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8 March 2019

Defra

Dear Sir or Madam,

Re: Improving our Management of Water in the Environment

Waterwise is pleased to respond to the Defra consultation on potential policy measures to improve the management of water in the environment.

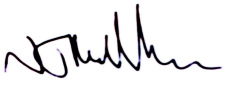
Waterwise was founded in 2005 and is the leading authority on water efficiency in the UK and Europe. We are an independent, not for profit organisation, receiving funding from supporters across and beyond the water sector and wider sponsorship and research projects. We like to be at the front, leading and supporting innovative efforts to realise our mission; that water will be used wisely, every day, everywhere.

In summary, our main points are:

- **Strong support for proposals for the Secretary of State to be able to direct water companies to plan for water resources on a national and regional basis**
- **Strong support for proposals for the Secretary of State to be able to direct water companies to take account of other abstractors' needs - with a call for government and regulators to do more to promote greater collaboration between water wholesalers and retailers on water resource planning and demand management**
- **Strong support for proposals for the water resources management planning process to be recognised in legislation as a measure to deliver environmental objectives**

Our detailed response to the consultation questions relevant to Waterwise is below.

Yours sincerely,



Dr Nathan Richardson FCIWEM C.WEM CEnv CSci
Policy and Projects Manager
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Long-term planning of water in our environment

Water Resources Management Plans

Q2. Do you agree that the Secretary of State should be able to direct companies to plan on a regional and inter-regional basis? Please provide reasons.

YES – Waterwise strongly supports this proposal. It is evident from our work with the Environment Agency and with Blueprint for Water reviewing the draft water resource management plans in 2018 that there was a general failure to effectively collaborate between water companies on supply and demand side options. We believe this led to solutions being proposed that were not optimum at a regional and national scale and to plans from neighbouring companies that simply didn't fit together. Despite some good work through initiatives such as Water Resources East and Water Resources South East the process and the thinking was too constrained by company boundaries and interests. These failures need to be urgently addressed and we were pleased to see Defra and the regulators writing to the companies setting out expectations for greater regional collaboration. We are also encouraged by the emerging National Framework being led by the Environment Agency.

However, whilst there are signs of progress we do think it is vital that government, through the Secretary of State, is able to formally direct companies to plan on a regional and inter-regional basis to ensure that it happens and happens effectively.

We are aware that government is also developing a National Policy Statement to allow nationally significant water resources infrastructure projects (NSIPs) to be progressed through the Development Consent Order route. The NPS reiterates the government's commitment to a twin track approach for water resource planning which considers both demand side and supply side solutions. Promotion of nationally significant supply side infrastructure should be predicated on ambitious demand side actions. The NPS relies on the WRMP process to identify NSIP options and makes repeated reference to the need for regional and national planning. This reinforces the need for the proposed powers for the Secretary of State to ensure that national and regional planning takes place.

Q3. Do you agree that the Secretary of State should be able to direct water companies to take account of other abstractors' needs? Please provide reasons.

YES - Waterwise strongly supports this proposal. Our Policy and Projects Manager has been involved in Water Resources East for the last 3 years, in a previous role, sitting in the Technical Steering Group, and has seen first hand the benefits that taking account of the wider needs of other abstractors and the environment can bring. These benefits are both in terms of shared understanding of the overall challenge and the specific challenges of different sectors but also in terms of working together to develop both supply side and demand sided solutions that can provide benefits across sectors.

We would also like to highlight our concern that there is insufficient join up between water wholesalers and retailers on forecasting future water need, on water resources planning and on implementing demand side solutions for business customers across sectors.

Waterwise reviewed draft Water Resources Management plans (WRMPs) to examine how wholesale companies engaged with the retail market and non-household customers. To quantify the extent of engagement in the draft plans the following scoring system was used[1]:

- How well did wholesalers engage with retailers / non-household customers?
    - 1. No engagement
    - 2. Limited engagement
    - 3. Some engagement
    - 4. Directly engaged on non-household demand forecasts
    - 5. Engaged in developing joint water efficiency options
- Was there consideration of non-household or partnership water efficiency options
    - 1. No non-hh water efficiency options
    - 2. Some consideration within options but not taken forward
    - 3. Consideration of a non-household option
    - 4. Water company led non-household option
    - 5. Partnership based non-household option

The results for the wholesalers from the draft plans are illustrated in Figure 1 below. In general, there was a low amount of engagement and this was reflected in few WRMP options for non-household water efficiency being taken forward at that time. Many wholesale companies reported sending a letter out to retailers as an engagement tool, or may have included a water audit retail option but not developed how this could be achieved.

[1] Note: this is based on a qualitative assessment by Waterwise and is intended only to give a relative idea of the engagement with retailers and proposed water efficiency options for non-household customers to aid discussion at the leadership group meeting

