Water Resources Stakeholder Forum, 31 January 2014

Note of meeting

1. **Welcome and update on legislative and policy developments**
   Richard Aylard welcomed everyone to the forum and set out the agenda for the meeting. Richard also provided an update on the Water Bill and abstraction reform. The headline comments were as follows:
   - retail competition will be introduced from 2017 with all business customers able to choose their water supplier;
   - upstream competition is proposed from 2019/20, however there are regulatory and financial risks and a mismatch between the timing of the introduction of upstream provisions with planned reforms to the abstraction regime;
   - the current Environmental Improvement Unit Charge (EIUC) system will be abolished which has become over complicated and burdensome and funding for measures to address unsustainable abstraction will be incorporated into regulatory price control; and
   - whilst there is recognition of the need to increase the resilience of public water supply, the measures proposed in the Bill do not go far enough.

2. **Business Plan and Water Resources Management Plan**
   Yvette de Garis provided an update on the status of the Business Plan (BP) and the Water Resources Management Plan (WRMP) and the next steps.
   - The BP was submitted to Ofwat at the beginning of December 2013. The next step is Ofwat's determination of the Risk Based Review which will be published on 4 April and will determine the approach that Ofwat requires each company to follow.
   - Our Statement of Response to consultation responses received on our draft WRMP14 was published in October and the revised draft WRMP14, incorporating changes as a result of the consultation and new data, was published in December. The EA has sent its advice report to the Secretary of State who will determine the next steps for each company's plan ie approval, request changes or require further scrutiny.

   The BP and WRMP processes are currently aligned but depending on the respective decisions of the Secretary of State and Ofwat, there are opportunities for the process and outputs to diverge.

3. **Metering**

   Lesley Tait gave an update on the progressive metering programme which is currently being rolled out in the London Borough of Bexley. The aim is to install around 50k meters at houses and bulk supplies at flats and Local Authority properties in Bexley by 2015. TW is working closely with LB of Bexley, stakeholders and customers to ensure successful implementation of the programme. Overall the programme has been positively received by customers with very few complaints. Some of the key challenges to date have been the installation of fixed network technology and planning the programme to minimise traffic congestion.

4. **Work planned over the next 5 years**

   TW identified a number of areas which require detailed work over the next 5 years to inform the future water resources strategy for WRMP19. This work includes enhancements to the

Water Resources Management System (WARMS) model to estimate resource availability; review of the Lower Thames Control Diagram (LTCD), the operating tool to balance the amount of water we abstract with the needs of the environment; the assessment of large water resource schemes to determine the best value option; further work to understand future uncertainties such as sustainability reductions and climate change; and monitoring to understand the effectiveness of demand management measures being implemented in AMP6. Chris Lambert (CL) provided an overview of the work programmes which were then explored in greater detail in discussion groups.

Discussion groups

Topic: Demand management and tariffs

Introduction
From 2015 to 2020 we have a large programme of demand management which is forecast to deliver c.106 Ml/d of savings (equivalent to use of c.625,000 people). We think this programme is the right approach in terms of promoting the sustainable use of water, meeting our customers' expectations, and aligning with government objectives to reduce per capita consumption. However because the savings are not fully in our control there are risks. We intend to monitor the water savings and report performance annually, to help identify any shortfall so we can act to mitigate it.

From 2020 we intend to introduce innovative tariffs to achieve sustained reductions in water use. Initial research with our customers showed that for many the concept of different tariffs for water based on time of day, season or usage was complex, and concern linked to experience in energy. The risk is that tariffs may not be accepted by our customers, and the forecast benefits not being realised. Work planned in the next 5 years will include further work with customers' to help determine the most appropriate tariff structure, better understanding of the distribution of costs between customer types and affordability.

