South Staffs Water
Green Lane, Walsall WS2 7PD
www.south-staffs-water.co.uk

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.

<u>South Staffordshire</u>

- 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

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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.

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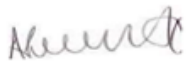
The following annexes set out a detailed response to your comments, with Annex 1 addressing our South Staffs region, Annex 2 addressing our Cambridge region and Annex 3 providing a summary of our action plan. We have provided stretching yet realistic action plans, which may take some time to see the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



Andy Willicott
Managing Director

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Annex 1 – South Staffs WRMP19 AR

Supply Demand Balance

As outlined in your letter, several root causes have driven a SDB in deficit rather than the surplus forecasted. The largest contributor to this is planned outage, and as outlined this was mostly driven through proactively delaying works during the dry year of 2022/23. As this is something within our control we could, and would, have actively reduced this should there have been another dry period and/or any perceived risk to supply during 2023/24.

Alongside planned outage, a main contributor is the on-going higher household PCC. As we outline below, we continue to have a strong focus on reducing demand for water, taking the lessons learned from our Cambridge region.

Distribution Input

Although our DI has remained higher than our WRMP19 forecast, following the increase in PCC because of the COVID-19 pandemic, it has reduced in 2023/24 as it has consistently since the end of the pandemic. We submitted our PCC research alongside our business plan for 2025 to 2030 as part of the regulator Ofwat's PR24 process. This demonstrates that there are significant and permanent changes to customer behaviour following the pandemic. We now have additional household consumption during the working day as an additional proportion of our customers now work from home either full or part time. Prior to the pandemic these customers would commute outside of our operating area, and therefore this daily usage would been recorded in Severn Trent Water's non-household consumption. This additional consumption impacts both our PCC and our DI and our research shows this will continue.

As outlined in the sections below, we have plans in place to reduce leakage and PCC. As well as this, we have accelerated our plans for the next five-year planning period to 2030 (AMP8) for working with our non-household customers (NHH) to reduce water consumption. We have various initiatives already underway, including:

- Joint retrofit programmes with Whitbread and Premier Inn.
- Part of an Ofwat Innovation bid working with Waterscan and multiple self-serve organisations focusing on NHH behavioural change.

Leakage

In 2021/22, we back-cast to meet the convergence requirements set out by Ofwat in its reporting guidance, which led to a difference in WRMP and reported leakage targets. These changes are not reflected in our WRMP19 but are in our Ofwat leakage targets. We have realigned our leakage baseline in WRMP24 and will ensure

that should any future similar situations occur, the WMRP will be updated to ensure it reflects our Ofwat Performance Commitment (PC) so there is consistency and clarity in our targets and performance.

Following the Ofwat adjustment to the measurement of leakage we have met the three-year rolling Ofwat target for the first three years of the current planning period (AMP7). In 2023/24 we did miss our Ofwat three-year rolling leakage target by 0.9 million litres a day (Ml/d) – 65.3Ml/d against a target of 64.4 Ml/d. Despite not achieving our target in 2023/24, we reduced our annual average leakage by 1.2 Ml/d from the previous year. The reason for failure was because of the impact of the year 2022/23 on our three-year rolling average target. 2022/23 was a particularly difficult year because of the combination of freeze-thaw events, a harsh winter and an extremely hot summer that preceded it. We also had to manage and recover from the impact of a criminal cyber-attack on our parent company that affected our ability to track and target leakage consistently on our trunk main system.

We have our own internal targets which we set to enable us to manage seasonal variations and ensure delivery of the targets. However, due to these factors, we found ourselves tracking behind our internal target by March 2023 despite hitting our Ofwat target. This meant that we started 2023/24 with leakage higher than our internal profiling and had to recover our position for the first three months of the year. This was recovered by July/August 2023 and since then we have been driving leakage down well. Leakage levels are now at their lowest ever values as a result of these efforts.

We use the Prevent, Aware, Locate and Mend (PALM) methodology to address leaks, and our improvement plan uses this to focus its on-going improvements. We have already recruited two new leakage analysts. We are also improving our tools, having invested in trialling the Paradigm tool, which is a forecasting model for our District Metered Areas (DMAs) to give us a detailed demand breakdown for hydraulic areas and the ability to predict consumption and expected burst flows. We are also undertaking satellite surveys throughout the current year and we are updating our trunk main balances to better focus on our non-DMA areas. This is enabling us to build a more thorough targeting programme across these areas.

We have implemented an in-house Customer Works Team to enable us follow up on customer supply leaks (CSL) quicker and more efficiently and get them repaired in a timely manner. Since implementation, we have seen a huge improvement in CSL run times.

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PCC

Despite not meeting the WRMP19 forecast, our PCC continues to reduce at notable levels year on year. We experienced the largest increase in PCC across the sector in our South Staffs region as a result of the COVID-19 pandemic and are pleased to be continuing to make significant reductions, with levels now at the average level across the water industry. As outlined above, we continue to see a higher PCC from the now-permanent change to working patterns. We consider we have evidenced that there is a new baseline position, which has been incorporated into WRMP24.

