UUWR_55

PR24 Draft Determination: UUW Representation

Area of representation: Outcomes – Bathing Water Quality

August 2024

This document outlines our representation in response to Ofwat's draft determination related to the bathing water quality performance commitment.

Reference to draft determination documents:
PR24 draft determinations: United Utilities – Outcomes appendix Section 1.1 Bathing Water Quality page 3
Bathing water quality model - Tab: Overview

United Utilities

Water for the North West

1. Key points

- **We present comprehensive and compelling evidence to support a reassessment of Ofwat's proposed baseline:** We have taken a methodical approach to reassessing the baseline based on Ofwat's stated draft determination methodology and provide evidence where adjustments are required. We evidence that 8 of the bathing water classifications need revision, resulting in a 9.6% reduction in baseline.
- **There are no AMP8 enhancement drivers for existing UUW bathing waters that will result in an improvement in classification:** Enhancement drivers for new bathing waters at Coniston and Edisford Bridge have been reflected in the performance commitment level. We have allocated an "Excellent" baseline for two new bathing waters, even though this will be based on a provisional dataset. This demonstrates our commitment to stretch for this measure.
- **Given that all improvements to existing bathing waters are from base expenditure, we consider that an improvement in one bathing water represents a reasonable overall PCL target:** Our proposed approach is in line with the Ofwat approach taken to all companies in setting the PCL for this measure and is equivalent to a 1% overall improvement compared to the baseline.
- **Communicating performance on this PCL to stakeholders will be challenging:** We note that the definitions and approaches embedded in the Ofwat methodology continue to be at variance with Defra classifications of bathing waters. We continue to believe that greater alignment would provide for a more consistent and more widely understood measure of performance.

2. UUW's PR24 proposal

Our company specific Performance Commitment level was submitted in line with Ofwat methodology, reflecting an improvement of one bathing water by one classification, with baseline to be set at 2024 performance. The PCL was calculated using 2023 data with the expectation that it would be updated at the end of 2024 bathing season. We set the collar using the lowest score for each bathing water in the last three years and then mirrored it to produce a symmetrical cap.

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

The baseline proposed by Ofwat is significantly higher than the current performance levels for a measure that is heavily influenced by factors outside of company control, for example agriculture and tourism.

Ofwat reviewed the historical performance of the bathing waters and used this historical data to establish the baseline. Ofwat applied a set of rules when setting the baseline.

This resulting performance commitment level set by Ofwat that is 65.3%. This is 3.5% higher than the highest score ever achieved by the North West bathing waters.

Ofwat has included an improvement, across the AMP, of two bathing waters by one classification. The two bathing waters it has identified improvements at are Haverigg and St. Annes. Ofwat has linked the improvement to WINEP investment related to the BW_IMP1 driver.

The Ofwat methodology proposed diverges from the established Bathing Water Directive approach. By not adhering to this standardised methodology, Ofwat introduces additional complexity into a sensitive and critical area of performance reporting.

The cap and collar have been set at +/-0.5% RoRE. This differs from our proposal. We had set the cap and collar on historic performance based on the difference between worst performing year and the best performing year.

