Wessex Water liaison meeting 9th October 2025

1. Future Water Update (Networks November & Report Card)

Networks November 2025

- Focused on a **12-month review** of networks, exploring:
  - Asset management and nature-based solutions.
  - Pressures under current AMP7 legislation emphasising end-of-pipe solutions.
- Events and sessions include:
  - “Water Dragons” session later in November.
  - Procurement-focused session addressing misunderstandings around frameworks and collaboration.

Report Card (Version 2)

- A **second version** of the “Report Card” is being produced
- Expanded categories to include **cybersecurity and digital resilience**.
- Integrates the **PSI Resilience Act**, which comes into force next year, extending coverage to wastewater.
- Intention: use findings to engage **Defra** and advocate for updated guidance, replacing outdated (8-year-old) documentation.
- Objective: drive collaboration across utilities and the supply chain to improve resilience, reduce pollutions, and ensure preparedness for risk events.

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2. AMP7 → AMP8 Transition

Overview

- AMP7 total investment: **£1.5bn** (split 50% maintenance, 50% enhancement).
- AMP8 projected at **£3.2bn** — over double AMP7.
- Transition characterised by:
  - Increase in capital works and new obligations.
  - Stronger emphasis on sustainability, resilience, and environmental outcomes.

AMP8 Focus Areas

- **Phosphorus Reduction:**
  - Preventing **2,000 tonnes** of phosphorus entering watercourses.
  - £1bn allocated to nutrient reduction; £0.5bn for storm overflow improvements.
- **Storm Overflows:**

    - 107 traditional schemes adding 160,000m³ of storage.
    - 36 nature-based solutions (reed beds, swales, etc.).
- **Asset Upgrades:**
    - £200m investment in sludge treatment centres.
    - 260km of water main replacements (+75% over AMP7).
    - 8,000 lead pipe replacements (prioritised for schools and vulnerable areas).
- **Smart Metering & Data:**
    - 40,000 smart meters installed, 15-minute upload cycles.
    - Real-time monitoring for water quality and performance.
    - Data lakes implemented for enhanced analytics and transparency.

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3. Delivery of AMP8

Internal vs External Delivery

- AMP7 delivery: ~60% internal / 40% external.
- AMP8 rebalanced to ~70% internal, 30–40% external, incorporating **new design & build partnerships**.
- Key frameworks now include:
    - **6+ external design houses**.
    - New **minor works design & build framework** awarded in October.
    - Expanded **MCC (Motor Control Centre)** partners (from 4 to 7).

Challenges & Solutions

- **Procurement & Onboarding:** slower than planned but improving.
- **Skills & Capacity:** ongoing challenge—recruitment both internal and external, shared across the South West region.
- **Programme Ramp-Up:**
    - Year 1 slightly (~£20m) behind due to late design approvals.
    - Confidence in **meeting AMP8 targets** with improved internal gate processes and clearer decision-making.

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4. Innovation Update

General Approach

- Wessex Water is **actively seeking innovation**, recognising the need for ideas beyond its internal teams.

- Established a **Head of Innovation** and supports platforms such as:
  - **Spring Marketplace** for sector-wide innovations.
  - Internal "Water Marketplace" launched in 2019, facilitating technology trials (e.g. rising main analytics).

Examples of Innovation

- **Subterra pipe technology** trials (no-dig solutions).
- **PFAS (forever chemicals)** monitoring and mitigation analytics.
- **Digital water quality monitoring** for real-time response.
- **Collaboration with academia** and supply chain innovators encouraged.

Cultural Shift

- Push towards a mindset of *why* work is done, not just *what* is done.
- Training and asset management (ISO 55001-aligned) maturity assessments in place.
- Greater collaboration between **design houses**, **contractors**, and **innovation partners**.

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5. Engagement with the Supply Chain

Partnership Focus

- A shift to deeper engagement — moving beyond transactional relationships.
- Strong emphasis on:
  - Early visibility of programme needs.
  - Co-design and capacity building.
  - Supporting SMEs and technology developers.

Procurement Reform

- Adoption of the **Procurement Act** and **Dynamic Market Systems**.
- Benefits:
  - Flexibility for new entrants and emerging technologies.
  - Streamlined requalification and change communication processes.
- Social Value now embedded:
  - ESG and community impact weighed in assessments.
  - Encouragement for suppliers to link social value with customer interaction (e.g. smart metering rollouts).

Operational Collaboration

- Suppliers involved earlier in solution design.
- Improved information sharing to manage risks jointly.
- Emphasis on mutual support for **AMP8 delivery**.

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6. Cunliffe-Led Water Commission Report

Background

- Commission established by government under **John Cunliffe** with 10 expert advisors.
- Published final report (July 2025) proposing **88 reforms** — most significant since privatisation (1989).

Key Recommendations

- **Single Integrated Regulator:** merging Ofwat, DWI, EA, and Natural England functions.
- **National Water Strategy:** multi-sector framework aligning water, planning, and environment.
- **Regional Planning Boards:** nine new boards with financial powers and independent chairs.
- **Asset Health & Resilience:** reinforced as a regulatory cornerstone.
- **CCW Reform:** transferring complaint powers to Citizens Advice.
- **Ombudsman and governance reform** to simplify oversight and accountability.

Industry Reception

- **Positive:** Wessex Water and Water UK view reforms as practical and long overdue.
- **Mixed:** NGOs and media remain sceptical ("illusion of change" criticisms).
- **Expectation:** White Paper to set implementation roadmap; questions remain about funding and pace of rollout.

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7. CMA Review

Context

- CMA review followed Ofwat's **PR24 determinations**.
- Wessex Water's **first ever appeal** to the CMA.

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- Initial determination: company sought **£850m**, likely to recover **~£350–400m** after CMA adjustments.

Key Outcomes

- **Model Adjustments:** CMA recognised flaws in Ofwat's modelling, particularly around:
    - Land acquisition, biodiversity, and planning costs.
    - Real-world cost variances for P-removal and treatment assets.
- **Cost of Capital:** adjusted upward from ~4.2% to ~4.6%, reducing borrowing pressure.
- **Industry-wide Impact:** most appellants received modest uplifts (2–5% average).
- **Process:** four-week response window before final decision (expected December 2025).

Implications

- Wessex expects improved alignment of regulatory outcomes with actual delivery costs.
- However, continued **£300m funding gap** remains; further efficiencies and innovation needed.
- Cultural change required — moving from compliance mindset to proactive delivery.

Overall Conclusions

- **Wessex Water** remains a leading performer in customer service and resilience.
- **AMP8** will double investment, with ambitious environmental and social goals.
- **Innovation and collaboration** are central to success — both internally and with supply chain partners.
- **Cunliffe Review and CMA outcomes** set the stage for a more integrated, pragmatic, and engineering-informed future regulatory framework.