

UUWR_65

PR24 Draft Determination: UUW Representation

Area of representation: Outcomes - Wonderful Windermere PC

August 2024

This document outlines our representation in response to Ofwat's draft determination related to the Wonderful Windermere performance commitment

Draft determination documents: PR24 draft determinations United Utilities – Outcomes appendix, Pages 10 - 13

1. Key points

- **Our proposed PCL is stretching:** We are committed to delivering the best outcome for the whole of the Windermere catchment. The PCL draws from our AMP7 experience of catchment-based delivery in the Petteril catchment, and our extensive knowledge of the Windermere catchment. We believe the PCL will be challenging and stretching to deliver.
- **Windermere should be viewed as a full system with catchment and operational interventions all working together to reduce the amount of phosphorus in the lake:** Our proposal is to include both of these within the scope of this performance commitment to drive down phosphorus across both catchment and UUW WwTW.
- **We align the ODI rate to the River Water Quality ODI and propose an enhanced ODI rate to be applied where exceptional and highly stretching performance is demonstrated:** This enhanced rate will only apply once the amount of phosphorus emitted from UUW WwTW reaches the equivalent of the technically achievable limit being achieved across the catchment and the catchment element of the PCL has also been achieved.
- **We recognise Ofwat's view that third parties are required to meet their legal and regulatory requirements, and these should not be cross subsidised by water customers:** We propose to continue to work in partnership with others to drive the maximum environmental benefits in Windermere, however, will do so on assets that meet their legal and regulatory requirements.
- **We have provided a proposed revised performance commitment definition document:** As requested by Ofwat, we have updated the performance commitment definition. This can be found in [UUWR 66 – Wonderful Windermere Definition Document](#).

2. UUW's PR24 proposal

Wonderful Windermere is seeking to improve the water quality of Windermere through partnership working to reduce nutrients from third party assets and reduction of phosphorus beyond UUW's permit limits. This PC will measure the reduction in phosphorous equivalents into the lake (UUW30¹).

In our proposal, Hawkshead WwTW was excluded as it has an AMP8 WINEP driver for Habitat Directives² and therefore met the criteria for inclusion within the River Water Quality PC

A penalty and reward with collar of zero kg removed and cap (of 1,899.9kg) was proposed. This was informed by external reports that identified the maximum amount of phosphorus that can be removed from proposed interventions (see query response Ref- OFW-OBQ-UUW-186) (UUW30, Table 87, Page 219).

A bottom-up triangulated ODI rate of £9,530 / kg was proposed.

¹ https://www.unitedutilities.com/globalassets/z_corporate-site/pr24/supplementary-documents/uuw30.pdf, table 86, page 217

² https://www.unitedutilities.com/globalassets/z_corporate-site/pr24/supplementary-documents/uuw30.pdf, section 6.5.23, Page 220

3. UUW's understanding of the position in the draft determination

We understand from the draft determination that Ofwat considers that Wonderful Windermere is suitable for a bespoke PC, recognising the iconic status, the unique local circumstances and impact of third-party assets on Windermere's water quality (United Utilities – Outcomes appendix³).

Ofwat recognises the benefits of working in partnership to address water quality challenges in Windermere. However, it underlines that third-parties - including septic tank owners and farmers - must be required to meet their regulatory and legal obligations on their assets before interventions could be delivered through the PC. (United Utilities – Outcomes appendix⁴) and should ensure that water customers do not pay for costs that should be borne by third parties.

Ofwat also expects a methodology to be agreed with the Environment Agency to baseline the phosphorous load entering the Windermere catchment as well as phosphorus reductions for partnership arrangements. (United Utilities – Outcomes appendix⁵).

4. Issues and implications arising from the draft determination

4.1 Proposed PCL for Wonderful Windermere

As set out in query response Ref- OFW-OBQ-UUW-111 we believe the proposed PCL to be stretching. The PCL has been set using the ADAS Farmscoper Tool ([Farmscoper Decision Support Tool | ADAS](https://www.ofwat.gov.uk/publication/pr24-draft-determinations-united-utilities-outcomes-appendix/)) to identify potential phosphorus savings and expert knowledge of the Windermere catchment and delivery of similar catchment projects to calculate and quantify a stretching and challenging target.

For catchment nutrient reduction schemes, the Environment Agency recommendation is to use the ADAS Farmscoper Tool to quantify the potential phosphorus savings that can be made from farms. Farmscoper is a decision support tool that can be used to assess diffuse agricultural pollutant loads on a farm and quantify the impacts of farm mitigation methods on these pollutants. The farm systems within the tool can be customised to reflect management and environmental conditions representative of farming across England and Wales. The tool contains over 100 mitigation methods, including many of those in the Defra Mitigation Method User Guide.

Farmscoper was originally developed by ADAS in 2010 with Defra funding to facilitate the analysis of the impacts of government policy on diffuse agricultural pollution and latter version has been revised for wider use with Environment Agency support. Since its release, the tool has been used by a wide range of organisations for different purposes such as assessing the impacts of agri-environment and catchment management schemes. We have successfully used this tool for our AMP6 and AMP7 Catchment Nutrient Balancing schemes.

