

WRMP PROCESS REVIEW ANNEXES

PB13653

ANNEX A – INTERVIEWEES AND QUESTIONNAIRE RETURNS

Industry

Water companies

Interview:

Thames Water
Bournemouth & West Hampshire Water
Cholderton & District Water Company
Essex & Suffolk Water Plc / Northumbrian Water Ltd
Severn Trent Water Plc
South East Water
South West Water Services Ltd
Southern Water Services Ltd
Sutton and East Surrey Water Plc
Veolia Water East Limited
Veolia Water Three Valleys (was Three Valleys Water)
Wessex Water Services Ltd
Anglian Water
Bristol Water Plc
South Staffordshire Water Plc
United Utilities plc
Yorkshire Water Services Ltd
Portsmouth Water Ltd

Questionnaire received:

Dwr Cymru Welsh Water

Industry advisors

Interview:

CIWEM (Chartered Institution of Water and Environmental Management)
WS Atkins

Questionnaire received:

Independent consultant
Bircham Dyson Bell

Regulators and other public sector

Regulators

Interview:

Ofwat
Defra
Environment Agency (Head Office)
Environment Agency (Anglian, Midlands and South West)
Environment Agency (Yorkshire & North East)
Environment Agency (North West)
Environment Agency (Southern and Thames)

Questionnaire received:

Department for Communities and Local Government

Other public sector

Interview:

Planning Inspectorate

Stakeholders

Statutory Consultee – National bodies

Interview:

Natural England
Consumer Council for Water

Questionnaire received:

English Heritage

Statutory Consultee – Regional bodies

Interview:

CPRE - Kent
Cotswold Canals Trust
CPRE - Sussex

Questionnaire received:

Broads Authority

Statutory Consultee – Local Authorities

Questionnaire received:

Kent County Council
Lewes District Council

Statutory Consultee – Parish Councils

Interview:

Ringmer Parish Council

Questionnaire received:

Steventon Parish Council
Drayton Parish Council
Abbots Langley Parish Council

NGOs

Interview:

RSPB (The Royal Society for the Protection of Birds)

Questionnaire received:

Waterwise
The Wildlife Trusts

Public Inquiry Contributors

Interview:

Individual
Whitewater Valley Preservation Society

Questionnaire received:

Individual
Group Against Reservoir Development (GARD) (2 respondents)

ANNEX B – QUESTIONNAIRE TEMPLATE: REVIEW OF THE WATER RESOURCES MANAGEMENT PLAN PROCESS

It is Government policy to review the impact of legislation, post implementation, to establish the costs and benefits of the policy and whether improvements to the process can be identified. In line with this, we have asked the In House Policy Resource¹ to review the process which delivered the first round of statutory Water Resources Management Plans (WRMPs)².

This questionnaire is designed to provide input to that Review by exploring the impact of the WRMP process on a sample of organisations including: the water industry, those with a regulatory interest, a range of NGOs and other interested parties.

Your views are very important to us. We want to understand your experience and see how the policy is working in practice. In particular, we want to learn whether, having placed the WRMPs on a statutory footing, the process is delivering the expected benefits - namely public engagement and transparency in water resources management planning. We also want to identify any unintended consequences so that we can consider whether any lessons might need to be taken into account in future policy making and whether improvements to the existing process can be made.

This questionnaire is in 3 sections, not all of which may be relevant to you or organisation. Please feel free to complete as many or as few as apply. We may contact you to discuss your responses in more detail:

- Part 1 - Information about you (asks about you, your role in relation to WRMP, and seeks permission to quote your views in our analysis)
- Part 2 - Process (seeks your general views on the effectiveness of the WRMP process, and your experience of the specific stages)
- Part 3 - General (gives the opportunity for you to add any other information you would like us to consider)

Please complete and return the questionnaire by e-mail to sarah.ridley@dft.gsi.gov.uk or post a hard copy to Sarah Ridley at the In House Policy Resource, Zone 4/12, Great Minster House, 76 Marsham Street, London, SW1P 4DR by **FRIDAY 21st JANUARY 2011**.

The Review report is expected to be finalised at the end of the financial year and will be placed on Defra's water resources planning web page - <http://www.defra.gov.uk/environment/quality/water/resources/planning/index.htm> - shortly

¹ IHPR is an independent team of experienced civil service policy advisors drawn from a number of departments. Their work focuses on projects related to the development, delivery and evaluation of policy and programmes - including projects designed to improve policy effectiveness through organisational, process or systems improvements.

² Water Resource Planning Guideline published April 2007 and amended November 2008 following feedback received during the production of water company WRMP in spring 2008.

thereafter. As you type, text will appear in red , this is part of the form function for later action.

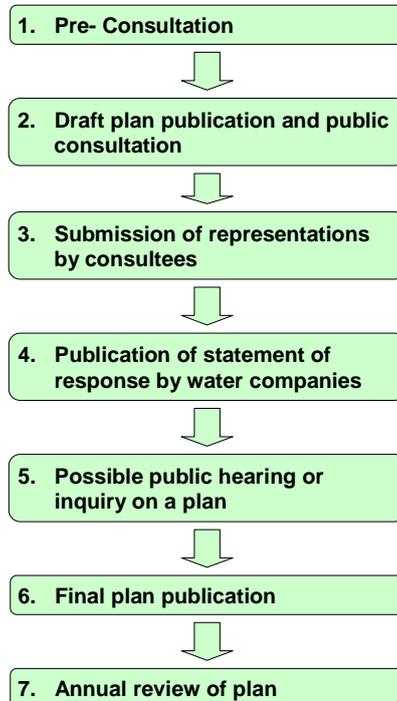
Part 1 - Information about you

Name		
Role		
Organisation		
Address		
Phone Number		
Email		
1.1 Please explain briefly the role of your organisation in relation to WRMPs.		
1.2 Information provided to this review may be subject to publication or disclosure in accordance with access to information regimes ³ . If you do not want us to quote your views in our analysis and want your response treated as confidential please make this clear.		
1.3 We may want to talk to you about your response. Please indicate if you would be willing for us to contact you.	Yes <input type="checkbox"/>	No <input type="checkbox"/>

³ Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004.

Part 2 – Process - The statutory Water Resources Management Plan (WRMP)

2.1 The WRMP process has seven stages.



The following questions seek your views/experience of the general principles and on each of the specific stages. **It would be helpful, if you could give examples based on your experience with the process to illustrate answers throughout.**

WRMP Process

2.2 In general, what works well in the process? Please give examples.

2.3 In general, what works less well in the process? Please give examples.

2.4 Are there ways in which the process could be streamlined?
Please give examples.

Yes No

2.5 Please explain briefly the reasons behind your answer.

2.6 Do you think the frequency of the planning process and the overall time period covered by the WRMP is about right?

Yes No

2.7 Please give examples to illustrate your answer and explain briefly what you would change.

2.8 What, if anything, could Defra do better as part of this process?

The Guideline

2.9 The Environment Agency has published guidelines to inform the WRMP process. Are there any areas of the guidelines that you think could be simplified or otherwise improved?