We have previously outlined multiple measures that we would take to reduce demand for water in our South Staffs region. Significant projects we have delivered include the following:

- We ran an advert with Sky advertising water efficiency during 2023 and 2024.
- We have continued to engage with our customers at face-to-face events such as the Staffordshire County Show and through our community hub in Wednesbury.
- We delivered an open data demand sprint where data experts helped understand South Staffs consumption data and unpick key problem statements to support better targeting of high users.
- We have launched a trial of our new Eco-Tariff, where customers on low incomes who do not qualify for our Assure social tariff pay a lower rate for “essential” water usage.
- We developed and delivered new staff training material for our customer-facing teams to upskill them on what PCC is and how it is measured. This helps to give them a greater understanding of customers’ water use (using outputs from data sprints), as well as providing the more appropriate and tailored support to help reduce customers’ water use.

Our focus on water efficiency campaigns in our Cambridge region has shown measurable success in delivering sustainable reductions in PCC. We will now take this learning into our South Staffs region as we utilise the feedback on our materials and approach.

In our reporting we continue to develop our understanding of the nuances within the water balance. This is so that we can focus our efforts on reducing PCC. Our Consumption Monitoring Working Group, and Water Balance groups continue to meet monthly, producing an interim mid-year review to give us an unaudited view of our rolling water balance. This allows us to monitor changes and carry out deep dives into the components where required.

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We continue to work with Self-Lay Providers (SLPs). These are accredited third parties that carry out around 50% of all new mains and services installations on new development schemes across our entire company operating area. Our SLP engagement has helped us to understand the number of completed new connections and ensure these connections are turned into bill-paying accounts. While the majority of connections completed by SLPs follow the processes outlined in the industry Code for Adoptions there are always a number of connections, expected to be around 2,800 in our South Staffs region, where the SLP has not informed us that the connections have been completed alongside providing the required meter details. We expect this is a challenge across the industry in regions where SLPs carry out a material number of connections on new developments. This is not a static figure; it increases and decreases depending on the level of new developments and the progress we make. We treat these connections as unbilled consumption.

Metering

The cumulative demand of customers requesting meters throughout AMP7 has not reached the levels anticipated. Despite the cost-of-living pressures experienced by many households in recent years, we have seen that our customers are concerned about potentially receiving unexpected changes in bills from moving to a meter.

In 2023/24 we received 4,474 requests from meter optants in our South Staffs region and we fitted 3,584. The reason for this difference is because we saw a spike in requests in March 2024 (1,221) following the first billing period of the year, which we have now delivered. We have had a steady level of requests since.

We continue to promote the uptake of water meters within billing material, within conversations with our contact agents in our customer call centre and at our community hub. Below is an example fact sheet that we provide to customers at our community hub.

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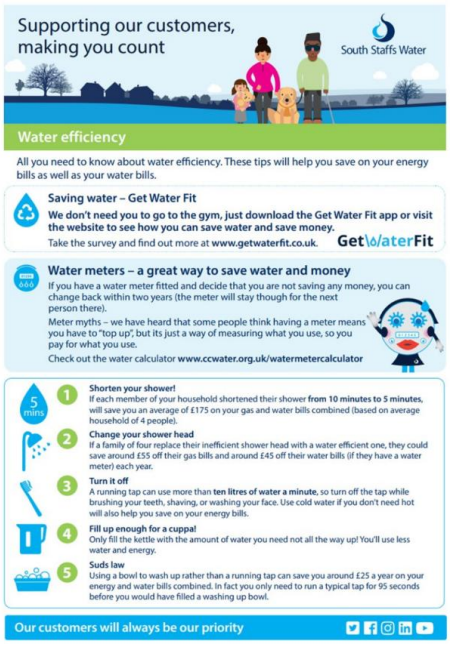

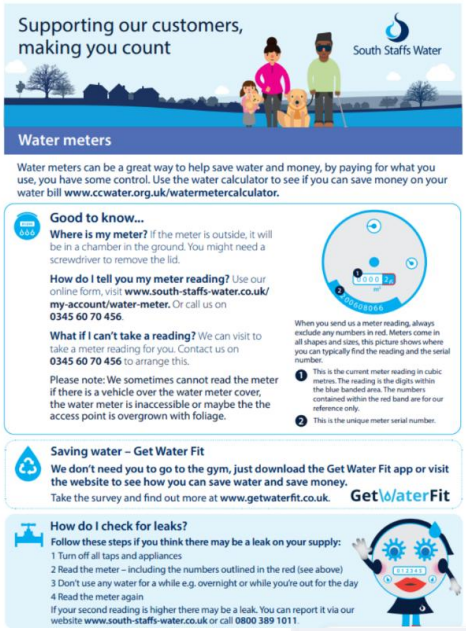

We have continued to focus on metering in 2024/25, having received 2,746 requests for new meters in our South Staffs region. To date, we have fitted 2,569 optant meters.

