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Date: 1st March 2011

Dear Mr Baggs,

Thames Water – Water Resources Management Plan ('WRMP')

The Secretary of State has now given consideration to Inspector Burden's report on the inquiry into Thames Water's revised draft WRMP. A copy of the Inspector's report is enclosed with this letter.

The Inspector has concluded that, whilst the provisions of the revised draft WRMP would enable Thames Water to maintain a secure supply of water over the plan period 2010-2035, deficiencies present in the plan meant she could not conclude that the supply of water during this period would be efficient and economical. Consequently, the Inspector concluded that the revised draft WRMP did not meet the statutory requirements under section 37(1) and section 37A(2) of the Water Industry Act 1991.

In addition, the Inspector found the description of the methodology used in the programme appraisal and options appraisal was not robust with the result that the programme of measures Thames Water proposed to adopt were not fully justified by evidence. As a result, she concluded that the draft WRMP was not compliant with paragraph 3(b) of the Water Resources Management Plan Direction 2007.

The Inspector concluded that the main changes required to be made to the revised draft WRMP in order to address the deficiencies and make it fit for purpose and meet the statutory requirements relate to:

- deletion of Thames Water's premise of 'long term risk' associated with future, unknown, sustainability reductions;
- deletion of all programmes with the objective of meeting that long term risk;
- inclusion of a wider range of feasible options;
- changes to be made to the methodology for programme appraisal to bring it in line with good industry practice, with a clear description of the process set out in the WRMP;
- use of sensitivity analysis to cover the potential for future sustainability reductions together with identifying a choice of options from the feasible options list to meet different levels of sustainability reductions.

The Secretary of State has accepted all of the Inspector's conclusions and recommendations. She has noted that a significant amount of further work is required to be undertaken by Thames Water in order to comply with all of the Inspector's recommendations and consequently she is minded to accept the Inspector's suggestion of a pragmatic approach to the level of change required prior to publication of the final WRMP.

The Inspector believes that the minimum necessary, should the Secretary of State decide to take a pragmatic approach, would be for Thames Water to demonstrate a security of supply and revise its programme appraisal to identify a new preferred programme for the London and South West Oxfordshire water resources zones, in order to meet their deficits.

To enable the Secretary of State to direct Thames Water as to the precise nature of the further work to be undertaken and the changes required to be made to the draft WRMP to meet the statutory requirements, she has requested that officials seek the technical advice of the Environment Agency on the work required to deliver a WRMP that meets the requirements recommended by the Inspector and on the timing of work to address the remaining deficiencies. I shall write to you again with the Secretary of State's directions once this analysis has been undertaken.

A copy of this letter will be sent to all those who made representations on Thames Water's draft WRMP. Additionally, it will be placed on the Defra website together with a copy of the Inspector's report.

Yours sincerely,

John Bourne

Deputy Director, Water Supply and Regulation