Yes No

2.10 Please explain briefly the reasons behind your answer.		
Roles		
2.11 Are the roles of those contributing to the WRMP e.g. regulators, water companies and consultees clearly defined throughout the process?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.12 Please explain the reasons behind your answer and give details of where you think further clarity would be helpful.		
Alignment with Periodic Review		
2.13 The timing and outcome of the WRMP process was intended to inform water company business plans and OFWAT's periodic review process. Has this worked in practice?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.14 It would be helpful to have details of any reasons why this was not the case and examples of the problems you experienced.		
2.15 Please provide any recommendations you have for improving the process in the future.		
2.16 Were there any instances where the WRMP process duplicated or overlapped with another process?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.17 Please comment on your answer, where possible providing examples. If your answer was "yes", it would be helpful to know what form the duplication took and what additional costs you incurred as a result of the duplication.		
Cost of WRMP process		
2.18 What was the cost to you/your company? If possible, please give a breakdown for different stages of the process.		
Wider Impact of WRMP		
2.19 Do you think the WRMP objective "to look ahead 25 years and describe how each water company aims to secure a sustainable supply-demand balance for the supply of water taking into account the implications of climate change and assessing the impact of each supply option in terms of greenhouse gas emissions" has been achieved?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.20 Please give your reasons.		
Stage 1: Pre- Consultation [Regulators & Key Stakeholders only]		

2.21 Did you encounter any problems with this stage?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.22 Please comment on your answer, outlining any problems and what you think caused them (provide examples if possible).		
2.23 What do you think worked well in this stage? Please give examples.		
2.24 What, if any, improvements would you recommend for this stage of the process? Please give examples.		
Stage 2: Draft publication and public consultation		
2.25 Did you encounter any problems with this stage?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.26 Please comment on your answer, outlining any problems and what you think caused them (provide examples if possible).		
2.27 What do you think worked well in this stage?		
2.28 What, if any, improvements would you recommend for this stage of the process?		
Stage 3: Submission of representations by consultees		
2.29 Do you think the process was open and transparent, enabling all stakeholders to inform the development of WRMPs?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.30 Please explain the reasons behind your answer and give examples. If you think stakeholder representation could be improved in the process the please provide details.		
2.31 Did you encounter any other problems with this stage?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.32 Please comment on your answer, outlining any problems and what you think caused them (provide examples if possible).		
2.33 What do you think worked well in this stage? Please give examples.		
2.34 What, if any, improvements would you recommend for this stage of the process? Please give examples.		
Stage 4: Publication of statement of response by water companies		

2.35 Did you encounter any problems with this stage?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.36 Please comment on your answer, outlining any problems and what you think caused them (provide examples if possible).		
2.37 What do you think worked well in this stage? Please give examples.		
2.38 What, if any, improvements would you recommend for this stage of the process?		
Stage 5: Public hearing or inquiry on a plan There are 2 sets of questions - the first set are for respondents engaged in or affected by plans that were not the subject of a public hearing or inquiry, the second set are for respondents engaged in or affected by the Thames Water/South East Water inquiries and Portsmouth Water call to an inquiry/ hearing.		
For respondents not engaged in or affected by a public hearing or inquiry		
2.39 Did you feel that your views on the WRMP were taken into account despite not having a public hearing on inquiry?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.40 Please provide details (with examples if possible).		
For respondents engaged in or affected by the Thames Water and SE Water inquiries or the Portsmouth Water call to an inquiry/hearing		
2.41 What was your input to the public inquiry or hearing?		
2.42 Did you encounter any problems with this stage?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.43 Please comment on your answer, outlining any problems and what you think caused them (provide examples if possible).		
2.44 What do you think worked well in this stage? Please give examples.		
2.45 What, if any, improvements would you recommend for this stage of the process? Please give examples.		
2.46 What was the cost of the inquiry process to you?		
Stage 6: Final plan publication [where this stage has been reached in your area]		
2.47 Did you encounter any problems with this stage?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.48 Please comment on your answer, outlining any problems and what you think caused them (provide examples if possible).		
2.49 What do you think worked well in this stage? Please give examples		
2.50 What, if any, improvements would you recommend for this stage of the process? Please give examples.		

Stage 7: Annual review of plan [where this stage has been reached in your area]		
2.51 Did you encounter any problems with this stage?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
2.52 Please comment on your answer, outlining any problems and what you think caused them (provide examples if possible).		
2.53 What do you think worked well in this stage? Please give examples.		
2.54 What, if any, improvements would you recommend for this stage of the process? Please give examples.		

Part 3 - General

3.1 If there are any other comments you would like to put forward to this review that we have not covered in the questions in Parts 1&2, please give these below.

Many thanks for completing the questionnaire. Please save it and e-mail to sarah.ridley@dft.gsi.gov.uk.

ANNEX C – BIBLIOGRAPHY

Cited references

1. [Water Industry Act 1991](#), Section 37 (as amended)
2. [Water Act 2003](#), Section 62
3. [The Water Resources Management Plan Regulations 2007 No. 727](#)
4. [The Water Resources Management Plan Direction 2007](#)
5. [The Water Resources Management Plan \(No.2\) Direction 2007](#)
6. [The Water Resources Management Plan \(No.2\) \(Amendment\) Direction 2007](#)
7. The Water Resources Management Plan Direction (England) 2008
8. Environment Agency (2008) *Water Resources Planning Guideline*
9. Environment Agency (2011) *Water Company Drought Plan Guideline*
10. Defra guides to water companies and stakeholders on inquiries and hearings
11. Ofwat letter MD223 dated 5 April 2007 to Managing Directors of all water and sewerage companies and water only companies headed *Strategic Direction Statements*
12. Inspector's report on South East Water Inquiry
13. Environment Agency WRMP Annual Review Guidance
14. Ofwat letter PR09/27 to Regulatory Directors of all water and sewerage companies and water only companies, dated 16 February 2009, headed *Climate Change and Water Resources*
15. Environmental Assessment of Plans and Programmes Regulations 2004
16. Water Framework Directive (2000/60/EC)
17. *Improvements to current methods for water supply-demand planning*, prepared by Dr Colin Fenn (independent consultant) for WWF's Itchen Initiative, November 2010

18. *Statutory Social and Environmental Guidance to the Water Services Regulation Authority (Ofwat)*, Defra, August 2008
19. *Role of the Environment Agency in the water resources management plan process*, October 2009
20. Environment Agency (2010) *Water resources planning guideline navigation tool*
21. Environment Agency Factsheet on Water Resources Management Plans
22. Planning and Compulsory Purchase Act 2004
23. Communities and Local Government (2002) Planning Green Paper
<http://www.communities.gov.uk/documents/planningandbuilding/pdf/146883.pdf>
24. Urban Waste Water Treatment Directive (91/271/EEC)
25. Strategic Environmental Assessment Directive 2001/42/EEC
26. Conservation (Natural Habitats & c.) Regulations 1994

Other source material

Defra guidance and correspondence

Defra correspondence regarding Secretary of State's decisions and regarding inquiries and hearings

