian Water

BUUK ref. no.	Site	Location	Incumbent WRZ	Service(s)	Date granted	Date commenced	Contract Length
38861	Priors Hall	Corby, Northants	Ruthamford North	Water and sewerage	30/01/2008	04/02/2008	22 Years
40806	Long Croft Rd.	Corby, Northants	Ruthamford North	Water and sewerage	12/10/2007	15/10/2007	23 Years
42017	Great Billing Way	Northampton	Ruthamford Central	Water only	03/09/2008	04/09/2008	22 Years
43414	Brooklands	Milton Keynes	Ruthamford Central	Water and sewerage	16/12/2009	17/12/2009	Indefinite

Thames Water

BUUK ref. no.	Site	Location	Incumbent WRZ	Services	Date granted	Date commenced	Contract Length
39088	Berryfields	Aylesbury	Slough, Wycombe	Water and sewerage	09/07/2010	22/06/2010	Indefinite

			and Aylesbury				
42433	King's Cross Central	London	London	Water and sewerage	24/06/2010	25/06/2010	Indefinite
45422	The Bridge	Dartford, Kent	London	Water and sewerage	24/02/2010	25/02/2010	Indefinite
55153	GMV	Greenwich, London	London	Water and sewerage	13/11/2013	14/11/2013	Indefinite
52713	Ebbsfleet	Swanscombe, Kent	London	Water and sewerage	03/08/2016	04/08/2016	Indefinite

Severn Trent Water

BUUK ref. no.	Site	Location	Incumbent WRZ	Service(s)	Date granted	Date commenced	Contract Length
40328	Oakham North	Rutland	Ruthamford North (Anglian Water)	Water only	13/08/2012	14/08/2012	23 Years

Southern Water

BUUK ref. no.	Site	Location	Incumbent WRZ	Service(s)	Date granted	Date commenced	Contract Length
53244	NES Crawley	Crawley	Sussex North	Water and Sewerage	21/08/2014	22/08/2014	Indefinite

Affinity Water

BUUK ref. no.	Site	Location	Incumbent WRZ	Service(s)	Date granted	Date commenced	Contract Length
36948	Martello Lakes	Hythe	Dour	Water and Sewerage	22/10/2015	23/10/2015	Indefinite
55030	Bishop's Stortford	Hertfordshire	Stort	Water and Sewerage	25/04/2018	21/05/2018	Indefinite

South East Water

BUUK ref. no.	Site	Location	Incumbent WRZ	Service(s)	Date granted	Date commenced	Contract Length
71641	Chilmington Green	Ashford, Kent	Ashford	Water and Sewerage	20/03/2018	21/12/2017	Indefinite

Consultation responses

A total of 3 written representations were received from the following organisations: The Environment Agency, OFWAT and Natural England. A further representation was received from DEFRA in February 2019.

All material amendments made to the draft WRMP as a result of these responses are summarised below.

Demand Management

Natural England stated that they *“welcome the demand management and water efficiency measures which IWNL intends to pursue in the planning period”*.

OFWAT commented that *“to address the increasing levels of leakage and enhance water efficiency the company should consider evaluating demand management options. The company should ensure that the impacts of its leakage reduction and water efficiency strategy are reflected within the final plan.”*. More specific comments received from OFWAT about this are detailed in the paragraphs below.

The Environment Agency commented that IWNL *“must also set out how it has estimated household and non-household demand”*.

Demand has been calculated based on measured metered consumption in each zone. This is now explicitly stated in the final report.

Leakage

OFWAT commented that *“leakage is predicted to increase by the end of the planning period by 0.16 MI/d (59% relative to 2020). While there may be legitimate reasons for this (for example, more properties connecting to the network), this trend is not explained in the draft plan. It is also accompanied by an increase in leakage per property by the end of the planning period. In the final plan Independent Water Networks should explain why this is predicted to occur and demonstrate it will be acceptable to customers and other stakeholders”*.

IWNL is expecting our total leakage to increase by 59% (0.16 MI/d) by the end of the planning period relative to leakage in 2020. This is caused by the increasing number of properties and length of the IWNL network increasing, because most of IWNL’s networks are still being constructed. This is now stated in the final report.

