



Department
for Environment
Food & Rural Affairs

Natalie Akroyd
Director of Quality & Environment
Cambridge Water

Sent by e-mail only.
NatalieAkroyd@south-staffs-water.co.uk
Date: 11 October 2024

Dear Natalie,

South Staffs Water Company WRMP Annual Review 2024

Thank you for your submission for South Staffs 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 South Staffs Water's WRMP Annual Review 2024 and have highlighted serious concerns with your 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.

South Staffs Water has not demonstrated sufficient progress against the WRMP19 commitments, and we are concern for the delivery of the plan and securing resilience for

customers and the environment. Our concerns are set out in further detail in the table in Annex 1. In summary, South Staffs Water:

- has failed to achieve its forecast for Supply Demand Balance (SDB) and is reporting a substantial deficit. The company forecast that it would achieve an SDB surplus of 14.59MI/d but is reporting SDB 28MI/d below this, causing a deficit of 13.23MI/d. This is the fourth time you have reported an SDB deficit in AMP7. The SDB deficit is caused by outage, demand and leakage. We are also concerned that you are not representing your Annual Review data and SDB in a way that reflects your true supply risk as deployable output was not reported in a way that aligns with our Annual Review guidance. An SDB deficit puts customers and the environment at risk, and you must prioritise the work required to understand and address the deficit. South Staffs Water is not on track to meet the WRMP24 SDB forecast.
- must improve its performance on reducing leakage as a priority as it is driving the SDB deficit. The company has reported leakage 12.58% higher than its forecast. It is the 3rd year running that leakage has been above your forecast. Although leakage is reducing, South Staffs Water is not on track to meet its WRMP24 forecast and must make leakage reduction a priority.
- has reported outage at 260% above the forecast of 8.28MI/d and has reported outage above its forecast for every year of the AMP. This performance is poor and continues to contribute to the company's SDB deficit. The company needs to take immediate action to reduce outage and investigate whether it needs to improve its management of assets. We are also concerned about the method used for outage assessment and whether it is truly representing the current position. The company needs to improve control of outage management and reporting to bring it in line with planning assumptions. High outage is causing a risk to security of supply and the environment.
- needs to take action to increase meter penetration, as the company is behind its forecast by 4.8%. This is the fourth year South Staffs Water has been below its WRMP19 forecast, and the company is also not on track to meet its WRMP24 forecast. The company has proposed to catch up in year 1 of AMP8 but given its recent performance and statements made by the company in its draft WRMP24, this raises concerns.
- needs to take action to reduce demand for water. The company has reported PCC (Per Capita Consumption) 6.58% above its forecast and although PCC has reduced compared to last year, it has been above forecast for the past 4 years and has not returned to pre-Covid levels. This is particularly concerning as 2023/24 was a normal/wet year so we would have expected customer demand to reflect this.
- has reported a decrease in distribution input (DI) this year. However, DI remains above forecast for the fourth consecutive year. This is a risk to the environment and security of supply. Improved performance in bringing leakage and PCC down in line with your WRMP forecasts will support the reduction of DI.

Our assessments have identified South Staffs Water as the worst performing company this year, with all metrics assessed being of concern. In addition, it has been difficult to assess performance against South Staffs Water's upcoming commitments in WRMP24 as the updated tables provided were only rebased from 2025/26, so this has made it difficult to review metrics against the WRMP24 starting position in April 2025.

We expect immediate action from the company to reverse this poor performance. Currently customers are not receiving the level of service that they have funded the company to provide, leaving them more vulnerable to droughts. This will put pressure on the environment. The company needs to develop and deliver an action plan to address these performance issues and ensure it can achieve the planned starting point for WRMP24. We lack assurance that anticipated progress for the start of WRMP24 will be achieved due to South Staffs Water's poor performance in AMP7.

We are concerned that this is the fifth consecutive year that South Staffs Water have received a joint Regulators letter. Therefore, we will be continuing the series of meetings between South Staffs 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 South Staffs 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 South Staffs Water have taken the actions specified.

This year, this joint Regulator letters is to be published on the Ofwat website to drive transparency in the delivery of the water resources management plans. We request that South Staffs 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.

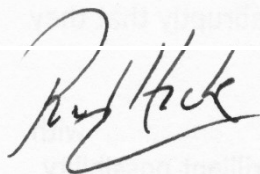
The Environment Agency's summary of the data assessed by regulators to determine the outcome of the 2023-24 WRMP Annual Review has also been published [here](#).