Defra briefing to Thames and South East Water Public Inquiry Inspectors

Defra letter to Water UK regarding Statements of Responses, 4 December 2008

Ofwat

Ofwat website: Periodic Review process

Letter from Regina Finn, Ofwat's Chief Executive, to Phil Woolas MP, then Minister of State (Environment), dated 23 September 2008, entitled *Draft water resource management plans – overview of issues*

Water company and Water UK documentation

Final WRMP – Wessex Water Services Ltd (June 2010)

Final WRMP - Veolia Water Central Ltd (March 2010)

Water Resources Management Plans and Business Plans Regulatory Timelines – a discussion paper - Water UK, November 2010

Involving customers in the price-setting process, a response from Northumbrian Water, December 2010

Correspondence between Water UK and SofS regarding cohesion between WRMP process and Ofwat Periodic Review, Autumn 2009

Two letters from Portsmouth Water to Councillor Guest (Ministerial Correspondence), June-July 2010

Statutory consultee and stakeholder documentation

Summary of Water Resources Management Plans – Natural England, October 2008

Public Inquiry documentation

Inspector's report on Thames Water Inquiry

ANNEX D – MEMBERSHIP OF WRMP PROCESS REVIEW STEERING GROUP

Chair: John Bourne, Deputy Director, Water Supply and Regulation, Defra

Defra: Carol Skilling, Anita Payne, Tony Ripley

Environment Agency: Pauline Smith

Ofwat: David McGrath

Water UK: Yvette de Garis

Consumer Council for Water (CCWater): Karen Gibbs

IHPR: Ann Davies, Suzie Daykin

ANNEX E – ENVIRONMENT AGENCY PROCESS FOR PRODUCING ADVICE REPORTS TO THE SECRETARY OF STATE

The following account is based on a response received from the Environment Agency.

1 Role of the Environment Agency

At the statement of response stage, the Environment Agency takes the role of technical advisor, advising Government of outstanding concerns in the draft WRMP and appropriate recommendations for improvements for the final WRMP. In doing so, it makes an assessment of its own concerns and those of third parties, in particular other statutory consultees, and reports to Ministers on outstanding issues that have significant implications for the company to maintain a satisfactory supply-demand balance.

2 The process of third party representations assessment and formation of advice reports

Final advice reports to the SofS set out how well the company has addressed the representations it has received on its draft WRMP, the main changes and improvement to the plan, compliance with Directions, and recommendations for further improvements to the final plan.

Internal guidance outlines the process:

- Regional teams to analyse the water company statement of response
 - outline improvements already made to the plan
 - determine if the company has provided sufficient evidence for its plan in response to representations
 - determine the significant implications of these representations to the plan and supply-demand balance
- National team to form advice report
 - summarise outstanding issues
 - form recommendations for improvements
 - draft the advice report
- Regional and national teams to refine draft advice report to ensure their quality and consistency.

3 Principles of assessment and determination of recommendations for the final advice report

The assessment of third party representations is included in the guidance, which states that this assessment should be 'prioritised on statutory consultees and take a risk based approach for other third party consultees'.

For each company plan, all issues raised in third party representations, and the Environment Agency's own response to these, are collated. Assessment of third party representations focuses on the significance of the issue raised to the supply-demand balance:

- Where issues raised have no significant implications for the supply-demand balance, these are not mentioned in the advice report
- Where the water company has provided evidence or good reason in response to representations made, again these do not feature in the advice report as this focuses on improvements to, and recommendations on, the final plan.
- Where concern has been raised by more than one party, the report highlights the issue and does not detail the respondents that raised it as it is written as a summary of the major issues that the SofS should consider.

4 Examples of third party representation assessment

Following the principles outlined above, where issues are raised (by third parties, the Environment Agency or both) that are significant to the supply-demand balance of the WRMP, then these are referenced in the advice report.

Further improvements within advice report on Severn Trent Water's WRMP

CCWater raised a concern in its representation on Severn Trent Water's draft WRMP that there was a lack of information about trialling and communicating any planned compulsory metering schemes before implementation.

The Environment Agency assessed the statement of response for further information on this and determined that it was not present. This concern was in addition to issues the Agency had raised separately in its representation on metering. The absence of information was highlighted in the advice report within 'Advice for further improvements for the final plan', but the origin of the comment was not referenced:

"The company should provide details on where it is going to trial change of occupier metering and an estimate of the demand savings".

Further improvements within advice report on Sutton and East Surrey Water's WRMP

In the revised draft WRMP produced as part of the statement of response process, Sutton and East Surrey Water revised its housing and population figures, based on the latest South East Plan data. This change of data led to a significant increase in the projected population from the draft WRMP. However, it was considered that insufficient evidence was set out within the revised plan to detail how this change would affect the supply-demand balance.

The Environment Agency, in addition to CCWater, the South East England Regional Assembly (SEERA), Kent County Council and Ofwat, raised issues related to this in their representations on the draft plan. The Environment Agency distilled the issues and

recommendations within these sets of comments and the final advice report features the following recommended improvements, but, as before, does not specify the origin of the comment:

Population and properties

“There has been a significant increase in population and property forecasts as a result of applying the updated Government projections to the demand forecast. The company should present detailed information on how this increase will affect all aspects of the household and non-household demand forecast in the final plan. This should be supported by further sensitivity testing and clear explanations of the assumptions used in the sensitivity testing”.

ANNEX F – TECHNICAL SUGGESTIONS MADE BY REVIEW CONTRIBUTORS TO IMPROVE QUALITY AND SUSTAINABILITY OF WRMP PROCESS AND FINAL WRMPs

(NB These are not accepted recommendations, but suggestions for consideration.)

Issue	Detail	Source
Consistency measures	Include a reference planning scenario with standardised assumptions (e.g. level of service) to help auditors better understand differences in water company situation and strategic direction.	EA
	Need for further technical guidance on option appraisal, e.g. clarity regarding what constitutes an “option” to be assessed, to ensure consistency across companies.	EA
	Clarify and standardise the definition of Deployable Output across company areas – particularly where they are considering inter-company bulk transfers	Industry advisor
	Provide definitions of key information types – e.g. approaches used, assumptions about how customers will use water going forward – and key data – e.g. population, population growth, per capita consumption, metering coverage, plans for leakage control and water efficiency plans.	Waterwise
Evidence, scenarios and forecasting	Demand side of WRMPs based on population forecasts. In absence of Regional Spatial Strategies in future, it will be even more difficult for water companies to predict any significant development in their area.	Ringmer Parish Council, CLG
	Need to ensure water companies provide comprehensive and robust historic environmental baseline data to allow those conditions to be adequately assessed.	English Heritage
	To avoid delays while the latest data set is awaited, could WRMPs be based on robust forecast data rather than out-turn data?	Water companies (WCs)
	Use scenario planning rather than a single planning assumption given the uncertainties involved: focus on four agreed scenarios and align the detail of forecasts with the degree of uncertainty.	WC
	Include different scenarios to reflect the range of assumptions about supply-demand balance changes.	WC - Southern
	Rather than basing WRMP on a single supply-demand forecast, could use a more scenario / risk-based approach (an envelope setting out the scale of challenge from worst- to best-case scenario) and then look at how scenarios affect the first five years. If	WCs

