



Water Resources East (WRE) Ltd

The Enterprise Centre

University of East Anglia

Norwich, NR4 7TJ

### **From the Chairman**

By email only to: [waterdetermination2020@cma.gov.uk](mailto:waterdetermination2020@cma.gov.uk)

Dear Sir or Madam,

### **Water Redeterminations: The Elsham Scheme – Working Paper**

Thankyou for the opportunity for interested parties to provide a response to your consultation paper regarding Anglian Water's Elsham Scheme, dated 15<sup>th</sup> January 2021.

As you are aware, Water Resources East (WRE) Ltd is an independent, not for profit, organisation which has developed a multi-sector strategy for long-term collaborative water management across Eastern England. Our role, working under the National Framework for Water Resources which was published by the Environment Agency in 2020, is to now develop and publish a long-term multi-sector Regional Plan. We are currently preparing this plan through a co-creation process with our 130 members and a wider stakeholder group.

WRE's Regional Plan will put in place the framework which will seek to deliver increased resilience for all water users in the region, will ensure that water is not a barrier to sustainable economic development, and will provide environmental enhancement. The Regional Plan will cover the period through until at least 2050, providing a long-term roadmap for future water resources investment by all sectors in our regional economy, covering multiple WRMPs and regulatory price reviews.

We wrote to you on 18<sup>th</sup> May 2020 to provide a third party submission into the CMA Water Redetermination process. In this submission, we noted that 85% of the water abstracted in Eastern England is used for public water supply, and that two of the appellants in this current case, namely Anglian Water and Northumbrian Water (trading as Essex & Suffolk Water in our region) account for almost 70% of this. Anglian Water account for 48% of the total figure, and as stated previously, any decisions which have an implication for these companies with regard to water resources have a potentially profound impact on WRE and our region as a whole.

The Elsham Scheme is a fundamental part of Anglian Water's programme of work for AMP7 as part of the development of its Strategic Grid, which will provide further public water supply resilience throughout the region and deliver wide environmental and economic benefits.

Having reviewed your consultation document, and the submissions from both parties regarding which elements of the overall Elsham scheme should be delivered through a Direct Procurement for Customers (DPC) route, we would like to make the following comments.

We note that Anglian Water agree that the new water treatment works at Elsham should be delivered through a DPC process, but note their request that the transfer and storage elements should be delivered through a totex adjustment as part of the AMP7 programme of work. We note concerns regarding timetable constraints, particularly the risk of legal environmental obligations not being met, and with respect to the emerging DPC IDOK process. We also note with interest the views of an independent expert (WSP) who concurs that the concerns associated with timetabling are justified. It is good to see that Anglian Water have offered amendments to their interconnector and DPC performance commitments and ODIs, as a means of providing additional protection for customers.

We note that Ofwat disagree with these points, viewing that the proposed descoping of the DPC would potentially result in significant costs to customers. Ofwat state that the timetable risks are within management control for Anglian Water, and delivery should be feasible as planned, and that the emerging DPC IDOK process should be sufficient mitigation. Ofwat are also of the view that a reduction in scope would undermine the DPC framework.

As we explained in our letter to you in May, following the publication of Anglian Water's WRMP, both the EA National Framework and WRE have produced new data and evidence to further characterise the long term water resources planning challenges for Eastern England. These include revised figures around future irrigated agricultural demands and future water needs for the energy sector as it develops a strategy to decarbonise through, for example, expansion of hydrogen, a water-intensive process. Our 'best case' scenario was that the region would require an additional 531 million litres per day by the 2050s. This information was not available to Anglian Water before they published their WRMP. Further new data and information is now starting to emerge which provides further clarity around projected growth figures for the region, particularly in the context of the Oxford to Cambridge Growth Arc, the potential for further sustainable abstraction reductions, and the future water requirements for the energy and agricultural sectors. We will publish this information as part of a revised Resource Position Statement over the next few months. It is clear that the background position, in terms of the size of the deficit, is likely to worsen.

As we work with our 130 members and wider stakeholder network to develop options to meet this deficit, there is strong consensus that timely and successful delivery of Anglian Water's Strategic Grid, which Elsham sits at the head of, is a fundamental building block upon which further multi-sector options will be built. As we work with our region to understand the desired 'environmental destination' (a requirement of the National Framework) the emerging picture is one of great ambition for the environment in our region, and that any risk to delivery of environmental obligations will simply not be tolerated.

We have very carefully assessed both parties' views on this subject. We believe that the potential risk to timely delivery of such a fundamental scheme for the region and the potential for late delivery of legal environmental obligations outweighs the risk to customers or to the DPC process itself. With regard to customers, Anglian Water have offered to amend performance commitments and ODIs to mitigate the risk. With regard to the DPC process, we are concerned over reliance on an 'emerging' (and by implication untested) DPC IDOK process. We are also unclear as to why Ofwat view that this decision could undermine DPC as a delivery route for large infrastructure projects, particularly given the fact that one element of this particular scheme will remain as DPC.

We urge the CMA to consider potential resilience and environmental impacts as you make a decision with regard to this scheme, and to carefully consider whether you share our view that the

potential risk to delivery of the scheme and delivery of environmental obligations outweighs the seemingly marginal risk to customers.

I do hope that this is a helpful input into the process which you are following. If I can provide any further detail regarding the contents of this letter, please do not hesitate to contact me.

Yours,



Henry Cator OBE

Independent Chairman, Water Resources East (WRE) Ltd