



Department
for Environment
Food & Rural Affairs

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Portsmouth Water

Sent by e-mail only.
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Date: 11 October 2024

Dear Jim,

Portsmouth Water Company WRMP Annual Review 2024

Thank you for your submission for Portsmouth 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 Portsmouth Water's WRMP Annual Review 2024 and have highlighted serious concerns with Portsmouth 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 to see leakage has been tackled, with proactive plans resulting in leakage reduction over the past year compared to the increases seen over the previous 2 years. This work must continue to ensure the WRMP24 starting position is met. However, we are still concerned that current performance is a risk to the environment and security of supply and is making achieving the planned starting point for WRMP24 more difficult. We lack assurance that anticipated progress for the start of WRMP24 will be achieved due to Portsmouth Water's poor performance in AMP7. Our concerns are set out in further detail in the table in Annex 1. In summary, Portsmouth Water:

- has failed to achieve its stated level of service to its customers as it is reporting a company-wide supply-demand balance (SDB) deficit of 21.2MI/d against a forecast deficit of 4.8MI/d. Non-delivery on your forecasts for leakage, outage, and raw water losses, treatment works losses, and operational use is contributing to this deficit and putting the delivery of your bulk supply exports to Southern Water at risk, as you would not be able to supply the contracted volume to Southern Water in a dry year. This is a resilience risk to security of supply for both Portsmouth Water and Southern Water customers and a risk to the environment. Immediate action should be taken to address this issue and remove the supply-demand deficit the company is currently reporting. Portsmouth Water is also not on track to meet the WRMP24 starting position for SDB in April 2025.
- must improve its performance on reducing leakage as a priority as this is contributing to the SDB deficit. You have reported leakage 16% higher than forecast. This is the third year running that leakage has been above forecast. Although leakage is reducing, Portsmouth Water is not on track to meet the WRMP24 forecast starting position in April 2025 and must continue to make leakage reduction a priority.
- needs to take action to increase meter penetration as the company is behind forecast by 7.8%. Portsmouth Water has been below the WRMP forecast for the whole of AMP7. To improve performance, the company should consider putting the 'not for revenue' meters installed into charge by volume status at the start of AMP8 to ensure delivery of the WRMP24 starting position in April 2025.
- needs to take urgent action to reduce demand for water. Portsmouth Water has reported an increase in PCC (per capita consumption) since last year of 1.48 l/h/d. This is 1.6% above the WRMP19 forecast and the joint highest outturn PCC in England. This is particularly concerning as 2023/24 was a normal/wet year, so we would have expected customer demand to reflect this. It is not acceptable for PCC to be increasing, and delivery of your metering programme of work will help reduce customer demand.
- has deferred key supply-side schemes, including the Havant Thicket Winter Storage Reservoir, with a benefit of 23 MI/d, with its benefits now expected from 2034-35. While the maximising DO schemes at Sources O, H, and C are reported as complete, the MI/d benefits gained are not provided in the data tables. Additionally, the Source J maximising DO scheme, originally expected to be delivered by 2024/25, has been removed from AMP7. This is particularly concerning given Portsmouth Water's reported SDB deficit. Immediate action must be taken to ensure the supply-side schemes in WRMP19 are on track for delivery and any risk associated with non-delivery or delay is mitigated.

This is the fifth consecutive year that Portsmouth Water have received a joint Regulators letter. While we can see some areas are starting to improve, this has been long overdue, and Portsmouth Water should act quicker. Therefore, we will be continuing with the series of meetings between Portsmouth 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 Portsmouth 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.

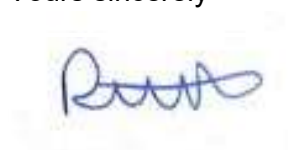
The actions which the Regulators require you to take to address these concerns are set out in the table at Annex 1. We also require you to provide us with evidence in writing by the deadlines in the table at Annex 1 which shows us that Portsmouth Water have taken the actions specified.

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 Portsmouth 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.

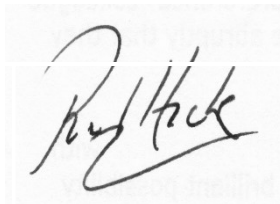
The Environment Agency's summary of the data assessed by regulators to determine the outcome of the 2023-24 WRMP Annual Review has also been published [here](#).

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 Portsmouth Water to maintain and deliver its plan to the satisfaction of the 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
<p>Supply Demand Balance (SDB)</p> <p>You reported a company level SDB deficit of 21.2 MI/d against a WRMP19 forecast deficit of 4.8 MI/d.</p> <p>You are not on track to meet your WRMP24 baseline forecast starting position of a 1.33 MI/d deficit at the start of the planning period.</p> <p>Non-delivery on your forecasts for leakage, outage, and raw water losses, treatment works losses, and operational use is contributing to this deficit and putting the delivery of your bulk supply exports to Southern Water at risk, as you would not be able to supply the contracted volume to Southern Water in a dry year.</p>	<p>Your reported deficit is a resilience risk to security of supply for both Portsmouth Water and Southern Water customers</p> <p>Current performance makes achieving the planned WRMP24 starting point, and subsequent glidepath, more difficult.</p>	<p>You should:</p> <ul style="list-style-type: none"> • provide us with an explanation of the exact causes of the SDB deficit as required per annual review guidance • provide us with an update of the work being undertaken with Southern Water to explore risks to the bulk supplies, and the assumptions of availability of the bulk supplies for WRMP24. • provide us with a detailed action plan as to how you intend to address and reverse the ongoing trend of an overall deficit and bring SDB in line with your WRMP19 (and WRMP24) forecast. This plan should include specific actions and timelines, and anticipated benefits of those actions. The plan should include details regarding how you plan to address the underlying causes of your SDB deficit, including actions on leakage, metering, PCC, raw water loss, treatment work losses and operational use. <p>Deadline: 29th November 2024</p> <p>You should:</p> <ul style="list-style-type: none"> • deliver the action plan according to the timelines you have set out in the plan