Issue	Detail	Source
	<p>there is a big short-term impact, the WRMP should set out what needs to be done, and what the consequences are (i.e. the level of short-term impact informs how much effort is needed in the short term). This would help to provide visibility for customers (whereas under the current headroom distributions-based approach, risk assessment “gets lost” in the methodology and is not communicated.</p>	
	<p>Develop guidance and an approach to once-only demand forecasting for the WRMP and BP. This would need to recognise that the demand forecast scenario that lies behind the “income” forecast of the BP may be a different “scenario” to the (dry year) forecast used for the WRMP, but both should fundamentally be based on the same data and principles.</p>	EA
	<p>Not sure that once-only demand forecasting is feasible because the root for demand forecasting in the BP and WRMP may be different (because the WRMP sets out how a company would manage in a prescribed set of circumstances whereas in the BP the company may take a more pragmatic view of the forecast on customers’ behalf).</p>	Ofwat
	<p>The goal for both the WRMP and the BP should be that companies neither over nor under plan. The main question is what Government (including CLG) expects companies to plan for, and the relationship with funding over different timescales.</p> <p>It might be appropriate for the first five years (to be firmly funded) to be focused on the most realistic forecast based on projected local development with local plan intelligence, while the longer term strategic forecast would have more room for a “policy” element.</p>	EA
<p>Option appraisal and cost benefit analysis – including balance between consideration of supply side and demand side measures</p>	<p>Encourage water companies to do further work to promote demand-side options in their plans.</p>	EA
	<p>To help place water efficiency more squarely at the heart of the water industry’s investment plans, require the type of water efficiency project to be clearly stated, along with scale and expected outcome, informed by Waterwise’s Evidence Base for Large Scale Water Efficiency.</p>	Waterwise
	<p>Need to improve robustness of assumptions used to estimate the water savings from demand management interventions. Water companies assumed that meter installation would lead to a saving of 10-15% but there is no robust evidence that this is the case. Unless a meter is installed as part of a package (including education, customer engagement, retrofitting or appropriate tariffs, it is unlikely to have a substantive effect on customer consumption. So where plans for increased metering are included, the accompanying activities should also be defined.</p>	Waterwise

Issue	Detail	Source
	Clarity about requirements for SEA and HRA (see also section on alignment with other processes).	WCs, stakeholders
	Need to improve analysis of consumer impacts of metering in cost-benefit assessments in WRMPs, given concerns about affordability. A requirement for a distributional impact assessment would help to expose potential issues and identify possible solutions / remedies.	CCWater
	Change the basis of AISC from capacity to throughput. Calculation of AISC is currently based on capacity of proposed resource. Where a large resource may be required (e.g. a reservoir), it may be many years before the demand on it would reach full capacity. So such sources should be compared not on the basis of capacity but on throughput.	Expert
	Address lack of integration with WFD water body assessments – understanding which water bodies are under stress due to quantity and quality issues would be helpful in evaluation supply-demand options.	Broads Authority
	Although guidance points to importance of including qualitative impacts in options appraisal, in practice preferred options are selected on a least cost basis where cost relates to readily monetised elements. This means that important elements of social and environmental cost that are not readily monetised can be overlooked (e.g. SSSI damage, loss of ancient woodland, landscape impacts. Moreover, monetised benefits assigned to reservoir options (based largely on new access/ amenity provision and benefits transfer values from other willingness to pay studies) can be so enormous as to distort the options appraisal process. Much stronger direction is needed to give weight to qualitative impacts and to exercise caution in use of benefits assessment methodologies.	Natural England, CPRE Kent
	CBA could be improved by greater consideration of marginal economic costs and benefits (e.g. demand management options may yield a range of marginal benefits not currently considered – these include: treatment and distribution cost savings, wastewater treatment savings, environmental benefits).	Natural England
	Water companies should estimate DO consistently across sources and resource zones, for a range of return periods, and should report the reliability and the provenance of the DO values they use. The Level of Service DO reported by a company should be that obtainable in the return period corresponding to the frequency of its use of specified restrictions on demand.	Colin Fenn: discussion paper for WWF's Itchen Initiative
	The gain in Water Available For Use (WAFU) from new supply-side and demand-side schemes, and the costs of delivering those gains, should be stated at the same point in the delivery chain. The gain in WAFU from new supply-side schemes should be adjusted to reflect the loss of water in treatment and in leakage to the point of	Colin Fenn: discussion paper for WWF's Itchen Initiative

Issue	Detail	Source
	consumption, thereby bringing the gains from new supply-side schemes and from new demand-side schemes into consistent comparison, at the point of consumption. The cost of distributing water to the point of consumption should also be included in the cost data used in options appraisals of new supply-side schemes.	
	A shadow cost of water taken from the environment should be used to better reflect the environmental externalities of abstraction and the cost of water taken from the environment. Using a shadow cost of water that is closer to its “all-in” value and higher than the monetised environmental cost determined through current approaches will increase the cost of new supply-side options considered in the options appraisal process, and will bring demand-side options into more favourable comparison.	Colin Fenn: discussion paper for WWF’s Itchen Initiative
	Supply, demand and supply-demand balance values in individual resource zones should be determined on a time-consistent basis for all potentially critical periods, to ensure that the period of greatest criticality for the supply-demand balance has been properly determined, and analysis, levelling and aggregation of critical period supply, demand and supply-demand balance values across the RZs in a company area should be made on a time-consistent basis, as opposed to on the basis that the critical periods of all zones coincide (which can lead to false inflation of shortfalls and needs, and sub-optimal solutions to the real planning problem).	Colin Fenn: discussion paper for WWF’s Itchen Initiative
	Output-based average incremental social costs (AISCs) as well as capacity-based AISCs should be reported for supply-schemes intended for intermittent use rather than continuous use. Capacity-based AISCs should be differentiated from output-based AISCs when they are included in AISC-ranked lists of schemes in options appraisal studies.	Colin Fenn: discussion paper for WWF’s Itchen Initiative
	Level of Service to customers should be included as a variable for determination within the options selection process, as opposed to determining it outwith the process. This will enable the relative costs of providing security of supply to different LoSs to be determined, and will facilitate an informed judgement as to the LoS which should be adopted.	Colin Fenn: discussion paper for WWF’s Itchen Initiative
	Leakage levels should be determined within the options selection process, as another of the variables to be optimised, rather than being determined outwith the process, through free-standing economic level of leakage or sustainable level of leakage calculations.	Colin Fenn: discussion paper for WWF’s Itchen Initiative
Water resources management planning and biodiversity objectives	How to address lack of progress in remedying over-abstracted SSSIs and non-designated water bodies of value for their nature conservation interest.	Natural England

Issue	Detail	Source
	<p>Greater recognition needed of water companies' duties in relation to designated landscapes (AONBs, NPAs).</p> <p>Need for wider planning to reduce overall abstraction pressures and deliver objectives such as the Wetland Vision.</p>	
Water resources management planning and the historic environment	<p>Need to strengthen guidance on the historic environment to ensure that cultural heritage is taken fully and appropriately into account and that potential impacts of abstraction on historic environment aspects of wetland areas are fully documented.</p>	<p>English Heritage</p>
Security advice	<p>Need to consider how can address impracticalities of current advice / pragmatic approach to minimise impact on sensible consultation.</p>	<p>Extrapolated from WCs</p>

ANNEX G – EXAMPLES OF DISCREPANCIES BETWEEN A COMPANY’S FINAL WRMP AND OFWAT’S FINAL DETERMINATION

Wessex Water proposed change of occupancy metering in its draft WRMP on the basis that this would reduce demand and deliver other intangible benefits. The inclusion of metering in the draft WRMP was not an issue in representations received during the public consultation exercise, nor was it an issue on which the Minister requested further information in August 2009. The request for further information meant that Wessex Water could not publish its final WRMP until after Ofwat’s FD. Ofwat did not include the metering programme in its FD as the regulator concluded that the metering programme was not required to balance supply and demand and the company had not demonstrated that it was cost beneficial. As it was not included in price limits Wessex Water therefore decided to remove it from the final WRMP.