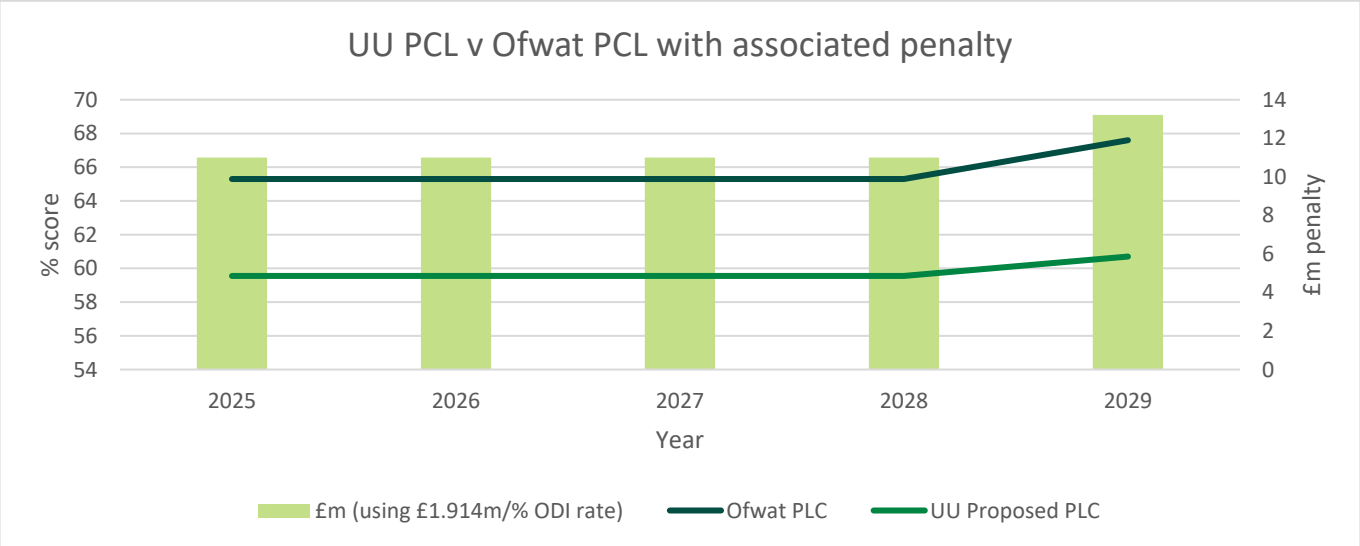
This is a 3.4% difference, which equates to a reward/penalty range of +/-£6.51m. This is significantly tighter than +/-0.5% RoRE which equates to +/-c£25m.

4. Issues and implications arising from the draft determination

4.1 Reassessment of the baseline

The baseline proposed by Ofwat using historical data is significantly higher than current performance (which is based on 4 years of data) which means the performance commitment level is significantly more stretching. When comparing current performance and the submitted performance commitment level to the Ofwat proposed baseline it would start Yr1 of AMP8 9.6% below the Ofwat proposed PCL. Using the ODI rate £1.914m/% this equates to £18.37m penalty as demonstrated in Figure 1.

Figure 1: Comparison of UUW submitted performance commitment level opposite Ofwat proposed PCL



Source: UUW analysis

We have conducted a comprehensive and methodical reassessment of our baseline in accordance with the rules provided by Ofwat during Draft Determination. Table 1 below outlines the instances where we agree with the Ofwat proposal, as well as those where adjustments are required in order to align to Ofwat's methodological approach. Where changes are required we provide the rationale and supporting evidence to substantiate this in *UUWR_109 - UUW backcast- WINEP*. We also supply comprehensive scientific evidence in the form of DNA analysis of bathing water samples which determines the source of the E.Coli within the samples.

Table 1: Summary of adjustments to baseline

Bathing water	Ofwat Proposed Baseline	Adjustment to baseline required?	Proposed baseline	Reason	Evidence
Ainsdale	Good	Yes – see below	Sufficient	Inconsistent performance	AMP7 Bathing Water Investigation
Allonby	Sufficient	No	N/A	N/A	N/A
Bispham	Good	No	N/A	N/A	N/A
Blackpool Central	Sufficient	Yes – see below	Poor	Consistent deterioration	AMP7 Bathing Water Investigation and Environment Agency DNA analysis
Blackpool North	Sufficient	Yes – see below	Poor	Consistent deterioration	AMP7 Bathing Water Investigation and Environment Agency DNA analysis
Blackpool South	Sufficient	Yes – see below	Poor	Consistent deterioration	AMP7 Bathing Water Investigation and Environment Agency DNA analysis
Cleveleys	Good	No	N/A	N/A	N/A
Coniston Boating Centre	N/A – New designation	Yes	Poor	New designation	Defra Swimfo
Coniston Brown Howe	N/A – New designation	Yes	Excellent	New designation	Defra Swimfo
Coniston Monk Coniston	N/A – New designation	Yes	Excellent	New designation	Defra Swimfo
Derwent Water	N/A – New designation	Yes	Sufficient	New designation	Defra Swimfo
Fleetwood	Good	No	N/A	N/A	N/A
Formby	Excellent	No	N/A	N/A	N/A
Haverigg	Poor	No	N/A	N/A	N/A
Meols	Excellent	No	N/A	N/A	N/A
Morecambe North	Sufficient	Yes – see below	Poor	Consistent deterioration	AMP7 Bathing Water Investigation and Environment Agency DNA analysis
Morecambe South	Sufficient	No	N/A	N/A	N/A
Moreton	Excellent	No	N/A	N/A	N/A
River Ribble at Edisford Bridge	N/A – New designation	Yes	Poor	New designation	Defra Swimfo
Seascale	Good	No	N/A	N/A	N/A
Silecroft	Excellent	No	N/A	N/A	N/A