We note that UUW has no obligations or requirements to deliver improvements on third party assets or beyond regulated improvements on our assets, but we propose this PCL to go beyond what UUW is obligated to deliver – to incentivise UUW to draw together stakeholders to address long standing barriers and to accelerate innovation to address the complex and multi-faceted issues around nutrient levels in Windermere. Without addressing the

³ <https://www.ofwat.gov.uk/publication/pr24-draft-determinations-united-utilities-outcomes-appendix/>, section 3.3.1, page 10

⁴ <https://www.ofwat.gov.uk/publication/pr24-draft-determinations-united-utilities-outcomes-appendix/>, section 3.3.1, page 11

⁵ <https://www.ofwat.gov.uk/publication/pr24-draft-determinations-united-utilities-outcomes-appendix/>, section 3.3.1, page 11

other sources of nutrients in the catchment (beyond UUW assets) it will not be possible to achieve “high” ecological potential in Windermere.

We draw on our experience of working with partners and within partnerships to deliver catchment-scale environmental improvements, such as delivering WINEP catchment nutrient offsetting schemes in the Petteril catchment. The regulated output for the scheme was a total of 98kg of phosphorus removal. The project focussed on delivery across third party assets (namely farm interventions) achieved over a multi-year period. To achieve the Wonderful Windermere PCL, we will build upon this experience but are expanding the opportunities to go beyond farms and incorporate septic tanks owners, private treatment works owners and other sources of phosphate across the catchment. As a result, we anticipate there will be significant effort required and challenges in engaging with many hundreds of asset owners across the catchment (as opposed to a relatively small number of farms) and drive appropriate solutions.

In United Utilities – Outcomes appendix⁶, S3.3.1, Ofwat outlines that “*third parties, including private septic tank owners and farmers, are required to meet their legal and regulatory requirements, and these should not be cross subsidised by water customers*”. We recognise this requirement, which is one of the reasons why the proposed performance commitment is highly stretching. There is a significant potential contribution to the water quality in Windermere from the private septic tanks and farmers and as part of this performance commitment that we are seeking to unlock. We want to drive and inspire phosphorus reduction across all aspects of the catchment.

There are many barriers to private septic tank owners making their "fair share" contribution such as affordability, technical challenges and a changing regulatory landscape. These are long term complex issues and daunting for individuals to resolve. The aim of this performance commitment is to break down these barriers through information campaigns, community projects, innovation and partnership working to facilitate reduction in phosphorus in the wider catchment beyond our performance commitment.

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Table 1 shows our proposed PCL level for this performance commitment. This is consistent with the levels reflected in our business plan.

Table 1: Proposed PCL

	2025	2026	2027	2028	2029
PCL catchment gateway	9.5	38	38	57.7	77.4

Source: UUW analysis

4.2 Achieving TAL and beyond

We propose an additional element of the performance commitment to widen the scope and challenge us to provide greater environmental benefits faster. We have agreed a non-statutory driver with the Environment Agency to deliver TAL or very low phosphorus schemes all UUW WwTW within the Windermere catchment by 31st March 2030. However, in this performance commitment we strive go beyond this and deliver a reduction in phosphorus emission from UUW WwTWs equal to achieving TAL cumulatively across the catchment. This equates to a 522.9kg reduction in phosphorus emitted.

⁶ <https://www.ofwat.gov.uk/publication/pr24-draft-determinations-United-Utilities-outcomes-appendix/>, section 3.3.1, page 11

Table 2: Phosphorus emitted in 2023 and in 2030 once TAL at all Wastewater treatment works has been achieved

Site Name	2023 baseline kg	2030 TAL emission kg
WINDERMERE WWTW	544.82	544.82
NEAR SAWREY WWTW NEARS	325.69	16.28
AMBLESIDE WWTW	232.85	232.85
GRASMERE WWTW	180.63	180.63
LANGDALE WwTW	124.54	54.62
HAWKSHEAD WwTW	69.46	61.29
FERRY HOUSE WWTW	54.75	2.74
TROUTBECK WWTW	43.80	2.19
FAR SAWREY STW	32.85	1.64
OUTGATE WwTW	12.01	1.42
Total P emitted	1,621.40	1,098.48

Source: UUW analysis

Our aim is to reach cumulative TAL across the catchment as soon as technically possible and we will challenge ourselves to move beyond this target. We are proposing an enhanced ODI rate to incentivise the early delivery of projects and promote innovation to deliver phosphate removal beyond what is currently technically achievable thus pushing the frontier of what is possible.

4.3 ODI Rate and PCL

We recognise Ofwat’s consideration of alignment to the ODI rate for the River Water Quality performance commitment of £661 per kg of phosphorus removed. We propose this rate would apply to any reduction in phosphorus up to TAL.