Veolia Water Central reports having been penalised £2.7m via Ofwat’s Capital Incentive Scheme (CIS) for proposing a selective metering programme which Ofwat felt not to be economically justified. The water company acknowledged that metering did not meet Ofwat’s criterion for cost-effectiveness and had attempted to quantify the wider benefits of metering and had provided further cost-benefit analysis, but Ofwat had concerns about the methodology used and the willingness to pay evidence, and the regulator’s own analysis showed compulsory metering to be non-cost beneficial with little chance of the unquantifiable benefits of metering bridging the gap. The company lobbied unsuccessfully for the change to be treated as a two-sided adjustment on the grounds that they were reflecting what stakeholders wanted, and had been supported by the Secretary of State’s decision to permit publication of the WRMP.

Veolia Water East had developed plans in its WRMP to accelerate metering on a voluntary basis and in cases of change of ownership, and to invest in improved Automatic Meter Reading (AMR) technology to provide better consumption information for householders and to provide early indication of leaks or other wastage.

Ofwat felt that it had provided clear guidance throughout that, in the absence of a supply-demand deficit, the water company would need to demonstrate that its metering proposals were cost beneficial in order to be included in price limits. It also stated that neither Ofwat nor the Environment Agency had accepted the metering programme as part of the draft WRMP. Ofwat did not include the programme in its Determination on the grounds that the water company had not robustly demonstrated that it was cost beneficial.

For its part, Veolia Water East accepted that Ofwat was sceptical about the case for spending more than the minimum on metering but the company felt that it was being advised of the need to improve the case rather than it being clear that the scheme had no hope of being supported. Veolia added that the position was complicated by Ministerial advice which generally favoured metering and led Ofwat formally to state that qualitative

benefits could be taken into account. This increased the company's hope of the project being accepted.

Between Veolia's draft and final BP submissions the company greatly improved the chances of the scheme being accepted by reducing the capex and opex costs through better information and scrutiny and a willingness to accept a greater risk to the shareholder. As there would be a step change improvement in the consumption information available to the company and to customers, the company was content that the case was sufficiently robust. However there was a late stage high level meeting between the company and Ofwat at which the company stated that it had decided to give up the proposed additional metering and AMR and revert to the baseline (optional metering without AMR). Veolia reported that the Ofwat board level representatives at the meeting expressed their surprise at the company's decision and thought Veolia should re-consider.

Veolia noted that the Environment Agency was closely involved in the WRMP process. The company felt that the Agency was effectively a party to supporting its metering intentions given that the company's final WRMP including the metering and AMR was approved for publication by Defra. Veolia also noted that CCWater, while keen to keep customer charges down, were generally supportive of the company's intentions.

Veolia noted in conclusion that, as the company had installed a high proportion of meters between 1995 and 2000 and these were to be replaced between 2010 – 2015, a one off opportunity to introduce widespread AMR at a lower unit cost has been missed. The company reflected that, given ongoing economic difficulties, it might be reasonable to accept that avoiding the very small increase in charges necessary is the right outcome. However it felt that energy was wasted on reaching this decision which an improvement to the process might avoid.

Sutton and East Surrey Water's final WRMP and final BP proposed upgrading the capacity of the treatment works associated with Reservoir A by 25MI/d. The final WRMP had been approved by the Secretary of State and the approach was supported by customers via Willingness to Pay surveys and the Environment Agency.

At DD, Ofwat removed all associated expenditure because it was concerned that the upgrading was driven by an increase in new connections above policy-based forecast, together with the impact of climate change in target headroom. The regulator subsequently accepted the water company's argument that it was the forecast increase in population that drove the increase in distribution input, but did not alter its view on significant investment driven by climate change. Removing the impact of climate change (given the quality of evidence to support the impact) left a 5MI/day deficit to resolve.

After DD, the water company proposed a phased approach to the upgrading scheme, with a small first phase to enhance capacity by 5MI/day. This was included in Ofwat's FD, but expenditure on the remainder of the scheme was removed. Ofwat has noted that the water company is free to apply for an interim determination for the remainder of the scheme.

This change to the company's BP was treated by Ofwat as a one-sided adjustment as part of their Capital Incentive Scheme, resulting in a financial penalty to the value of £2.4m over the first five years, and £1.1m of revenue implications for the following five year period. In the company's view, the variation should have been treated as a two-sided adjustment which would have resulted in minimal penalties.

ANNEX H: ALIGNMENT BETWEEN WRMP AND OTHER PROCESSES

Respondents identified some duplication and significant scope to align WRMPs better with several other processes:

- **Water company drought plans**

Background

Water undertakers in England and Wales are required to prepare and maintain drought plans under Sections 39B and 39C of the Water Industry Act 1991, as amended by the Water Act 2003. The 1991 Act defines a drought plan as “a plan for how the water undertaker will continue, during a period of drought, to discharge its duties to supply adequate quantities of wholesome water, with as little recourse as reasonably possible to drought orders or drought permits”. A drought plan should set out the short-term operational steps a company will take before, during and after a drought. These plans are not strategic and should focus on a company’s actions if a drought was to occur under present circumstances.

Water companies submitted statutory drought plans for the first time in 2006 and are provided every 3.5 years. Guidance is provided by the Environment Agency and this has recently been updated following a consultation at the end of last year. The steps are very similar to those for WRMPs, requiring a pre-consultation, public consultation on the draft plan, preparation of a statement of response and direction from the SofS before publication of the final plan. Drought plans are also subject to review if there is a material change in circumstances or if directed to do so by the SofS, although no annual review is required.

As noted in Section 3.5 of the Drought Plan Guideline, “drought plans must take account of any other plans and investments in other areas of the company business that are relevant to drought operations and planning”. These include WRMPs, water company business plans and emergency plans, Environment Agency drought plans and RBMPs. The linkage between drought plans and HRA and SEA is also highlighted.

In the case of WRMPs (Section 3.5.1), it states:

“A water resource management plan (WRMP) sets out how a water company intends to maintain the balance between supply and demand for water over the next 25 years. Companies should ensure that any related information in their drought plan is consistent with their most recent WRMP. Particular areas to ensure consistency include:

- Deployable output – changes to the calculations or assumptions of deployable outputs of sources as a result of drought management actions may affect the assessment of deployable output in the WRMP.