Key points

- There was broad support for the demand management programme, and to ensure measures to reduce demand were in place across the region, however there was also a view that a secure and resilient water supply is vital and we need to get the balance right between demand management measures and resource development.
- There were differing views on the potential savings in consumption that could be achieved through metering and also customers' reaction to metering. Practical support for customers through water efficiency devices was recognised to be helpful.
- There was support for the approach to offer free supply-pipe repairs for customers, and there was one suggestion that companies could and maybe should go further, offering help with internal plumbing problems.
- Also there was a view that further focus should be placed on achieving change in product and technology design thereby providing customers with the right infrastructure and reducing the attention on behavioural change.
- The economics were raised. Water is considered to be relatively cheap particularly compared to energy, with the metering programme saving on average £36 on a household's bill per year and as such cost is not currently a driver to achieve sustainable change. Currently the key motivators are therefore social. If cost is to motivate people the water bill needs to be substantially increased to drive more efficient resource use.
- There was support for collaborative work to encourage sustainable use of water and collaboration was considered to bring wider benefits including more trust. Promotion needs to link water use with river health, good citizenship and a catchment based approach.
- New developments and the opportunity to provide greater incentives to drive water efficiency was raised, citing the example of a firm that said it would not prove financially attractive for them to make London developments water efficient in the way it was in Australia. There was a

suggestion that water companies should explore whether providing incentives would represent a cost-effective way of delivering reductions in demand.

- The pace of the introduction of tariffs promoted considerable debate. One view was that the potential benefits of tariffs should be realised as soon as possible, a number of delegates cautioned that customers would need to get accustomed to metering before tariffs could sensibly be introduced, and stressed the need to take customers on a journey, given a potentially long time to influence behaviour.
- There was general agreement that tariffs need to be simple and fair. Issues raised for careful consideration as part of the introduction of tariffs are adequate protection of vulnerable customers, the transient nature of much of the population in London and language barriers.
- Whilst stakeholders recognised there are challenges with tariffs, there was agreement that they do go hand in hand with other aspects of demand management and overall the rising block was considered to be the most likely to succeed, despite the challenge on occupancy
- Other tariff designs proposed were 1) linked to water availability and 2) emergency tariff in drought
- A number of delegates pointed to the importance of ensuring customers received clear information to help them see where their money was going and how water was used. The breakdown of costs provided by the energy companies was cited as good practice in terms of transparency
- One stakeholder suggested that further work should be undertaken to test customers' preferences on tariffs compared to resource development to ensure security of water supply

Stakeholders requested that we cover other water company's experiences of metering and tariffs at a future forum.

Topic: Available resources and future resource development

Introduction

Discussion in this group focussed on the resilience of water resources that are currently available and some of the work that will be required to assess the suitability of future resource options. The groups were asked to consider four questions:

1. During a drought, can we take all the water from the River Thames?

    - In each of the three groups considering this question, delegates from different organisations made the point that although draining the river would be undesirable, it is preferable to inflicting social and economic damage on London
    - The acceptability of this was said to depend on the frequency of such events; extreme measures such as this can be justified if decades apart but this would become unacceptable if such events became more common
    - The Environment Agency stated that drought permits to "suck the river dry" in an extreme drought would be a necessary measure
    - More than one delegate suggested that abstraction must be stopped if minimum flows are reached
    - The need to reduce leakage, the implications of the Water Framework Directive and the various merits or otherwise of publicity campaigns aimed at reducing consumption were all also discussed

2. Is the current level of consultation on the Lower Thames Control Diagram and the large supply scheme studies appropriate?

    - There was a call for more consultation on extreme scenarios such as a third dry winter
    - A request for more face-to-face engagement was made with delegates wanting to talk to the modellers so they can understand how models are built
    - The need to layer the information and ensure it is accessible to different stakeholders who will require different levels of detail

- The need for a well written executive summary and the possibility of holding a meeting in Reading as opposed to London were also suggested as ways to increase stakeholder engagement

3. Three new large resource options are included in the WRMP (reservoir, inter basin river transfer, wastewater re-use). Are there any other possibilities?

- The rising London groundwaters was suggested as one potential alternative to the schemes included in the WRMP
- There was a stated need to account for modelling work done by the Water Resources in the South East (WRSE) group
- Delegates remarked that there was a need to be more innovative in terms of water resource solutions and said that the public need to understand why the three options that have been identified were selected
- It was also suggested that demonstrating that stakeholder views have been taken on board and that all schemes have been assessed using the same standards was critically important
- One delegate commented that Thames Water may benefit from stepping back from the planning process to review the resource situation as a whole

4. What is the definition of “best value”?

- Best value was said to be based on outcomes, whatever is best for the customer and the environment
- Resilience should be clearly defined so people understand what is meant; also important to set a resilience benchmark identifying the percentage likelihood of failure within 50 years
- Consider building three smaller schemes rather than one larger scheme to avoid potential for failure
- The importance of consultation led planning and the need to reflect customers’ wishes was re-iterated
- Promoting smaller resource schemes (e.g. the equivalent of SuDS in a wastewater context) through the media could be beneficial
- Linking up with other utilities when retrofitting water efficiency devices would cause less disruption to customers
- Working with developers to encourage more grey-water harvesting

Topic: Sustainability reductions and future uncertainties

Introduction

In this discussion, delegates were asked to consider what uncertainties need to be accounted for when planning for future water resources. Delegates were presented with a blank flipchart and asked to list the factors considered important to the planning process.