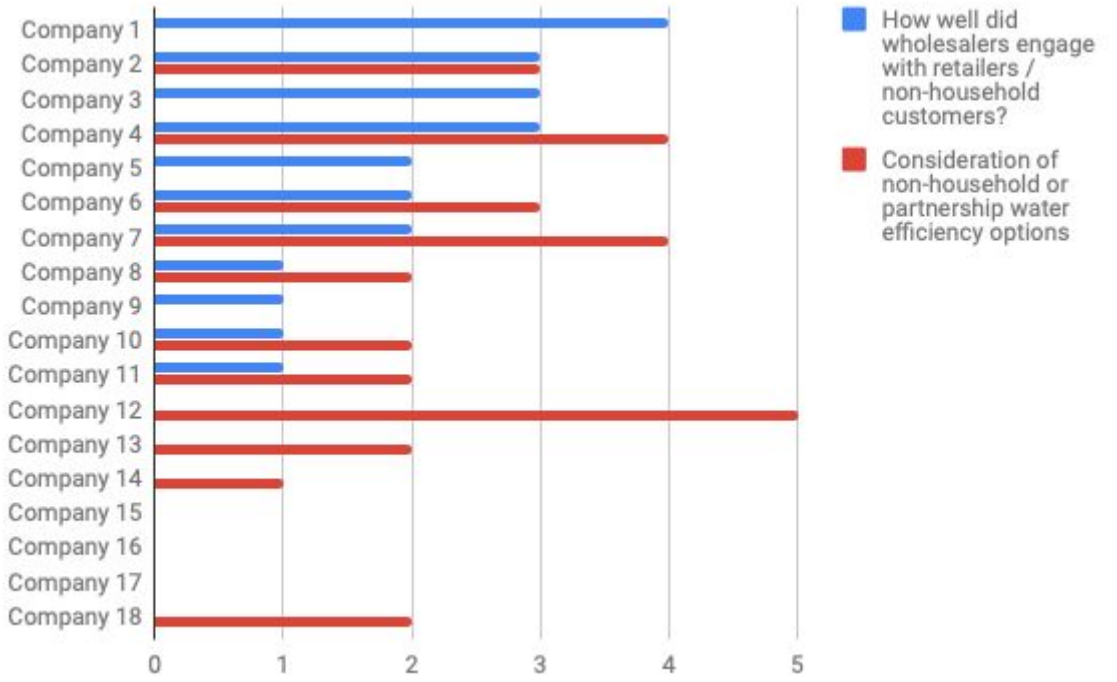

Figure 1 - Comparison of engagement with retailers and development of non-household water efficiency options in draft WRMPs

Waterwise, through research for this paper and discussion with both wholesale and retail water companies, has identified the following barriers to water efficiency:

- At present, there is no requirement within the wholesale-retail code for retailers to deliver water efficiency savings on business customer sites, nor is there any requirement for retailers to report any measured water savings achieved on their customers' sites, to the wholesaler – to record against the catchment water-saving targets
- Retailers have communicated that there isn't enough margin for some customers to offer water efficiency services, particularly SMEs to offer water efficiency services
- Wholesalers are worried about legal implications from competition law of engaging with non-households directly or by being seen to engage with only some of the water retail companies
- Funds for non-household water efficiency were previously provided by Government programmes (e.g. the WRAP Rippleffect) or water companies through options to address supply deficits in water resources management planning
- The decentralised nature of retail competition makes it harder for messages on non-household water efficiency to be delivered to all sectors
- Retailers aren't formally involved in water resource management planning/WRMPs.

These issues were also highlighted in a WRMP workshop Waterwise convened on 30th January 2019 attended by representatives from water wholesalers and retailers. We want to see government and its regulators taking action to address these issues. For example, through a joint letter to the wholesalers/retailers encouraging greater collaboration; by promoting greater join up through the National Framework and regional planning groups; through revised WRMP guidance and through addressing any perceived or real barriers caused by market codes and data handling.

Q4. Do you agree that the water resources management planning process should be recognised in legislation as a measure to deliver environmental objectives? Please provide reasons.

YES – Waterwise strongly supports this proposal and believes it is essential in helping deliver the aims of the 25 Year Plan for the Environment. The current process through WINEP has become adversarial and is primarily focused on addressing past or existing environmental problems and not on ensuring our environment and the way we manage the water resources it depends on is fit for the future. We need a shift in mindset and the proposals for linking the WRMP process with the delivery of wider environmental goals and objectives is welcomed. We also suggest it include reference to retailer involvement.

Q5. Do you agree with our proposals to improve the legislation governing Water Resources Management Plans? Please provide reasons

YES – in the absence of detail we cautiously support the proposed changes which we believe could simplify the process and make it more transparent to stakeholders. We welcome giving the Secretary of State powers to specify additional stakeholders with whom companies should develop their plans in consultation. As highlighted above under our response to Q4 Waterwise would like to see specific actions to promote greater collaboration between wholesalers and retailers for the benefit of business water users.

Q6. Do you have any further suggestions about how we could improve the primary legislation that governs water resources management planning? These could be either administrative improvements, such as how confidential information is dealt with, or to achieve better water resources outcomes. Please provide reasons for your suggestions.

POTENTIALLY - As highlighted in our response to Q4 we feel there is insufficient join up between water wholesalers and retailers on forecasting future water need, on water resources planning and on implementing demand side solutions for business customers across sectors. At present, there is no requirement within the wholesale-retail code for retailers to deliver water efficiency savings on business customer sites, nor is there any requirement for retailers to report any measured water savings achieved on their customers' sites, to the wholesaler – to record against the catchment water saving targets. Wholesalers are also worried about legal implications from competition law of engaging with non-households directly or by being seen to engage with only some of the water retail companies.

Primary legislation along with changes to market codes, WRMP guidance and a clear joint steer from government and regulators could be used to require wholesalers and retailers to collaborate more on water resources planning and on implementing demand side solutions at national, regional and local levels. These steps have all been suggested by representatives from retailers and wholesalers engaged with Waterwise both directly and through our sector Leadership Groups.

ENDS

Response prepared by Dr Nathan Richardson (Policy and Projects Manager - Waterwise)

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