- Levels of service – the starting point should be the WRMP planned levels of service and if any differences in levels of service arise through the experience of drought events and drought planning, the company will need to revise its WRMP levels of service accordingly.

The WRMP Planning Guideline also makes reference to drought plans:

“A water resources plan shows how a water company intends to maintain the balance between supply and demand for water over the next 25 years. The plans are complemented by the water company drought plans, which set out the short term operational steps a company will take as a drought progresses.” (Section 1.3)

“The level of service proposed should be consistent with the content of the company’s drought plan and it should explain the likely implications for hosepipe bans, and ordinary and emergency drought orders. The water resources plan should explain and justify any decision to change the level of service. The company should make sure that the new level of service is taken into account throughout the water resources management plan and the drought plan.” (Section 5.9.1)

Analysis of issues and potential solutions

A number of water companies, Natural England and Waterwise identified drought planning as involving the same people and some of the same outputs, and suggested that they should be more formally linked. Two statutory consultees noted that WRMPs have a key role in building drought resilience and shaping drought response, with Natural England suggesting that, if the two processes were effectively linked, variable tariffs could be used to manage peak demand and reduce dependency on drought permits at the expense of the environment.

In contrast, in further discussions with Defra and the Environment Agency, they felt that the two plans were clearly distinct, with the WRMP being a plan for the “norm” and the drought plan setting out what would be done when normal planning goes wrong. They pointed to the linkages already highlighted in the Guidelines and saw no need to align the plans further, noting that they were generally prepared by different people. However, they did see merit in moving to a five year planning cycle for drought plans, with the WRMP being produced the year before the drought plan and therefore informing its preparation.

Although it can be considered that the plans are produced for different purposes, there are clear linkages in terms of information requirements and the plans follow a very similar production process. It could also be argued that drought plans are at one end of the spectrum (albeit at the extreme end) of supply and demand management. There certainly appears merit in aligning the plans more closely in terms of timing by moving drought planning to a five-year cycle. However, it may also be worth exploring the merits of producing drought plans as part of the WRMP process.

- **River Basin Management Plans (RBMPs)**

Background

The Water Framework Directive (2000/60/EC) [17] aims for long-term sustainable water management, with a general objective to achieve “good” status of every body of water by 2015. RBMPs, which have been drawn up for river basin districts across England and Wales, set out how this can be achieved through a programme of measures to protect and improve the water environment. These are produced every six years in consultation with organisations and individuals and are approved by the SofS (and Welsh Ministers). The first set of RBMPs were finalised in December 2009 and will end in December 2015, a year after the next periodic review is completed (PR14).

As part of the RBMP process, the Environment Agency is carrying out a programme of investigations, with information on how many investigations are planned to take place by end December 2012 and progress on these being published on its website. An investigation will be carried out where an objective of “good” has not been set as a result of “uncertainty” and the results will inform the next RBMP. “Uncertainty” may result in:

- Confirmation that the water body is failing
- Investigation of the cause of failure
- Investigation of which actions to take

Where possible, this information will also be used during the current planning cycle.

WRMPs and RBMPs are clearly linked:

- WRMPs deliver an important element of RBMPs: in identifying the costs and measures needed to provide sustainable public water supplies, they contribute to the social and economic dimensions of RBMPs;
- There is a two-way process in which WRMPs both contribute to, and take information from, RBMPs;
- Water companies’ actions under their WRMPs – such as delivering water efficiency, metering and future new resource developments – form part of delivering the RBMP programme of measures;
- Both the Environment Agency and water companies use RBMP information on environmental needs, to assess where abstraction may be unsustainable, and to identify actions in their WRMPs or wider BPs to address these issues;
- Water companies can help identify the costs of meeting “Good Ecological Status” (GES), through assessing the impact on public supply of changing abstractions towards GES, which together with the Environment Agency’s information on benefits can help inform the balance of social economic and environmental interests, disproportionate cost etc.
- The management of the quantitative catchment water cycle – through quantities abstracted and subsequently returned as effluents and any changes to that pattern –

through options in WRMPs or AMP investments in sewage treatment works (STW), and

- The influences of water quality – better management of catchment-wide diffuse pollution through agri-environment schemes and other measures – will benefit both surface and groundwater abstractions, by reducing treatment needs, potentially avoiding costly nitrate/other removal schemes, and losses where blending is no longer possible, as well as further point source STW improvements.

The investigations being carried out to resolve “uncertainty” in some RBMPs also have implications on future sustainability reductions in terms of WRMPs. However, the different planning frequencies can result in misalignment, with, for example, the current set of RBMPs being finalised in advance of funding decisions being known in PR09.

The current WRMP Planning Guideline does not mention any linkages between the WFD/RBMPs and WRMPs, and the Environment Agency’s WFD guidance simply acknowledges the WRMP as a point for linkage. There is also no mention of the WFD in Ofwat’s letter to water company Managing Directors on the Strategic Direction Statement (SDS). However, on the basis of comments in the recent consultation on the Drought Plan Guideline, that guideline now includes a new section (3.5.5) on the WFD and how it relates to drought planning and it states that “companies should take account of any actions relevant to them that have been identified within the RBMPs”. The consultation summary also highlights that “work is ongoing with Government and partners to determine the interactions between water resource planning processes and WFD”.

Analysis of issues and potential solutions

The Environment Agency and several others queried whether the WRMP process could be linked to RBMPs: one region wondered whether there was “any way of making water companies do more in terms of interpreting the results and testing the scenarios” and suggested asking water companies to account for RBMP matters. The Broads Authority also pointed out the lack of integration with WFD water body assessments; they felt that an “understanding of which water bodies are under stress due to quantity and quality issues would have been helpful in evaluating supply / demand options”.

In further discussion with Defra and the Environment Agency, it was acknowledged that there were clear linkages between RBMPs and WRMPs, but that further work was needed to understand them fully and that, as part of this, stronger liaison arrangements were being set up between the relevant parts of the Environment Agency. It was also felt that because of the two-way relationship between WRMPs and RBMPs, timing was always an issue.

It is clear that further work is needed to assess the linkages between the WRMP and RBMP processes before any serious consideration can be given to greater alignment. This has already begun and will be helped by the strengthened liaison arrangements within the Environment Agency. However, one area that could be considered as part of the wider discussions on the WRMP/PR is the possibility of changing the planning period to six years in line with the RBMP process, starting the next planning period (i.e. PR15

instead of PR14). The relationship between WFD, water resource management planning and business planning could also be set out in the SDS and in the high-level document on WRMP.

- **Waste Water Planning**

Background

Waste water, commonly referred to as sewage, is generally a mixture of domestic waste water from baths, sinks, washing machines and toilets, and waste water from industry. It will often also contain rainwater run-off from roofs and other impermeable surfaces.