Our action plan for AMP8 outlined in Annex 3 is dependent on Ofwat accepting our business plan proposals. We will incorporate any shortfall from AMP7 as part of our universal metering programme. We will promote for 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 roll-out. We have re-profiled the first year of AMP8 to enable us to adapt to this new strategy and deliver the new infrastructure required. We have also updated the procurement and external support agreements we will need as a result. And we have engaged a third-party consultant to help us deliver this at pace, including all of the customer engagement work and meter roll-out prioritisation.

<u>Outage</u>

During the drought in 2022/23 we postponed a number of our planned outages to ensure the availability of our water resources. Therefore, during 2023/24 we have

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had a higher proportion of planned outage than usual as we worked to complete AMP7 enhancement schemes and business-as-usual cleaning programmes.

Although we programmed the planned outages in 2023/24, some of these outages have taken longer than we expected. We have undertaken a review to understand why we have had some delays, and as a result of this we have now changed our contractor for certain projects. In addition, we have restructured our Capital Investment and Delivery team, bringing in new and additional resources. We review all delays to planned outage programmes to identify root causes and implement actions to prevent future reoccurrence. We consider this will create a more streamlined process going forward and will minimise outage length.

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.

Our outage allowance at WRMP19 equates to around 2% of available Deployable Output, which is lower than average levels and has been reviewed for WRMP24. We are confident that within WRMP24 our outage allowances are more accurate and appropriate.

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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 involves metering areas of our distribution network that have previously been unmetered and therefore difficult for us to track leakage outbreaks. This will mean we gain better visibility of the demand and leakage on our network.	31/03/2025 and ongoing
	Undertaking a Stop.Watch logger trial to aid with the location of customer-side leaks. A Stopwatch 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.	31/03/2025
	Start the leakage aspect of the Datatechnics trial – using machine learning and AI to locate leaks on our network based off historical data.	01/02/2025
	Develop a 'lift and shift' acoustic logger programme and purchase the latest acoustic lift and shift 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.	01/12/2025
	Expanded internal leakage technician resource from 34 to 43 FTE.	Complete

	Employed 3x internal logging technicians, who maintain and deploy loggers on our network and provide leakage Points of Interest for the Technicians. This will help increase the speed at which we find leaks.	Complete
	Using 2/3 FTE from Hydrosave as Logging Technicians, who maintain and deploy loggers on our network and provide leakage Points of Interest for the Technicians. This will help increase the speed at which we find leaks.	On-going
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; however, we expect to catch up on this shortfall within AMP8.	31/03/2025
	Increase our campaigns to promote optant meter uptake through social media and email campaigns and through public engagement at our community hub in Wednesbury.	31/03/2025
	Engage third-party consultant to support new AMI AMP8 strategy, to support change of strategy and new requirements as part of this, as well as meter roll-out prioritisation and customer engagement.	Complete
	The following part of our action plan in metering for AMP8 is subject to Ofwat accepting our Draft 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 metering programme and give us the flexibility to switch to AMI in the future once the network support is in place.	31/03/2025
	Install AMI meters through our universal metering programme, with 11,423 household (HH) and 2,329 NHH in the first year across both regions. Starting October 2025.	31/03/2026
	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 determination.	31/03/2025
	Track trends for outage and complete lessons learned for planned outages that are not completed within programme plan timeline. Identify and implement actions to prevent reoccurrence.	On-going
	Undertake review into outage reporting process across industry to identify discrepancies and best practice. Identify any improvements required to our outage calculation – i.e. removal of sites that are deselected.	31/03/2025
Demand for water	Continue to promote water efficiency measures with customers through community events and locations such as Staffordshire County Show and our Wednesbury customer hub.	On-going
	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 to encourage reduced consumption and provide support for our lower income families.	Started Oct 2024
	Undertake flow regulator trial in Cambridge – aiming to understand the scale of benefits that could 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.	31/03/2025
	Commencement of the Ofwat Innovation fund winning bid with Severn Trent Water and Nectar to progress the nectar points trial.	Ongoing
	Submit bid with Waterscan and participating NHH organisations to Ofwat Innovation bid in January 2025 with the focus on NHH behavioural change.	31/01/2025
	Continue delivering two distinct and innovative water saving behaviour change campaigns related to faith and culture, and testing a new water saving device (wudu bottle) as part of our water efficiency	31/01/2025

	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 schemes	Continue to review our resource situation at weekly Supply Planning meeting.	On-going
	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 maintenance support beyond routine to increase reliability on assets.	31/03/2025
	Continue with actions and build on Cambridge summer action plan 2024 to prepare for 2025 summer.	May 2025
	Update on progress against the scheme milestones as outlined. 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	On-going

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