Key points

- The metering programme was identified as a key variable with questions around the impact on customer behaviour, challenges on charges and construction resource availability all named as potential problems
- The impacts of climate change and more variable weather patterns were clearly identified as having a significant impact on water resource availability
- Population growth, along with the location of new housing developments, should inform any resource planning
- Regulatory requirements such as abstraction reform, sustainability reductions, drinking water quality requirements and other changes as may arise

- The potential impact of a referendum on European Union membership and whether, if Britain left the EU, the UK Government would require standards consistent with the Water Framework Directive
- Technological developments such as grey water supply systems and wastewater re-use
- Sustainable Drainage Systems were identified as having the potential to impact water resources
- The requirements of industry, particularly shale gas fracking, and large engineering projects, such as HS2, could place unexpected burdens on the public water supply
- An extension of the current 25 year planning horizon to 50 or even 100 years was proposed as a way to mitigate risk
- Other factors identified as having the potential to impact resource planning were energy security and price, environmental constraints on schemes, the proposed abolition of the census, building regulations, the impact of competition in upstream markets, risks relating to commercial agreements and transfer schemes and leakage levels

Future engagement
Stakeholders were asked for their views on the forum in terms of content, scope, logistics and the future strategy. A summary of comments is as follows:

- Feedback: The forum was considered to be useful in order to get an update on activity on water resources and stakeholders liked discussion groups giving them the opportunity to input to discussion on topics. The structure of the forums needs to balance dissemination of information, engagement and discussion and also the opportunity for stakeholders to raise particular topics of interest
- Pre meeting information: This was well received and was considered to provide helpful background information enabling stakeholders get the most value from the meetings. The opportunity to record presentations and make them available on the web or other means could help to engage a wide audience and also helps representatives from organisations to share information with colleagues
- Technical meetings: Some stakeholders expressed support for technical meetings on specific topics providing the opportunity to explore a topic in greater detail
- Logistics and venue: A number of stakeholders commented positively on the mid-morning start time of the meeting. Stakeholders also supported alternating the venue between London and Reading
- Future topics: Topics that were raised for future meetings were partnership working, leakage and specifically the definition of the sustainable economic level of leakage, and experience of other water companies on metering and tariffs.

Attendees

Name	Title	Organisation
Lesley Inwards	Water Sales Manager	Canal & River Trust
Brigadier Nick Thompson	Hon. Chairman	GARD
Victoria Hallatt	Principal Water Resources Adviser	Environment Agency
Alex Nickson	Strategy Manager	Greater London Authority
Nishma Malde	Head of Transport & Environment	London Councils
Peter Gray	Water Officer	Royal Berkshire Fire & Rescue Service
Philip Burston	Senior Water Policy Officer	RSPB
Tom Ormesher	Regional Environment and Land Use Adviser	National Farmers Union
Trevor Cramphorn	Chairman	Cotswolds Rivers Trust
Ken Burgin	Chief Executive	Cotswolds Canals Trust
Helen Spring	Project Coordinator	London Wildlife Trust
Ian Hamilton	Member of ICE London Water Panel	ICE London
Andrew Stevenson	Engineering Assistant	East Hertfordshire Council
Dr David Cook	Environment Director	Wilts and Berks Canal Trust
Dr Brian Arkell	Head of Strategy, Assessment & Management	Atkins
Vanessa Rowell	Planning Officer	Wokingham Borough Council
Charlotte Hitchmough	Director	Action for the River Kennet
Karen Gibbs	Senior Policy Manager	Consumer Council for Water
Claire Thiebeauld de la Crouee		Environment Agency
Martin Pilbin		RWE npower
Martin Lunn	Water Resources Manager	Northumbrian Water (Essex and Suffolk)
Richard Blackwell	Supply and Demand Manger	United Utilities