Proper collection, treatment and discharge of waste water and correct disposal of the resulting sludge helps to protect and improve water quality in the UK. Treatment allows water to be returned to the environment, helping to maintain river flows, important for other uses such as downstream abstraction, biodiversity and fisheries. Every day in England and Wales the public sewerage system collects approximately 10 billion litres of waste water from households and industry. This is treated at about 9,000 sewage treatment works before the treated effluent is discharged to inland waters, estuaries and the sea.

Relevant legislation includes the Urban Waste Water Treatment Directive (91/271/EEC) [24] and the Water Framework Directive.

Unlike with water resources, water companies are not required to produce a waste management plan despite the fact that some companies are also sewerage undertakers.

Analysis of issues and potential solutions

Natural England was disappointed by the failure to integrate WRMP and waste water planning (particularly for water only companies), noting that in areas of significant water quality pressure this could influence the weight given to demand side options. One Environment Agency region also picked this up, suggesting that the development of a Waste Water Management Plan should be considered in the longer term. This would cover appropriate issues for water quality investment and improvements and could be combined with the WRMP to form a Strategic Water Management Plan bringing together all public water supply and waste water issues (as in BPs). This would help consistency and join up activities better, thereby improving efficiency.

In further discussion with Defra and the Environment Agency, it was acknowledged that the principle of linking water and waste water management was a good one; the difficulty was making it happen. There was clearly scope for better integration within and between water companies on assessing current and future housing/population numbers across water supply and sewerage service companies. There was also scope for managing the hydrological cycle better and a new project by UKWIR was underway to investigate the relationship between wastewater flows and reductions in *per capita* consumption of water.

Linking water and waste water management and combining them to form a Strategic Water Management Plan has some clear benefits in terms of managing the water cycle more efficiently. Closer alignment and integration of processes – including with the WFD – is also highly beneficial in terms of better regulation and, therefore, this is something that Defra may want to consider further.

- **Strategic Environmental Assessment (SEA) and Habitat Regulations Assessment**

Background

Strategic Environmental Assessment SEA

The (SEA) Directive (2001/42/EC) [25] requires a formal environmental assessment of certain categories of plans and programmes which are likely to have significant effects on the environment. (In England, the Directive has been transposed into the Environmental Assessment of Plans and Programmes Regulations 2004.) Responsible authorities that prepare and/or adopt a plan or programme that is subject to the SEA Directive need to prepare a report on the likely significant environmental effects of implementing the plan or programme and of reasonable alternatives. They also need to consult environmental authorities and the public and take the results into account.

The plans and programmes that are subject to the SEA Directive are defined by the Directive and based on multiple factors. Under the Directive, an environmental assessment is mandatory for plans and programmes prepared by an authority which are:

- required by legislation, regulatory or administrative provisions;
 - prepared for, amongst other things, water management;
- and *either*
- set the framework for future development consent for projects listed in the Directive on Environmental Impact Assessments;
- or
- have been determined to require assessment under the Habitats Directive.

Assessment is also required for any plans or programmes which set the framework for development consent of projects and which are determined by screening to be likely to have significant environmental effects.

In the Guideline, it states that “Each water company is responsible for determining whether its water resources plan falls within the scope of the SEA Directive” and “The plan should state whether the company believes SEA should be undertaken or not”. Companies that decide that its WRMP falls within the scope of the SEA Directive are required to produce an Environmental Report and the Guideline recommends that this should be revised if the final plan changes substantially from the draft plan.

Habitats Regulations Assessment

A water company must ensure that its plan meets the requirements of the Habitats Regulations (Conservation (Natural Habitats & c.) Regulations 1994) [26] before implementation and it must determine and, if necessary, undertake a Habitats Regulation Assessment (HRA).

The HRA refers to the assessment of the likely or potential effects of an development plan on one or more European Sites. These are collectively termed Natura 2000 sites and comprise Special Areas of Conservation (SACs), candidate SACs (cSACs) and Special Protection Areas (SPAs). If such effects are thought likely to be significant, an appropriate assessment needs to be undertaken. The HRA should conclude whether or not a proposal in the WRMP would adversely affect the integrity of the European site.

The HRA is based on the precautionary principle and therefore requires those undertaking the exercise to prove that the plan will not have a significant impact on these conservation objectives. The HRA should be undertaken by the water company but should include advice from Natural England and the Environment Agency. Information from the HRA process should be used to inform the SEA determination as noted above.

Analysis of issues and potential solutions

As well as wanting clearer guidance on whether a SEA / HRA was required, the industry, together with one Environment Agency regional grouping, were concerned by the potential duplication or contradiction (e.g. in options appraisal and public consultation) between the SEA and HRA processes, if undertaken, and the WRMP process. For example, one industry adviser commented that “there is duplication and mismatch between the procedures for WRMPs under the Water Industry Act 1991 and the procedures for SEA under the Environmental Assessment of Plans and Programmes Regulations 2004” and “security guidelines and protocols applicable to water companies respecting the control of sensitive water company information (which e.g. preclude disclosing location of sources) are inconsistent with the requirements for SEA and the requirements of public inquiries”. One water company noted that “the accompanying SEA was unnecessarily complex and duplicated much of the work that was done for the WRMP. The draft SEA was published alongside the draft WRMP, but received only two consultee responses and added little value to the development of the WRMP”. Another commented that “SEA and HRA both contain elements of the WRMP process and therefore duplicate activity”.

The Environment Agency respondent highlighted the inconsistency between “the options appraisal expectations” of the Guideline and the SEA. Natural England also felt that there needed to be a stronger link between the SEA and the WRMP, noting that it was “not always clear how SEA actually influenced the WRMP options appraisal process, e.g. where the most environmentally damaging options become adopted as the preferred options”.

Natural England and water companies in particular felt that guidance was needed on how these could be integrated more fully into the WRMP process rather than seeming to be stand-alone exercises.

It is clear that there is still considerable confusion among water companies about the need to carry out an SEA and/or an HRA and, if undertaken, about how to integrate them more fully within the WRMP process so that they clearly inform the process (e.g. options appraisal) rather than being carried out as a necessary but completely separate activity. Guidance is also needed on how to manage the consultation processes better. This needs to be addressed in the Guideline.

- **Local Development Planning**

Background

Water companies are statutory consultees to local development plans in the current planning system, so are key in providing views on the deliverability of local plan growth from a water infrastructure perspective. In addition, local planning authorities have a role to play in the development of WRMPs (as well sewerage infrastructure plans and business plans) by providing information on proposed housing growth. Previously, companies used data from Regional Spatial Strategies (RSSs) and local breakdowns of these. However, with the abolition of RSSs, DCLG and Defra will need to consider what data water companies should use to inform their plans.

Analysis of issues and potential solutions

Both the Environment Agency and Natural England drew attention to links with local development planning including water cycle studies (carried out by local authorities to work out what significant local development there will be in future and the implications for water resources). Natural England felt that the strategic and long-term nature of WRMPs meant that today's preferred options might not in future prove to be the most appropriate or sustainable. This had implications for the way WRMPs are used in the preparation of local development plan document and the weight given to WRMP preferred solutions in planning terms. Natural England suggested that further guidance was needed for local authorities on the use of WRMPs in local development planning.