On all sites IWNL is predicting a percentage distribution loss of 4.5%, therefore IWNL are not suggesting that our leakage figures will increase over the planning period.

The Environment Agency commented that *“the company does not include a clear plan for how it will maintain these low levels across the planning horizon. It provides a basic forecast of a flat rate of 5% of distribution input for leakage across the planning horizon with no further information on how this was calculated. We suggest the company should provide a forecast which takes into consideration*

the possibility of future leakage rises and provide an explanation of how it will maintain its low levels of leakage.”

The following statements are now included in the final report:

“IWNL have assumed that we will be able to maintain distribution losses at approximately 4.5% of distribution input towards the end of the planning period. The 4.5% is a target for losses which includes potential 2% for meter inaccuracies as the meters age and 2.5% for pure distribution losses. IWNL does not own or operate any pipeline systems older than 11 years; as IWNL mostly deploy pipes made from MDPE or HDPE, with quality controlled welded joints to connect pipes, we believe that we can achieve very low levels of leakage.”

“To maintain this IWNL regularly send teams out to visually inspect our region identifying area areas of wet ground for potential leaks. IWNL are also in the unique position of having boundary meters and all properties within the inset metered. This enables IWNL to actively monitor our level of losses with real data rather than models of assumption. Any anomalies can be investigated and rectified. IWNL will also look to adopt a leakage maintenance strategy as our network ages where we will use acoustic technics to help identify and rectify leaks.”

Water Efficiency Options

OFWAT noted that *“no evidence has been presented to confirm the scale of benefits of water efficiency options. It is recognised that the company has the opportunity to utilise the smart metering network to target demand management activities and demonstrate the benefits of its water efficiency measures. A programme of monitoring and data collection activities in line with development projections is needed to improve the robustness of the plan.”*

Data used in IWNL’s draft plan was taken from actual metered usage, which stated that *“customer consumption from meter reads is monitored to either investigate for leakage or issue letters to customers advising that they are high users along with tips on being water wise.”*. The final plan now states that in future IWNL will *“utilise site-specific consumption data to target the delivery of water-efficiency messages to our customers in specific zones and use metering data to evaluate the efficacy of these messages”*.

Stakeholder Engagement

Customer Engagement

OFWAT observed that IWNL *“provided no evidence of customer participation in the development of its draft plan. The company should explain how it has so far engaged, and intends to engage going forward, with its customers.”*

The final report now includes the fact that approx. 22,600 customers were included in the consultation that closed in May 2018.

Board Level Engagement

OFWAT also requested that IWNL *“clarify the assurance process undertaken for the plan and provide evidence that the company Board has been involved as part of the decision making process.”*

The final report includes signatories from IWNL’s director and document author.

Levels of Service

OFWAT advised that IWNL *“should review the levels of service in the supplier companies’ draft water resource management plans, discuss any impact of the chosen levels with their suppliers and clearly refer to the outcomes of this exercise within its final plan.”*

The Environment Agency stated that the *“company must provide its estimate of the planned annual risk for temporary water use restrictions (previously hosepipe bans), ordinary drought orders, and emergency drought orders as a percentage to meet Direction 3(b) for all zones. If the WRMP reflects the level of service of the incumbent water company, it must still state its level of service in its own WRMP to comply with Direction 3(b)”* and *“it should also state clearly if the average annual risk that it may need to impose temporary water use restrictions differs from the incumbent.”*

It is a contractual obligation that IWNL’s levels of service are the same as the supplying incumbent water company. IWNL have now specified area-specific levels of service and have fully-aligned these to the supplying companies’ levels of service.

In March 2019, the levels of service were included as a percentage risk and a statement added that annual risk values remain unchanged throughout the planning period after DEFRA commented that *“the company must provide the planned annual risk of the following, in percent, to meet Direction 3(b): s.76 - temporary water use restrictions (previously hosepipe bans); s.74(2)(b) - ordinary drought orders; s.75 - emergency drought orders. The company must also state if/how the annual risk will change over the planning period”*.

Climate Change and Greenhouse Gases

Impact of Climate Change

The Environment Agency commented that *“the company must include an assessment of the impacts of climate change on demand in the final planning scenario to meet Direction 3(e)”*.