Bathing water	Ofwat Proposed Baseline	Adjustment to baseline required?	Proposed baseline	Reason	Evidence
Southport	Sufficient	Yes – see below	Poor	Consistent deterioration	AMP7 Bathing Water Investigation and Environment Agency DNA analysis
St Annes	Poor	No	N/A	N/A	N/A
St Annes North	Poor	No	N/A	N/A	N/A
St Bees	Excellent	No	N/A	N/A	N/A
Wallasey	Excellent	Yes – see below	Good	Inconsistent performance	AMP7 Bathing Water Investigation
Walney Biggar Bank	Good	No	N/A	N/A	N/A
Walney Sandy Gap	Good	No	N/A	N/A	N/A
Walney West Shore	Excellent	No	N/A	N/A	N/A
West Kirby	Excellent	Yes – see below	Good	No input from UU assets, forecast to drop in classification for 2024 bathing season	Coastal Model
Windermere, Fellfoot	Excellent	No	N/A	N/A	N/A
Windermere, Lakeside YMCA	Excellent	No	N/A	N/A	N/A
Windermere, Millerground Landing	Excellent	No	N/A	N/A	N/A
Windermere, Rayrigg Meadow	Excellent	No	N/A	N/A	N/A

Source: UUW analysis

For the sites where we propose an alternative baseline the evidence and justification are outlined below on a site by site basis:

Ainsdale

This bathing water has shown inconsistent performance. It sits on the Good/Sufficient threshold. The AMP7 WINEP investigation shows that the main influence on this bathing water in the final effluent from Ainsdale WwTW with 92% of e-Coli at the Good threshold. Ainsdale WwTW has never attracted a driver to install UV treatment as the bathing water has always achieve Good or Sufficient classification and historically UUW has only been funded to achieve Sufficient standard at bathing waters. Historic dry weather flow data and suspend solids results for Ainsdale WwTW show consistent performance over the last 10 years and therefore we do not believe the inconsistent performance of the bathing water is linked with the Ainsdale WwTW performance.

We propose the baseline for this bathing water is Sufficient.

Blackpool bathing waters

All three of the bathing waters at Blackpool have shown consistent deterioration over several years.

The AMP7 bathing water investigations show that seabirds have significant impact on the bathing water quality along the Fylde Coast particularly at Blackpool North where they account for 45.2% of the E. coli load at the Good threshold.

During the 2023 bathing season, the Environment Agency conducted DNA analysis on six samples from three Blackpool bathing waters. All samples exhibited high seabird counts and a mixture of human and ruminant bacteriodetes, with ruminant bacteriodetes exceeding human bacteriodetes in all cases. This suggests there are significant factors affecting these bathing waters are beyond UUW control.

Additionally, using the EDM bathing water return counted spill data, spills from assets impacting Blackpool bathing waters have decreased by 46% from 2019 to 2023.

We actively participate in the Turning Tides Partnership and the Fylde Hub, collaborating closely with local councils, river trusts, and the Environment Agency. These joint efforts are aimed at enhancing the quality of the bathing waters in the region. Through these partnerships, UUW contribute to the development and implementation of strategies and initiatives designed to improve bathing water quality.

Historically we have invested large amounts of money in improving bathing waters. Much of that investment is focussed on the Fylde Coast including Anchorsholme PS.

We propose the baseline for all Blackpool bathing waters are Poor.

Morecambe North

When using the Ofwat methodology this bathing water appears to have been consistently Sufficient since 2017. However, looking at the data we can see consistent deterioration in the Intestinal Enterococci results from Good in 2021 to a forecast Poor for the current bathing season. The deterioration is apparent by observing the data in the 95 and 90 percentile columns, shown in ***bold italics*** in Table 2**.**

Table 2: Analysis of sample data for Morecambe North

	Mean of Logs	Standard Deviation of Logs	95 Percentile	90 Percentile	Classification
2021					
IE	1.44	0.48	***167.63***	***112.44***	Good
EC	1.74	0.62	559.98	334.85	Sufficient
2022					
IE	1.50	0.54	***246.80***	***156.66***	Sufficient
EC	1.68	0.62	504.47	300.30	Sufficient
2023					
IE	1.53	0.56	***277.67***	***174.14***	Sufficient
EC	1.72	0.66	631.48	364.20	Sufficient
2024					
IE	1.56	0.55	***298.31***	***187.68***	Poor
EC	1.72	0.63	581.81	342.41	Sufficient

Source: Environment Agency DNA analysis

The AMP7 WINEP investigations show the largest percentage contribution to the bacterial load (29.5%) is a watercourse which runs through the local golf course, and the Environment Agency's DNA analysis showed no human DNA in one sample but confirmed significant seabird impact.