DCLG are currently considering the effect of localism on the WRMPs, as when the next plans are developed they will be highly dependent on the efforts local planning authorities make to communicate with them and respond to information requests. New guidance to water companies will be needed to make clear what they need to do to engage with local authorities and this needs to be included in the Guideline. Encouragement and guidance to local planning authorities will also be needed to ensure that they engage with water companies early and in line with water companies' planning timetables. This also needs to include guidance on the status of WRMPs.

ANNEX I – WATER UK PAPER ON SEQUENCING OF DECISION-MAKING

Water Resources Management Plans and Business Plans Regulatory Timelines – a discussion paper

Background

At the conclusion of the recent business planning process and, for the majority of companies, the water resources planning process, it became clear that some seemingly perverse situations had emerged as a result of the mis-matched timelines which had failed to allow the different processes to inform each other. Such situations included companies who had had their WRMPs approved for publication by the Secretary of State, not being fully funded for delivery of the activities contained therein, and companies being funded to deliver activities for which they did not have ministerial approval. The biggest areas of mis-match were over metering programmes and the preparatory work for reservoir developments.

Such situations are confusing for water companies, stakeholders and customers and cast doubt on the ability of the industry to effectively respond to consultees' comments and involve customers in their decision making.

At the most recent meeting of the Water UK Water Resources Task and Finish Group companies were tasked with producing a paper outlining the different options for bringing the two processes into alignment.

After considerable discussion it became clear that the principal issue for discussion was to determine where primacy of decision making should lay. Is it the in the decisions concerning Water Resources Management Plans that ministers make on EA advice, or in what allowances Ofwat make in price limits? Should ministers take account of Ofwat's views on funding in determining whether or not to approve or direct changes to a company's WRMP, or should Ofwat's funding decisions take account of minister's views on the acceptability of the plan in its current form? If neither party is required to account for the other's views we will always have inconsistent decisions made in the separate processes.

There are other timing considerations that merit discussion but all of these will be dependent to a greater or lesser extent on this first decision on where the primacy of decision making should lie.

Options

The options identified to date are set out in the attached figure. For the sake of simplicity this figure assumes that public inquiries on WRMPs (and referrals to the Competition Commission) are not required. Theoretically greater integration of the processes and recognition of different parties' viewpoints is likely to lessen the need for inquiries in any case.

Two options are detailed below – they are in summary:

- Option 1 – The final WRMP follows the Final Determination
- Option 2 – Final Determination follows final WRMP

These options are contrasted with the process followed at PR09.

Process adopted in PR09

This has the advantage of allowing each process to deliver according to its own defined timescale but the lack of integration between the processes has resulted in some perverse outcomes as highlighted above. Also the draft WRMP cannot be considered a comprehensive reflection of all supply demand issues which is dependent upon completion of the draft Business Plan. The process is also extremely lengthy, particularly if an inquiry is required, which in turn results in a delayed start to some of the activities included within the Final Determination.

Option 1 Final WRMP follows Final Determination

Synchronisation of the draft BP and draft WRMP allows a full reflection of all supply demand issues in the WRMP and therefore a more informed consultation process on the WRMP to be conducted. The timescale is reduced. The final decision by the Secretary of State on the WRMP is informed by, or co-ordinated with, the final determination. However the Secretary of State's requirements will need to be consistent with Ofwat's funding decisions. This may reduce the ability of the SoS to respond to other consultee's comments in deciding whether to approve or direct changes to the Plan. However this option does reflect the reality that water companies are only likely to do what they have been funded to do.

Option 2 Final Determination follows Final WRMP

Synchronisation of the draft BP and draft WRMP allows a full reflection of all supply demand issues in the WRMP and therefore a more informed consultation process on the WRMP to be conducted. The timescale is reduced and the final decision by the Secretary of State is given at the same time as the draft determination. This leaves the period between draft and final determination to resolve any differences between the approved plan and the draft determination. However since the approved plan cannot then be changed it assumes that Ofwat will be directed to include the activities within the approved plan within price limits in the final determination. The timescale for the SoS to direct on final WRMPs and for their production in advance of the final determination is tight.

It would also be possible to delay publication of the WRMPs until after the final determination if these timescales were considered to be too tight. In this instance the Secretary of State would need to ensure that ministerial guidance issued at draft determination was adopted in the final determination to ensure consistency of Ofwat's decisions with her own decisions on the WRMP.

For either of these options the draft WRMP could be done earlier, possibly linking into a repeat of the SDS exercise, such that the SoR/Final Draft WRMP was issued at the same time as the Draft Business Plan and the Final WRMP at the same time as the Final Business Plan.

Recommendation

In order to demonstrate the WRMP has effectively responded to consultees comments it is recommended that option 2 is pursued. It is considered that if the processes were integrated as illustrated here that this timing would enable Ofwat to make informed decisions on the business plan and allow the Secretary of state to benefit from Ofwat's views on funding in making final decisions on WRMPs.

PR09 Process PR09 - WRMP timetable varied, WSX dates given		
	WRMP	BP
Mar-08	Draft WRMP	
Apr-08	Consultation	
May-08		
Jun-08		
Jul-08		
Aug-08		Draft BP
Sep-08		
Oct-08		
Nov-08		
Dec-08		
Jan-09	Statement of Response	
Feb-09		
Mar-09		
Apr-09		Final BP
May-09		
Jun-09		
Jul-09		Draft Determination
Aug-09	Request for more info	
Sep-09	Submission of more info	
Oct-09		
Nov-09		Final Determination
Dec-09	Ministerial guidance	
Jan-10		
Feb-10		
Mar-10		
Apr-10	Final WRMP	

Option 1 Final WRMP follows Final Determination			
	WRMP	BP	
Mar-13			
Apr-13			
May-13			
Jun-13			
Jul-13			
Aug-13	Draft WRMP	Draft BP	
Sep-13	Consultation		
Oct-13			
Nov-13			
Dec-13			
Jan-14			
Feb-14			
Mar-14			
Apr-14		SoR / Updated WRMP	Final BP
May-14			
Jun-14			
Jul-14		Draft Determination	
Aug-14			
Sep-14			
Oct-14			
Nov-14		Final Determination	
Dec-14	Ministerial guidance		
Jan-15			
Feb-15	Final WRMP		
Mar-15			
Apr-15			

Option 2 Final Determination follows Final WRMP			
	WRMP	BP	
Mar-13			
Apr-13			
May-13			
Jun-13			
Jul-13			
Aug-13	Draft WRMP	Draft BP	
Sep-13	Consultation		
Oct-13			
Nov-13			
Dec-13			
Jan-14			
Feb-14			
Mar-14			
Apr-14		SoR / Updated WRMP	Final BP
May-14			
Jun-14			
Jul-14	Ministerial guidance	Draft Determination	
Aug-14			
Sep-14			
Oct-14	Final WRMP		
Nov-14		Final Determination	
Dec-14			
Jan-15			
Feb-15			
Mar-15			
Apr-15			

Draft WRMP could be earlier - but danger of becoming disjointed from BP

Draft WRMP could be earlier - but danger of becoming disjointed from BP