South Staffs Water's WRMP is an essential plan for securing customers' water supplies, in a sustainable way for the environment. It is therefore vital for South Staffs Water to maintain and deliver its plan to the satisfaction of its 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 13.23MI/d against a WRMP19 forecast surplus of 14.96MI/d. This is the fourth time an SDB deficit has been reported in AMP7 with the same root causes of above forecast demand for water, leakage, and outage.</p> <p>We are concerned that you have not followed the Environment Agency's guidance in reporting deployable output and SDB in your annual review. This means you are overstating deployable output and underestimating the true risk to supply.</p> <p>You have not included changes to deployable output due to climate change (8.1BL in the WRMP19 data tables) or reductions to restore sustainable abstraction (8.2BL in the WRMP19 data tables) in your</p>	<p>Your reported deficit reduces our confidence in your ability to:</p> <ul style="list-style-type: none"> • provide a secure supply of water • successfully deliver action plans provided to Defra/EA/Ofwat to address non-delivery of WRMP forecasts <p>The SDB deficit also puts your customers and the environment at risk. By overstating deployable output, you are not accurately reporting your SDB. This reduces confidence in the data presented.</p> <p>Accurate and representative data is integral to demonstrating progress and delivery of your WRMP. Your reported SDB should be consistent with your actual outturn supply-demand situation.</p>	<p>You should:</p> <ul style="list-style-type: none"> • provide us with an explanation of why your Annual Review 2023 action plan has not successfully addressed the continued deficits and brought your SDB back in line with WRMP19 forecast • provide us with an update of your Annual Review 2023 action plan to ensure that it demonstrates how you intend to bring SDB in line with your WRMP19 forecasts. Your plan should: <ul style="list-style-type: none"> ○ detail how you will address the underlying causes of your SDB deficit ○ include actions on leakage, metering, PCC, outage and DI ○ include the expected benefits and associated timescales of each action ○ show how you have taken account of the reasons for your continued failure to achieve SDB forecasts when identifying actions to be taken in the updated plan to achieve success ○ describe how the updated plan differs from your previous action plan so you as a company can ensure delivery <p>Deadline: 29th November 2024</p> <ul style="list-style-type: none"> • deliver the updated action plan according to the timelines you set out in the plan

Issue	Impact	Action and deadline
<p>reported deployable output figure as required by the guidance.</p> <p>Your Annual Review 2023 action plan has not addressed the ongoing issues with SDB.</p>		<p>Deadline: Ongoing delivery as set out in your action plan</p> <ul style="list-style-type: none"> • provide an update on progress with delivery of the updated action plan and your performance against WRMP19 and WRMP24 forecasts 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>Deadline: January 2025 and every six months thereafter</p> <ul style="list-style-type: none"> • ensure data in future annual review submissions reflects your true supply risk <p>Deadline: Future Annual Review submissions</p>
<p>Distribution Input (DI)</p> <p>Your reported Distribution Input (DI) of 320.95Ml/d is 8.53% above your WRMP19 forecast of 295.72Ml/d. This is the fourth consecutive year that DI is above forecast. Increased demand for water has contributed to your reported SDB deficit.</p> <p>Your Annual Review 2023 action plan has not addressed the ongoing issues with DI.</p>	<p>Your above forecast DI:</p> <ul style="list-style-type: none"> • continues to contribute to your SDB deficit • represents a risk to your customers' security of supply • reduces our confidence in your ability to successfully deliver action plans provided to Defra/EA/Ofwat to address non-delivery of WRMP forecasts 	<p>You should:</p> <ul style="list-style-type: none"> • provide us with an explanation of why your Annual Review 2023 action plan has not successfully addressed the continued non-delivery of WRMP19 and brought your DI back in line with your WRMP19 forecast • provide us with an update of your Annual Review 2023 action plan to ensure that it demonstrates how you intend to bring DI in line with your WRMP19 forecasts. Your plan should; <ul style="list-style-type: none"> ○ clearly identify the actions you will take to address your above forecast DI ○ include the expected Ml/d benefits and associated timescales of each action ○ show how you have taken account of the reasons for your continued failure to achieve DI forecasts when