This assessment is included in the final report

Additional details about the effect of climate change on demand were included in March 2019 after DEFRA noted that the company *“does not assess and describe the impact that climate change will have on demand. The company must assess and describe the impact of climate change on its demand forecast, including the assumptions made in the assessment, to meet Direction 3(b)”*

Greenhouse Gas Emissions

The Environment Agency said that IWNL “*must include an assessment of the greenhouse gas emissions from both its current and future operations to meet Direction 3(d)*”.

This assessment is included in the final report

Supporting Documentation and Reporting Inconsistencies

Supporting Documentation

OFWAT stated that “*there needs to be clearer reference made to the guidance and supporting documentation used in developing the plan. For example, there is no reference to published industry research from organisations like UKWIR.*”

IWNL did include reference in the draft plan, these have been augmented in the final submission

The Environment Agency said that “*the company should ensure that the plan includes details of which company and resource zone it derives its bulk supply from for each of its resource zones and when these contracts expire or need renewal. We suggest the company should provide quantities that match those set out in the incumbent’s plan or a clear explanation if they do not.*”

The draft report already tabulated each of IWNL’s resource zones by incumbent supplier. These tables have been augmented with details of the incumbent’s resource zone and with contract expiration dates. The quantities included were taken directly from the bulk supply agreements signed between IWNL and the incumbent supplier; IWNL’s figures are accurate and the final report states where these numbers came from. If the incumbent’s plan differs, IWNL feel that they should provide an explanation as to why their figures do not match the contracted quantities.

Renegotiation of Bulk Supply Agreements

In February 2019, DEFRA commented that “*the company should demonstrate that its bulk supplies for all 14 supply areas have sufficient bulk supply agreements throughout the duration of the planning period. In its final plan, the company must describe the process, triggers and timings when renegotiation of contracts will occur for the four supply areas where the bulk supply contracts will end before 2045. The final plan must demonstrate and provide assurance that bulk supply contracts do not pose a risk to the security of supplies for its customers.*”

The report now includes details of the process, triggers and timings for renegotiating bulk supply agreements. However, given that these timings are written into the agreements currently in place and these have not yet been reached, IWNL have not yet initiated these contract renewal negotiations.

Reporting Inconsistencies

It was noted by OFWAT that IWNL should *“ensure the narrative is consistent with the data tables to give us confidence that the plan is robust.”*

In the final report, these figures are all consistent.

New Insets

The Environment Agency stated that IWNL should *“include a statement of whether it intends to apply for new resource zones (Inset Areas) following final plan publication”* and *“set out the process the company will follow to update the statutory drought and water resources management plans when a new appointment is granted – for example reporting in the annual review process and updating and appending the information to the statutory plan”*

After discussions with the Environment Agency, the following statement has been added to the final report *“IWNL continues to grow and will acquire new inset licences following publication of this plan. As these licences are obtained, IWNL will undertake a WRMP for each of these zones and include these as part of our Annual Reports, which will be available on our website.”*

Non-Drought Hazards

The Environment Agency stated that *“the company has not provided any information to demonstrate that its plan is resilient to non-drought hazards. We recognise the company derives all supplies from bulk supply contracts but its network may still be vulnerable for example to freeze-thaw incidents. We suggest the company should consider whether any non-drought risks could affect its water supply resilience and provide further information on this in the final plan.”*

Some non-drought hazards have been identified which may present a very low risk to IWNL’s network and these have been included in the final report.

Closing Statement

IWNL thanks all consultees for the responses to its draft WRMP’s, the document has been revised accordingly and IWNL has submitted its revised draft WRMPs to the Secretary of State for approval. The WRMP’s will be finalised and published on the IWNL website once approval has been granted.

A summary of the key amendments are:

- Leakage targets have been quantified
- Levels of Service are now consistent with incumbent suppliers

- IWNL has committed to conduct an annual review of its WRMP so that new insets and water resource zones are continually updated in our water resource planning.
- The impact of climate change and an assessment of greenhouse gases has been included
- Non-drought hazards have been assessed
- Data has been consistently reported
- Details of how contracts will be renegotiated is included.