We propose that the baseline for Morecambe North is Poor.

Southport

When using the Ofwat methodology this bathing water appears to have been consistently Sufficient since 2016. However, looking at the data in Table 3, we can see consistent deterioration in the Intestinal Enterococci results. The deterioration is apparent by observing the data in the 95 and 90 percentile columns, shown in ***bold italics*** in Table 3

Table 3: Analysis of sample data for Southport

	Mean of Logs	Standard Deviation of Logs	95 Percentile	90 Percentile	Classification
2022					
IE	1.46	0.56	***241.71***	***150.88***	Sufficient
EC	1.79	0.65	732.72	424.28	Sufficient
2023					
IE	1.48	0.59	***287.61***	***175.18***	Sufficient
EC	1.76	0.69	794.59	446.26	Sufficient
2024					
IE	1.50	0.61	***313.72***	***188.99***	Poor
EC	1.76	0.68	764.76	431.58	Sufficient

Source: UUW analysis using Enviroment Agency sample data

DNA analysis show significant impacts from seabirds, along with human, ruminant and canine sources.

We propose that the baseline for Southport is Poor.

Wallasey

This bathing water shows inconsistent performance sitting on the Excellent/Good threshold. The AMP 7 WINEP investigation shows that the main contributor to the bacterial load at Wallasey is Liverpool WwTW inlet overflow but identifies the solution of 136000m^3 of storage is not feasible or buildable.

We propose that the baseline for Wallasey is Good.

West Kirby

Based on the results so far this bathing season this bathing water is forecast to drop from Excellent to Good, as shown in Table 4, in the 2024 bathing season. UUW has no assets which are modelled to impact this bathing water. The coastal model shows that the only wastewater inputs are from Welsh Water assets.

Table 4: Analysis of sample data for West Kirby

Determinand	Mean of Logs	Standard Deviation of Logs	95 Percentile	90 Percentile	Classification
IE	1.29	0.52	139.71	90.47	Good
EC	1.36	0.49	148.43	98.27	Excellent

Source: UUW analysis using Enviroment Agency sample data

We propose the baseline for West Kirby is Good

Ofwat should accept our proposed baseline classification for these bathing waters as whilst UUW plays an active role in efforts to improve bathing water quality, many of the influences on these bathing waters are outside of our direct control. This is supported by the AMP7 WINEP investigations, coastal modelling and DNA analysis carried out by the Environment Agency.

We accept Ofwat's proposed baseline classifications for all the other bathing waters.

4.2 Recalculation of Performance Commitment Level

Ofwat has proposed a target to improve two bathing waters by one classification. The two bathing waters are Haverigg and St. Annes. Ofwat has aligned this improvement with the WINEP BW_IMP1 driver to "improve waters with a planning class of Poor"

This driver and the associated enhancement schemes are to improve the bathing waters within the Defra classification of Sufficient. Haverigg and St. Annes bathing waters achieve a Defra classification of Sufficient but due to the inclusion of all sample results under the Ofwat methodology they achieve a classification of Poor. The improvement delivered by these schemes cannot be directly linked to an improvement in classification within the performance commitment and this is why we have not included it within our PCL.

There are five assets with BW_IMP1 driver with discharges that potentially impact Haverigg and St. Annes bathing waters as shown in Table 5:

Table 5: BW_IMP1 WINEP drivers

Unique ID	Driver Code Primary	Action Name	PRIMARY: Bathing Water	ADDITIONAL: Bathing Water
08UU101162a	BW_IMP1	Haverigg PS BRW0005SO	Haverigg	
08UU102421a	BW_IMP1	ASKAM-IN-FURNESS WwTW 017470136ST	Haverigg	Walney Biggar Bank
08UU102419a	BW_IMP1	SOUTHPORT (BANK END) WwTW 017030100ST	Southport	St Annes
08UU102422a	BW_IMP1	LAMALEACH CSO FYL0002SO	St Annes	St Annes North
08UU102423a	BW_IMP1	LYTHAM PS FYL0003SO	St Annes	St Annes North

Source: WINEP

Due to the large and complex nature of the solutions associated with meeting the BW_IMP1 driver at these locations we are unable to deliver them for the 2026 regulatory date. We have submitted alteration forms to the Environment Agency to move the regulatory delivery dates to 19th March 2029, and have included robust evidence to demonstrate this.

