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3.10 STRATEGIC REGIONAL WATER RESOURCE SOLUTIONS

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Ofwat's challenge

Northumbrian Water did not request any funding related to strategic regional water resource development as part of its April business plan, Ofwat has highlighted that, at final determinations, Ofwat will be willing to consider requests in this area from all companies.

Our response

We are grateful to Ofwat for highlighting this opportunity to us. Northumbrian Water contribute to two regional water resource groups. Water Resources North and Water Resources East. We are requesting a small expenditure allowance for both groups.

Water Resources North

North Water Resources North's (WReN) core membership comprises three water companies (Northumbrian Water (NWL), Yorkshire Water (YW) and Hartlepool Water (HW)) and the Environment Agency. Recognising the need to ensure that our activity is joined up with our neighbours, three more water companies – Anglian Water (AW), Severn Trent Water (STE) and United Utilities (UU) – are affiliated to WReN as associate members. Despite WReN's large area, there are only five Water Resources Zones defined in the region. All five of these Water Resource Zones are highly resilient to drought.

Recognising that our region's public water supplies are already highly resilient to drought, WReN's priority over the next few years is to understand what role, if any, we can provide in supporting national water resources resilience. In addition, we will be engaging with other sectors to understand what their future water demands could look like and how we can work together to ensure that our region remains resilient to drought not just for public water supply, but also for the broader economy and, of course, our valued environment.

In order to help understand what role we may have in supporting national water resources resilience, we are proposing to carry out five strategic studies into possible water transfers. These will focus on options for using Kielder Reservoir to supply into other companies' areas, the potential for east-west trans-Pennine connections, future arrangements for supplies in the area around Sheffield which currently relies on imported water from STE, the sustainability of abstractions in the Idle and Torne catchment, and the potential for an interconnection between YW and AW grids in the Humber area.

While one rationale for these studies is to consider future options to maintain resilience within our region, the larger ambition is to understand whether one or more of the options could facilitate the displacement of water further south in order to support national water resources resilience.

In order for us to realise the ambition for WReN, as articulated above, it will be necessary for resources to be made available, requiring funding from WReN members. However, the emerging expectations for regional plans, from the National Framework, has come after the PR19 Business Plan submissions. Consequently, no costs have been included in Business Plans for the work that is now required, and expected, of WReN. None of the five schemes are sufficiently advanced to be able to put them forward for funding through the gated process. Therefore, we, along with other WReN companies, would like to request that consideration be given to allocating funding to our regional group within company Final Determinations outside of the gated process in order to allow us progress the five schemes described above. Our funding requirement is £0.175m evenly profiled over Years 1 and 2 of AMP7. As directed by Ofwat this is included in data table WS2 line 26 and titled Strategic regional water resource solutions.

Water Resources East

Water Resources East (WRE) brings together partners from a wide range of industries, including water, energy, the environment and agriculture. The goal of WRE is to develop a long-term, multi-sector water resource strategy for the East. The vision is for an integrated strategy, with trade-offs between industry sectors that will balance the needs of all partners. We operate in a water stressed area and so have welcomed the opportunity to work collaboratively with a wide range of industries to develop a long-term, multi-sector water resource strategy for the East.

The project has delivered a baseline vulnerability assessment for the region. This highlights that by 2080, water supplies in some parts of the region will be vulnerable due to the impact of climate change on hydrological flows and groundwater levels, growth in customer demand and sustainability reductions applied to abstraction licence licensed quantities. It also highlighted that the resilience of water supplies, for example, in the county of Suffolk, could be vulnerable to future droughts by 2060. This is partly because of the reliance of the county on groundwater supplies from the Chalk and Crag aquifers and the likelihood that abstraction licences could be subject to reductions in annual licensed quantities to ensure they are sustainable. The sustainability of our Suffolk groundwater abstraction licences will be investigated in AMP7 (2020 to 2025) as part of the Water Industry National Environment Programme (WINEP).

The WRE project has identified an early investment portfolio based on its performance across a wide variety of different futures and so aims to increase multi-sector water resource resilience across the region. However, as we have a supply surplus in all four of our water resource zones, we do not currently have a requirement to develop new supply schemes. Nevertheless, we recognise that if sustainability changes are applied to Suffolk groundwater abstractions in AMP7, this could cause a supply deficit. We will therefore consider any options to eliminate such a supply deficit with the WRE project.

WRE has proposed a technical programme costing an estimated £1.15 million. This will require a contribution from NWL of £0.325m. We intend to work collaboratively with WRE and will explore opportunities for efficiencies. For example, we are exploring whether WRE can prepare property and population forecasts for the entire region rather than all water companies preparing these individually. The funds we would have spent on this forecast can then be directed to WRE instead. WRE may be able to make an efficiency which could leave a surplus of funds that can be directed towards other technical activities. The same may apply for groundwater climate change assessments and the development of spatially coherent drought events. We typically spend £0.075m on consultancy support on items such as property and population forecasts and groundwater climate change. Therefore, we would like to request that consideration be given to allocating funding to our regional group within our Final Determination outside of the gated process in order to allow us contribute fully to the technical programme. Our funding requirement is £0.250m (i.e. NWL's contribution to WRE Technical programme (£0.325m) less our typical spend on consultancy supported items (£0.075m) = £0.250m). This would be evenly profiled over Years 1 and 2 of AMP7. As directed by Ofwat this is included in data table WS2 line 26 and titled Strategic regional water resource solutions.

Therefore to support the two regional Water Resources Groups the total Strategic regional water resources solutions expenditure request is £0.425m.