Issue	Impact	Action and deadline
		<p>identifying actions to be taken in the updated plan to achieve success</p> <ul style="list-style-type: none"> ○ describe how the updated plan differs from your previous action plan so you as a company can ensure delivery <p>Deadline: 29th November 2024</p> <ul style="list-style-type: none"> ● deliver the updated action plan according to the timelines you set out in the plan <p>Deadline: Ongoing delivery as set out in your action plan</p> <ul style="list-style-type: none"> ● provide an update on progress with delivery of the updated action plan and your performance against WRMP19 and WRMP24 forecasts for DI 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>Deadline: January 2025 and every six months thereafter</p>
<p>Leakage</p> <p>Your reported total leakage of 64.07MI/d is 12.58% above your WRMP19 forecast of 56.91MI/d.</p> <p>Higher than forecast leakage has contributed to DI being above forecast.</p>	<p>Achieving your planned leakage reductions is reputationally important, as you are asking customers to reduce their water use while you are consistently reporting a SDB deficit which represents a risk to your customers' security of supply.</p>	<p>You should:</p> <ul style="list-style-type: none"> ● provide us with an action plan that demonstrates how you plan to reduce leakage in line with your WRMP19 leakage forecast and performance commitment targets for leakage set by Ofwat. Your plan should: <ul style="list-style-type: none"> ○ clearly identify the actions you will take to address your above forecast leakage ○ include the expected MI/d benefits and associated timescales of each action <p>Deadline: 29th November 2024</p>

Issue	Impact	Action and deadline
	<p>Overperforming on demand metrics such as leakage would help to address the supply demand balance issues you have reported in the last four annual reviews.</p> <p>Your above forecast leakage:</p> <ul style="list-style-type: none"> • continues to contribute to your SDB deficit • represents a risk to your customers' security of supply • reduces our confidence in your ability to successfully deliver action plans provided to Defra/EA/Ofwat to address non-delivery of WRMP forecasts 	<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 and your performance against WRMP19 total leakage 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>Deadline: January 2025 and every six months thereafter</p>
<p>PCC (per capita consumption)</p> <p>Your reported PCC of 137l/h/d is 6.58% above your WRMP19 forecast of 128.54l/h/d. PCC is above forecast for the fourth consecutive year and has not returned to pre-Covid levels.</p> <p>Higher than forecast PCC has contributed to DI being above forecast.</p>	<p>Your above forecast PCC:</p> <ul style="list-style-type: none"> • continues to contribute to your SDB deficit • is an ongoing issue that presents a continued risk to your customers' security of supply • reduces our confidence in your ability to successfully deliver action plans provided to 	<p>You should:</p> <ul style="list-style-type: none"> • provide us with an explanation of why your Annual Review 2023 action plan has not successfully addressed the continued non-achievement of WRMP19 forecasts and brought your PCC back in line with your WRMP19 forecast • provide us with an update of your Annual Review 2023 action plan to ensure that it demonstrates how you intend to bring PCC in line with your WRMP19 forecasts. Your plan should: <ul style="list-style-type: none"> ○ clearly identify the actions you will take to address your above forecast PCC

Issue	Impact	Action and deadline
<p>Your Annual Review 2023 action plan has not addressed the ongoing issues with PCC.</p>	<p>Defra/EA/Ofwat to address non-delivery of WRMP forecasts</p>	<ul style="list-style-type: none"> ○ include the expected l/h/d benefits and associated timescales of each action ○ show how you have taken account of the reasons for your continued failure to achieve PCC forecasts when identifying actions to be taken in the updated plan to achieve success ○ describe how the updated plan differs from your previous action plan so you as a company can ensure delivery ○ detail how you will continue work to improve the consumption data available. As confidence in the consumption data improves, this will form a basis to identify the positive impact of the planned work to reduce household consumption. <p>Deadline: 29th November 2024</p> <ul style="list-style-type: none"> ● deliver the updated action plan according to the timelines you set out in the plan <p>Deadline: Ongoing delivery as set out in your action plan</p> <ul style="list-style-type: none"> ● provide an update on progress with delivery of the updated action plan and your performance against WRMP19 and WRMP forecasts for PCC 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>Deadline: January 2025 and every six months thereafter</p>
<p>Metering</p> <p>Your reported total household metering penetration of 42.02% is</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 explanation of why your Annual Review 2023 action plan has not successfully addressed the continued non-delivery of WRMP19 forecasts and

