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Dear Ms Arnold

Thank you for your letter of 27 June. I welcome your and your colleagues' focus on water supply issues in the capital; your recognition of the significant challenges we face and, in particular, your advocacy for the new reservoir that London needs.

As you are aware, London and the wider South East region face substantial and complex water resource challenges, so planning for a resilient and sustainable water supply in the long-term is vital. We are working collaboratively with other water companies in the capital and region, through the Water Resources in the South East Group (WRSE), considering the long-term needs of the region and the water supply options that will provide best value for society and the environment, looking beyond individual water company boundaries.

In responding to the motion agreed by the Assembly it may help if I summarise Thames Water's plans to match water supply and demand in the capital.

The foundation of our plan is to make the most effective use of the water resources that we currently have available. This will be achieved with a focus on leakage reduction and supporting our customers to use water efficiently through smart metering, accompanied by practical support and advice.

We are currently spending £1 million a day to reduce leakage and maintain our water supply network, with an average of 1,400 repairs being completed every week over the last year. Additionally, we have committed to reducing leakage between 2020 and 2025 by 15% compared to our 2019/20 target of 606 MI/d (million litres per day), taking it to 509 MI/d for 2024/2025.

Over the past four years we have installed more than 300,000 smart water meters in London homes. We plan to install a further 700,000 smart water meters from 2020 to 2025. We are also currently delivering the UK's largest ever water efficiency programme, including a combination of around 70,000 in-home and over 3,000 business water efficiency visits, providing tailored water-saving advice and installing free water and energy-saving devices. All residents and businesses receiving this service also receive free leak repairs.

Our plans for 2020 to 2025 include a further increase in the scale of our water efficiency programme, with more than 400,000 water-saving visits, and a communications programme to raise awareness of the benefits of saving water.

While there is strong customer and stakeholder support to reduce leakage and better manage demand, there is also a recognition of the risk of over-reliance on these measures, and an understanding that they will not on their own be sufficient to close the gap between supply and demand. Rapid growth, changes to our climate and reductions in the volumes of water we take from the environment mean that we will need to develop new resources in combination with demand management to ensure a secure water supply.

We have assessed more than 200 different options in developing our long-term plan, with a wide range of different approaches. It may help if I provide an update on the current status of the five options highlighted in the Assembly motion:

- A water transfer in partnership with the Canal and River Trust to bring water from the Midlands via the Oxford Canal is included in our updated revised draft Water Resource Management Plan 19 (WRMP19), for construction by 2030. This is a relatively small scheme, providing approximately 11 MI/d of water. Further assessment is required to ensure the scheme is feasible, which will include addressing concerns relating to water quality, and heritage.
- An innovative wastewater reuse scheme at Deephams sewage treatment works in Enfield is included in our WRMP19, also for construction by 2030. We are currently undertaking further work to address concerns raised by the Environment Agency in relation to this scheme, and looking at alternative sites for wastewater reuse in London if this site is considered unsuitable. This scheme will provide around 45 MI/d of water.
- A new reservoir in Oxfordshire, promoted jointly with Affinity Water, is included in our WRMP19, to come into operation by 2037. This will significantly improve resilience to drought, and provide opportunities for wider benefits to the local community and the environment. The reservoir could, with additional network connections, provide the water needed to reduce abstractions from vulnerable chalk streams, putting natural capital into practice. Once completed, this will provide 294 MI/d of raw water to London and the Thames Valley.
- A raw water transfer from the River Severn is included in our plan at the end of the planning period, from 2083. There are a number of details that still require further consideration and assessment, including regulatory, operational and environmental issues. We are working in collaboration with United Utilities, Severn Trent and other partners to fully examine these issues and understand the viability of a large water transfer. This is predicted to provide approximately 160 MI/d of water.
- Teddington Direct River Abstraction has been confirmed as unsuitable at this time. This scheme was removed from our proposed plan as, whilst considered to be cost effective, there were concerns about the impact on the ecology and navigation on the River Thames. However, we have committed to undertake further examination of the environmental and navigational issues in the next five years.

In planning for an 80-year period there are clearly significant uncertainties. For example, we do not yet know the number of homes that could be built as part of the proposed Oxford to Cambridge 'growth arc'. In addition, there is the potential to move to a higher standard for drought resilience (one in 500 years compared to the one in 200 years that forms part of current guidelines). To mitigate these uncertainties we have developed an adaptive planning approach, which sets out our preferred plan and alternative pathways we can follow if triggers are not reached. This new approach will enable us to take account of changes in future forecasts, and new information, making sure that our choices reflect changing circumstances, and that we spend the money customers pay through their bills in the most cost-effective way.

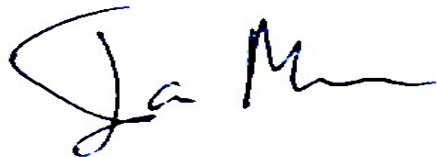
We are continuing to work on strategic resource options which are included in our adaptive plan. These studies will be undertaken in collaboration with other water companies, regulators, and interested stakeholders.

New resource schemes have a long-lead time to ensure they can be delivered in good time, and we will need to make decisions in 2022/23 on the scheme or schemes to be promoted.

I trust this information is helpful, and please let me know if you have any further questions.

Thank you again for your and your colleagues' focus on the future of London's water supplies.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Ian Marchant', with a stylized, flowing script.

Ian Marchant

Interim Executive Chairman, Thames Water