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		<ul style="list-style-type: none"> provide an update on progress with delivery of the action plan and your performance against WRMP19 forecasts for SDB and draft WRMP24 forecast starting position 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.
<p>Leakage</p> <p>Your reported total leakage of 28.19MI/d is 16% above your WRMP19 forecast of 24.26MI/d.</p> <p>To be on track to meet your WRMP24 starting position for total leakage of 24.00MI/d at the start of the planning period in April 2025, you need to continue to deliver leakage reductions similar or greater than those seen in 2023/24.</p>	<p>Failure to meet leakage reductions targets may increase the volume of water taken from the environment and could cause deterioration in the status of water bodies. It is also contributing to the reported SDB deficit.</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 to us the benefits in MI/d and dates of delivery for of each action in the leakage recovery action plan continue to deliver the action plan in accordance with the timelines you have set out in the plan <p>Deadline: 29th November 2024</p> <ul style="list-style-type: none"> provide an update on progress with delivery of the action plan and your performance against WRMP19 total leakage forecast and WRMP24 total leakage starting position 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.
<p>Metering</p>	<p>As meters have a demonstrable impact on household water use, failure to meet</p>	<p>You should:</p> <ul style="list-style-type: none"> provide us with an update of your action plan to deliver your meter penetration target. This

Issue	Impact	Action and deadline
<p>Your reported total household metering penetration of 36.12% is significantly lower than your WRMP19 forecast of 44%.</p> <p>You have not met your forecast for the whole of AMP7.</p> <p>Your action plan to address your metering shortfall does not appear to be successful in increasing meter penetration.</p>	<p>meter installation forecasts will be likely to slow the delivery of PCC reductions.</p> <p>High demand and failure to achieve metering penetration targets may increase the volume of water taken from the environment and could cause deterioration in the status of water bodies.</p>	<p>update should include encouraging optants and metering via change of occupier. You should also include progress on the not-for-revenue meters installed and getting them to be charged by volume during early WRMP24. Your updated plan should clearly identify the actions you will take, programme of work and dates for delivery.</p> <ul style="list-style-type: none"> • deliver the updated action plan according to the timelines you have set out in the plan <p>Deadline: 29th November 2024</p> <ul style="list-style-type: none"> • provide an update on progress with delivery of the action plan and your performance against WRMP19 metering penetration 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.
<p>PCC (per capita consumption)</p> <p>Your reported PCC of 154l/h/d is 1.6% above your WRMP19 forecast of 151.49l/h/d. PCC is 1.48l/h/d higher than last year and is joint highest in England.</p> <p>Unmeasured household consumption of 80.63MI/d is 10.7% above the WRMP19 forecast of 72.81MI/d and is contributing to Distribution Input (DI) exceeding the</p>	<p>Your high household consumption has contributed to company-level deficit and has negatively impacted your SDB. It is an ongoing issue that presents a continued risk to your customers' security of supply.</p> <p>High demand may increase the volume of water taken from the environment and could cause deterioration in the status of</p>	<p>You should:</p> <ul style="list-style-type: none"> • Provide us with an update of your PCC action plan with new actions to reduce PCC, especially unmeasured household consumption. The updated action plan should include timelines and the expected l/h/d benefit from each of the actions you will undertake <p>Deadline: 29th November 2024</p>

Issue	Impact	Action and deadline
<p>WRMP19 forecast. Reported DI of 177.9MI/d is 2.1% above the WRMP19 forecast of 174.15MI/d.</p> <p>This is particularly concerning as 2023/24 was a normal/wet year, so we would have expected customer demand to reflect this.</p>	<p>water bodies. It is also contributing to the reported SDB deficit.</p>	<ul style="list-style-type: none"> • 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 average household PCC forecast and WRMP24 average household PCC starting position 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.
<p>Supply-Side Scheme Delivery</p> <p>The company is reporting that supply-side schemes have been delivered or are on track but has not accounted for the MI/d benefit of these schemes in the Annual Review reporting. Maximising DO schemes at sources O, H & C are reported as complete in the data table, but no benefit is included.</p> <p>Source J scheme has been removed from AMP7. Source S Drought permit scheme is reported as On Track when it was to be delivered in 2020-21.</p> <p>The delivery of the Havant Thicket Winter Storage Reservoir (benefit 23 MI/d) has</p>	<p>A delay to customer funded supply-side schemes has a negative impact on your available supplies. This represents a risk to your customers' security of supply, and to the environment.</p>	<p>You should:</p> <ul style="list-style-type: none"> • Provide us with a detailed action plan outlining your programme of work and the timeframes in which the revised delivery dates for these schemes will be met. This plan should also include a clear presentation of the risks associated with deferring or cancelling the schemes, including any potential impacts on resilience and the measures you will take to mitigate these risks. • The action plan should include details of any schemes that have been brought forward as a result of deferrals or cancellations. This should demonstrate how your decision-making for WRMP24 long-term planning has incorporated these adjustments. <p>Deadline: 29th November 2024</p>

Issue	Impact	Action and deadline
also been deferred to 2031-32, with its benefits being available from 2034-35.		<ul style="list-style-type: none">• 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 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.