Issue	Impact	Action and deadline
<p>lower than your WRMP19 forecast of 47%. This is the fourth consecutive year that you have not met your forecast.</p> <p>Your Annual Review 2023 action plan has not addressed the ongoing issues with metering.</p> <p>Your annual review narrative states that the metering catch up programme of work to address the metering shortfall has ceased for the remainder of the current AMP. However, the compulsory metering programme included in your draft WRMP24 includes a two-year grace period before customers are moved to be billed by their meter. Therefore, it is unclear how you will achieve your planned forecast until much later in the AMP8 period. You have also not explained how AMP7 funding for metering has been used effectively as catch-up work has now ceased until AMP8.</p>	<p>meter installation forecasts will likely slow the delivery of PCC reductions.</p> <p>Increasing household meter penetration provides additional data on household consumption. This will support your continued work to improve data accuracy and will increase confidence in your PCC forecasts for WRMP24.</p> <p>Your below forecast metering reduces our confidence in your ability to successfully deliver action plans provided to Defra/EA/Ofwat to address non-delivery of WRMP forecasts.</p> <p>Delaying metering catch up work until AMP8 risks you falling further behind forecast as you move into WRMP24.</p>	<p>brought your metering back in line with your WRMP19 forecast</p> <ul style="list-style-type: none"> • provide us with an update of your Annual Review 2023 action plan to ensure that it demonstrates how you intend to bring metering in line with your WRMP19 forecasts. Your plan should: <ul style="list-style-type: none"> ○ include an installation plan (how meters will be installed) and a billing plan (how customers will be moved to billed by their meter and so included in meter penetration figures) to show how the grace period will be factored into your plan, so you achieve your forecast ○ clearly identify the actions you will take to address your below forecast metering ○ include the expected benefits and associated timescales of each action ○ show how you have taken account of the reasons for your continued failure to achieve metering penetration forecasts when identifying actions to be taken in the updated plan to achieve success ○ describe how the updated plan differs from your previous action plan so you as a company can ensure delivery ○ explain how AMP7 funding for metering was used as you plan to stop catch-up metering work until AMP8. <p>Deadline: 29th November 2024</p> <ul style="list-style-type: none"> • deliver the updated action plan according to the timelines you set out in the plan

Issue	Impact	Action and deadline
		<p>Deadline: Ongoing delivery as set out in your action plan</p> <ul style="list-style-type: none"> • provide an update on progress with delivery of the updated 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>Deadline: January 2025 and every six months thereafter</p>
<p>Outage</p> <p>Your reported outage of 29.82MI/d is significantly above your WRMP19 forecast of 8.28MI/d. This is the fifth consecutive year that your reported outage has been above your forecast. Reported outage has contributed to deficits in your SDB.</p> <p>Your Annual Review 2023 action plan has not addressed the ongoing issues with outage.</p>	<p>The ongoing trend of higher-than forecast outage:</p> <ul style="list-style-type: none"> • continues to contribute to your SDB deficit • is an ongoing issue that presents a continued risk to your customers' security of supply and the environment • reduces our confidence in your ability to successfully deliver action plans provided to Defra/EA/Ofwat to address non-delivery of WRMP forecasts 	<p>You should:</p> <ul style="list-style-type: none"> • provide us with an explanation of why your Annual Review 2023 action plan has not successfully addressed the continued non-delivery of WRMP19 forecasts and brought your outage back in line with your WRMP19 forecast • provide us with an update of your Annual Review 2023 action plan to ensure that it demonstrates how you intend to bring outage in line with your WRMP19 forecasts. Your plan should: <ul style="list-style-type: none"> ○ clearly identify the actions you will take to address your above forecast outage ○ include the expected MI/d benefits and associated timescales of each action ○ show how you have taken account of the reasons for your continued failure to achieve outage forecasts when identifying actions to be taken in the updated plan to achieve success ○ describe how the updated plan differs from your previous action plan so you as a company can ensure delivery

Issue	Impact	Action and deadline
		<p>Deadline: 29th November 2024</p> <ul style="list-style-type: none"> • deliver the updated action plan according to the timelines you have set out in the plan • inform Defra/EA/Ofwat of any significant outages as they occur, including timescales to implement solutions (in accordance with water resources planning guideline supplementary guidance note- Outage, produced by the Environment Agency) • ensure unplanned outages are resolved in a timely manner to maintain supply-demand resilience and meet the definition of outage as short-term <p>Deadline: Ongoing delivery</p> <ul style="list-style-type: none"> • provide an update on progress with delivery of the updated action plan and your performance against WRMP19 outage allowance and WRMP24 outage allowance 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>Deadline: January 2025 and every six months thereafter</p>