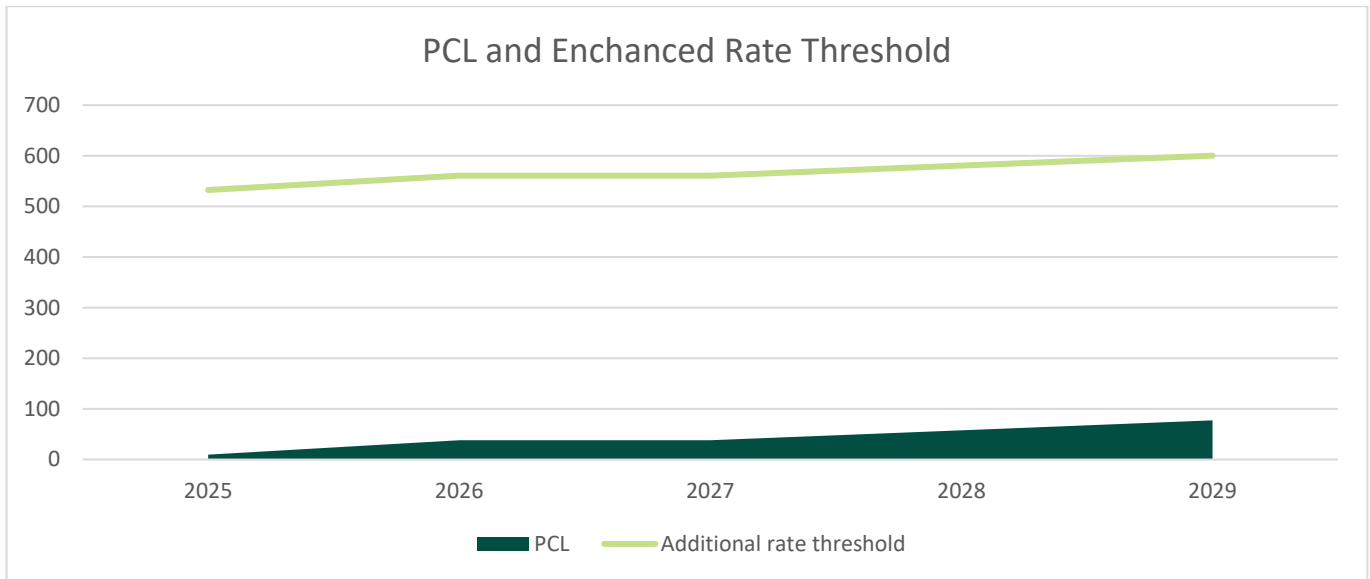
In addition to this we are proposing an additional rate of £9,531 per kg that would be triggered by reaching the WwTW cumulative equivalent TAL (522.9kg) threshold and achieving the catchment element of the PCL.

Table 3: Proposed PCL and additional rate threshold

	2025	2026	2027	2028	2029
PCL catchment interventions	9.5	38	38	57.7	77.4
TAL load for all UUW WwTW in catchment	522.9	522.9	522.9	522.9	522.9
Additional rate threshold	532.4	560.9	560.9	580.6	600.3

Source: Farmscoper and UUW analysis

Figure 1: PCL and Enhanced Rate Threshold



Source: UUW analysis

This additional rate would be achieved through WINEP schemes being delivered ahead of the agreed regulatory date and through applying innovative solutions on site to go beyond permitted limits, whilst underlining our commitment to the catchment element of PCL. The rate recognises the additional challenges in accelerating delivery of both UUW improvements and in the delivery of catchment schemes involving multiple stakeholders. It also recognises that new technologies and innovative approaches would need to be trialled and deployed in order to move the technical frontier forward.

Our proposal is therefore a two-tier PCL as shown in Table 3 and Figure 1. To move into an outperformance position we would have to achieve the PCL from catchment interventions only. Only then could we gain any benefit from additional phosphorus removed from UUW WwTW or additional catchment interventions. This cumulative total (additional rate threshold) could only be achieved if the catchment interventions to PCL plus removal of 522.9 Kg additional P across the catchment is achieved. Beyond this, the additional rate would be achieved.

5. What Ofwat can do in the final determination to address these issues

Ofwat should accept our stretching PCL: Based on our experience of delivering similar projects and our expertise the Windermere catchment we will have to strive hard to deliver the PCL, breaking down barriers which have hitherto prevented third parties from addressing their "fair-share" of improvement and/or developing and deploying new technologies or processes to deliver phosphate removal rates that are not possible with current technology.

Ofwat should accept the expanded scope for the performance commitment: This provides additional scope for us to go further and faster in driving improvements for the Windermere catchment.

Ofwat should accept the standard and enhanced ODI rates: We believe this will provide a better opportunity to deliver faster, earlier, out-perform, be innovative and deliver the best outcomes for customers and the environment.

Ofwat should accept the revised performance commitment definition: As requested by Ofwat, we have updated the performance commitment definition. This can be found in [UUWR 66 – Wonderful Windermere Definition Document](#).