

MDA No.: 1631

Title: Response to the Ofwat PR2024 draft determinations consultation

1. Executive Summary

1.1 At the Annual meeting on 1 May 2013 the Assembly resolved:

That authority be delegated to Chairs of all ordinary committees and sub-committees to respond on the relevant committee or sub-committee's behalf, following consultation with the lead Members of the party Groups on the committee or sub-committee, where it is consulted on issues by organisations and there is insufficient time to consider the consultation at a committee meeting.

1.2 Following consultation with party Group Lead Members, the Chair is asked to agree the Committee's letter responding to the Ofwat PR2024 draft determinations consultation, as attached at **Appendix 1**.

2. Decision

2.1 **That the Environment Committee's letter responding to the Ofwat PR2024 draft determinations consultation be agreed.**

Assembly Member

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature: 

Printed Name: Zack Polanski AM, Chair of the Environment Committee

Date: 13 August 2024

3. Decision by an Assembly Member under Delegated Authority

Background and proposed next steps:

- 3.1 The exercise of delegated authority agreeing the Committee's letter will be formally noted at the Committee's next appropriate meeting.

Confirmation that appropriate delegated authority exists for this decision:

Signature (Committee Services): *Sal Fazal*

Printed Name: Saleha Fazal, Committee Officer

Date: 14 August 2024


Financial Implications: NOT REQUIRED

Note: Finance comments and signature are required only where there are financial implications arising or the potential for financial implications.

Signature (Finance): Not Required

Legal Implications:

The Chair of the Environment Committee has the power to make the decision set out in this report.

Signature (Legal): 

Printed Name: Rebecca Arnold, Deputy Monitoring Officer

Date: 14 August 2024

Email: Rebecca.arnold@london.gov.uk

Supporting Detail / List of Consultees:

- Leonie Cooper AM, Deputy Chair;
- Keith Prince AM; and
- Gareth Roberts AM.

4. Public Access to Information

- 4.1 Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website, usually within one working day of approval.
- 4.2 If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.
- 4.3 **Note:** this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral:

Is the publication of Part 1 of this approval to be deferred? **NO**

If yes, until what date:

Part 2 – Sensitive Information:

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form? **NO**

Lead Officer / Author

Signature:



Printed Name: Richard Clarke

Job Title: Senior Policy Adviser

Date: 8 August 2024

Countersigned by Executive Director:

Signature:



Printed Name: Helen Ewen, Executive Director, Assembly Secretariat

Date: 13 August 2024



Zack Polanski AM

Chair of the Environment Committee

David Black

Chief Executive, Ofwat

Response to the Ofwat PR24 draft determinations consultation

(Sent by email)

14 August 2024

Dear David Black,

I am writing on behalf of the London Assembly Environment Committee to respond to your consultation into the 2024 price review (PR24) draft determinations. These set out the level of service that customers can expect from water companies and the prices that companies can charge between 2025 and 2030.¹

The London Assembly is the voice of Londoners, comprising 25 elected Members from across five political parties. Assembly Members act as champions for Londoners by holding the Mayor to account, and also investigating issues that are important to the capital. The Environment Committee examines all aspects of London's environment by reviewing the Mayor's Environment Strategy and considering what additional measures could be taken to help improve London's quality of life.² As such, we maintain a keen interest in London's water supply and river health.

Your PR24 draft determination on Thames Water states that its performance lags behind most other companies in the sector, and that you require Thames Water to deliver a

¹ <https://www.ofwat.gov.uk/consultation/pr24-draft-determinations/>

² <https://www.london.gov.uk/who-we-are/what-london-assembly-does/london-assembly-committees/environment-committee>

significantly improved level of service for customers and the environment in 2025-30.³ Ofwat rated Thames Water's Business Plan as inadequate, and the company will be subject to a financial penalty if it does not improve its plan.⁴ The Committee sees it as vital that there is significant improvement in Thames Water's performance, and has set out below our own findings from recent work on the management of water in London.

We undertook an investigation into Water and London's Rivers last year and published a report with its conclusions in March 2024.⁵ We explored a range of issues including the supply of drinking water, the need to reduce leakage and conserve water, and ensuring pollution from storm overflows does not affect London's rivers.

From this recent work, the Committee now draws your attention to three specific areas to consider in your final determinations:

- The need for ambitious plans to reduce water leakage from pipes in London;
- The need to protect Londoners from excessive price increases and ensure water is affordable to all;
- The need to prevent pollution events in London, including through investment in infrastructure and regulators taking strong enforcement action.