Therefore, using the Ofwat methodology for setting performance from enhancement "Where a site has a WINEP or NEP action which is an improvement and the action is completed prior to 2029, we have pushed the classification higher at the end of the period, 2029-30." we do not expect to see any improvement from this enhancement for these bathing waters.

There are WINEP enhancement projects associated with four of the five newly designated bathing waters (no UUW discharges at Derwent Water). In addition to this there is an investigation for each of the newly designated bathing waters and until we receive the outcome of these investigations, we are unable to predict whether the enhancement projects will result in an improvement in classification.

River Ribble at Edisford Bridge is the first riverine bathing water in the North West, and based on the experience Yorkshire Water have had with Ilkley bathing water we do not expect to see an improvement at River Ribble at Edisford bridge despite the investment.

The three Coniston Water bathing waters are comparable to the Windermere bathing waters. So far Coniston Brown Howe and Coniston Monk Coniston look like they may achieve an Excellent classification and therefore will not trigger any improvement drivers. The forecast for Coniston Water Boating Centre is less predictable at this stage, but is currently Poor. Whilst it is unknown whether the improvements will result in a change in classification at the bathing water we propose to set a stretching target an improvement at Coniston Water Boating Centre by one classification from its 2024 classification.

4.3 Alignment with Bathing Water Directive

The Ofwat methodology diverges from the Bathing Water Quality Regulations 2013 methodology, introducing additional complexity into an already sensitive area. Specifically, the methodology does not exclude samples taken during short-term pollution events, which is a required practice under the Bathing Water Quality Regulations 2013. The failure by the Environment Agency to exclude such sample results for classification purposes was judicially reviewed by Anglian Water in 2020 (Case number: CO/683/2020). Anglian Water's claim was upheld.

By adopting a methodology that results in different classifications than the official published classifications, there is potential for water companies to receive reward without any visible improvement for the customer. For example, in 2023 Allonby was classified as Good by Defra and Sufficient by Ofwat. If there was an improvement in bathing water quality in 2025 (for example because weather conditions were more favourable and no sample results were required to be excluded by the Environment Agency) and the Bathing water was classified Good by both Defra and Ofwat we would be rewarded for an improvement, but the official classification has not changed. We continue to believe that greater alignment would provide for a more consistent and more widely understood measure of performance

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

Adjust proposed baseline: The baseline set by Ofwat is significantly higher than the current performance levels. We have applied the rules provided by Ofwat at Draft Determination and have provided site-specific evidence to propose a new baseline, detail of this is included in *UUWR_109 - UUW backcast- WINEP*. Based on evidence provided we believe the baseline should be 54.7%

Adjust Performance Commitment Level: We recommend removing the improvements in classifications linked to the BW_IMP1 driver at Haverigg and St. Annes bathing waters. We do not agree that this driver can be directly linked to improvements in classification at these bathing waters, and any observed improvements will now fall outside AMP8, as we have submitted an alteration form to the Environment Agency to move the regulatory delivery date to March 2029. Instead, we propose including a stretching target of an improvement in classification at Coniston Boating Centre bathing water. Table 6 shows our proposed PCL.

Table 6: Proposed PCL

Classification	2025-26	2026-27	2027-28	2028-29	2029-30
Excellent	12	12	12	12	12
Good	8	8	8	8	8
Sufficient	4	4	4	4	5
Poor	10	10	10	10	9
PCL	54.7%	54.7%	54.7%	54.7%	55.7%

Source: UUW analysis

Alignment with Bathing Water Directive: We continue to believe that greater alignment would provide for a more consistent and more widely understood measure of performance

Consideration of tighter cap and collar to reflect issues not related to actions taken by UUW: The performance of the bathing waters cannot be wholly attributed to UUW performance. There are numerous factors included such as rainfall, tides and wildlife which directly affect the water quality at the bathing waters and therefore we would expect to see changes in classifications which are not related to actions taken by UUW, but which also cannot be influenced by UUW. To mitigate the risk associated with this measure Ofwat should consider a tighter cap and collar.