Reducing leakage

Ofwat's current draft determination sets an expectation for Thames Water to reduce leakage by 19 per cent by 2029-30, compared with its 2024-25 targets.⁶

The Committee agrees that too much water is currently lost before it reaches people's taps in the Thames Water area. The Committee heard in its investigation that leakage rates for Thames Water reached 602 million litres per day in 2021-22,⁷ an unacceptable level equivalent to the volume of around 240 Olympic-sized swimming pools.

The Committee supports Ofwat setting clear targets for Thames Water to reduce water leakage in London, but requests that it considers setting a more ambitious target of 25 per cent reduction by 2029-30.

Reducing water use while ensuring water remains affordable

Ofwat's draft determination allows Thames Water to collect £14.9 billion through customers' bills, increasing average household bills by £99 from 2024-25 to 2029-30. This is £92 lower than Thames Water's proposed plans, and almost halves the amount that Thames Water proposed to raise customers' bills by.⁸

The Committee strongly supports Ofwat's focus on pricing and intent to limit bill increases to ensure the affordability of water for customers in London.

³ [Overview-of-Thames-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#) p2

⁴ [Overview-of-Thames-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#) p17-18

⁵ London Assembly, [Water and London's Rivers](#), March 2024

⁶ [Overview-of-Thames-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#) p10

⁷ London Assembly Environment Committee meeting, [Minutes](#), 11 July 2023, p.2

⁸ [Overview-of-Thames-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#) p4

We also recognise that there is also a need to reduce water use at an individual level, and so it is important that consumers have clear information. The Committee supports work to expand smart metering to inform people of their water usage.

The Committee heard in its investigation that national guidelines require water companies to reduce household water use to 110 litres per person per day by 2050, compared with the 146 litres of water per person per day used in 2021-22.⁹ Thames Water told the Committee that 80 per cent of Thames Water's 15 million customers are currently using less than 110 litres per day.¹⁰ This suggests that targeting the remaining 20 per cent who use higher than average levels could have a big impact on reducing overall usage in London. We therefore support in principle Thames Water's proposal to link the charging structure to water use, as long as there are sufficient protections in place for households with high essential water needs.

The Committee is also clear that there needs to be appropriate social tariffs to ensure water remains affordable to all in London. We note that Thames Water's plans as set out in your draft determination would increase social tariff provision in London from 5 per cent of households in 2020-25 to 7 per cent in 2025-30.¹¹ The practical details of such a scheme must be fair, and we support Ofwat's statement that it will hold Thames Water to account for the delivery of this.

Greater enforcement and prevention of pollution events

Ofwat's draft determination sets out its expectation that Thames Water reduces the use of storm overflows by 55 per cent by 2029-30, to improve river quality, protect public health and increase people's enjoyment of the environment.¹² The proposed expenditure by Thames Water as set out in the draft determination includes £517 million to reduce the use of storm overflows, through increasing storage and reducing flows entering the system, and £1.1 billion to reduce nutrient pollution in rivers.¹³

We agree that there is a clear need to reduce the number of pollution incidents in London's rivers. As part of our investigation, the Committee heard that there were no longer any rivers in London rated 'good' for river health.¹⁴ We recommended that Thames Water should accelerate investment in its wider sewer infrastructure in areas of London not covered by the Thames Tideway tunnel, to ensure that it has the capacity to deal with intense rainfall events.¹⁵

The Committee also supports greater enforcement action by Ofwat to ensure that the planned improvements are realised over the next five years in London. In this light, we also welcome efforts to strengthen Ofwat's powers as a regulator, including through the Government's announcement in the King's Speech in July 2024 of a new Water (Special Measures) Bill.¹⁶

⁹ [Water and London's rivers report.pdf](#) p12

¹⁰ London Assembly Environment Committee meeting, [Minutes](#), 11 July 2023, p. 15

¹¹ [Overview-of-Thames-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#) p13

¹² [Overview-of-Thames-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#) p8

¹³ [Overview-of-Thames-Waters-PR24-draft-determination.pdf \(ofwat.gov.uk\)](#) p9

¹⁴ London Assembly Environment Committee meeting, [Minutes](#), 11 July 2023 p18

¹⁵ [Water and London's rivers report.pdf](#) p24

¹⁶ [Government introduces new bill to clean up water sector – Defra in the media \(blog.gov.uk\)](#)

Yours,

Zack Polanski AM
Chair of the Environment Committee