

Guiding principles for water resources planning

For water companies operating wholly or mainly in England

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Government policy

This document explains the key policy priorities the government expects water resources management plans (WRMP) to address.

The long term planning of water resources management plans is a vital part of delivering the government's objectives to deliver secure, reliable, sustainable and affordable supplies of water, value nature in decision-making and connect people with the environment.

The “resilience roadmap” – Enabling resilience in the water sector¹ – set out plans to help secure the long-term resilience of the water sector. It is clear that resilience is not simply the role of government or regulators; you² must lead the way in taking action to ensure that you can meet the needs of a growing population and economy as well as valuing the environment and meeting the challenges of climate change.

Using the WRMP process, you should show leadership by developing plans to provide a quality service to customers that can manage the challenges and uncertainties of the future. It is clear that parts of the country are exposed to greater risk of water restrictions than customers realise.

With assurance from your company's board we want to see you collaborate with customers, partners and regulators to develop a strong understanding of future needs, explore every option, and build consensus on delivery plans.

Water supply must support the growth predicted by local authorities within an area. You should provide clear evidence of your engagement with local authorities on joint planning.

Take a long term, strategic approach to protecting and enhancing resilient water supplies

We expect to see evidence that you have taken a strategic approach to water resources planning that represents best value to customers over the long term, using a planning period that reflects the challenges your business faces. Recognising that 25 years is a statutory minimum, we strongly encourage you to take an even longer term view where it makes sense, particularly in view of longer term pressures, uncertainties and the time it takes to develop some infrastructure. You must assess the vulnerability of your water resources to future pressures such as climate change and the needs of the population and business. Having a longer planning horizon will provide better evidence to support the selection of preferred options and ensure best value for customers over the long term.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504681/resilience-water-sector.pdf

² This document is aimed at water companies.

Given the scale of challenge we face in the future, we want to see a real change in approach to your WRMP so that it properly examines the value of resilience for your customers, is informed by your customers' views and identifies what actions you will take to reduce risk now and in the future. This is particularly important where you identify there is a greater risk of supply interruptions than your customers expect.

To assess the resilience of your supplies, we expect more thorough testing of vulnerability of water supply systems - not solely tests based on historic events but future events that could reasonably be foreseen – to enable you to better plan for, and respond flexibly to future uncertainties. You should also assess resilience to other hazards such as flooding and freeze-thaw impacts and the overall resilience of your network. Where appropriate, you should include options to improve your resilience in your plan.

In “Enabling resilience in the water sector” we set out our plans to consider the case for a Direction from the Secretary of State under powers provided by the Water Act 2014. We will set out our approach to using the powers in autumn 2016 and may issue a Direction to set levels of service in winter 2016/17.

Aside from any government Direction, your plan should clearly demonstrate how you have considered and tested what the right level of service is for your customers, on what basis this decision is made, including planning assumptions, and consider the balance of investment bearing in mind the long term needs of customers. You should also have regard to the impacts of restrictions on businesses and households when deciding on a planned level of service. We expect to see meaningful engagement with customers using descriptions and indicators that will help them understand the risks and reasons for the measures proposed. Informed by this engagement you should set out clearly in your plan how solutions are resilient for your customers over the long term, including the risks to delivery of those solutions, flexibility, and evidence that you have considered the full range of options for managing those risks.

Your plan should be sufficiently flexible to accommodate reasonably predictable changes to regulation such as abstraction reform and competition. The government will continue to work with regulators and industry to explore transition and implications for water resources management.

Consider every option to meet future public water supply needs

As a nation, we must do more to manage the water available to us and it is encouraging to see that there is much collaboration to do this already, such as the Water Resources East Anglia Group, Water Resources in the South East and the Water UK project to develop a national water resources long term planning framework³.

³ <http://www.water.org.uk/news-water-uk/latest-news/resilience-water-supplies>

We expect to see evidence of a strategic approach to water resources planning that represents best value to customers over the long term and draws on the latest information from collaborative projects. To do this you must consider all options to meet your supply and demand balance – including options outside your boundaries. This includes reviewing current operations to confirm whether they are the most appropriate option.

You should demonstrate within your plans that you have considered:

- interconnections between your own water resource zones;
- collaborating with neighbouring water companies, e.g. transfers between water companies to free up surplus water and improve resilience, or sharing of joint resource developments, especially if there is a multi-company or regional benefit;
- water trading;
- collaborating with retailers in your area to make sure non-household customers can transition smoothly from one retailer to another or to work with them to deliver, e.g. demand management options. We expect you to work with retailers to manage incidents and to forecast demand accurately;
- supply/demand options provided by or in collaboration with market entrants;
- collaborating with other sectors (e.g. energy, agriculture), e.g. to develop infrastructure with joint benefits, offer water services or procure water supplies, including considering innovative financing models;
- enhancing the natural resilience of the catchment by effective catchment management planning, to increase the amount and/or quality of water available for abstraction without posing unacceptable pressures on the environment;
- reducing leakage;
- supporting customers to manage demand;
- reusing water, e.g. through effluent reuse; and
- drought management and resilience options to manage plausible droughts more severe than your WRMP has been designed to cope with.

Any option being promoted will need to take account of:

- environmental and social costs and benefits including carbon costing, the value of natural assets, and customer support, with evidence about preferences and willingness to pay;
- discussions with stakeholders and regulators;

- reliability, including testing with plausible droughts;
- the need to have in place relevant ‘in principle agreements to supply’ between parties before you finalise the plan. The in principle agreement should show what would happen in a drought if a supply option is being promoted; and
- legal requirements, including those relating to the environment.

The guideline sets out the minimum you must demonstrate you have done to investigate such options. If you are proposing to develop a new source of supply you will have to demonstrate that you have fully considered and costed alternative options and can expect to be challenged on the evidence for your approach throughout the planning process. The Secretary of State may cause an inquiry or hearing to be held and/or direct you to change your plan if options have not been given sufficient consideration or insufficient evidence is provided to support the proposal.

Protect and enhance our environment, acting collaboratively

The government looks to water companies as leaders of the natural environment. You are one of its stewards and your role in its management will increase. You should demonstrate how you value nature in your decisions and consider where you can provide new and innovative opportunities for investment in our natural assets. You should take account of the government’s objectives for the environment including those set out in Defra’s strategy⁴, the forthcoming 25 year environment plan and the appropriate parts of the EU Water Framework Directive⁵.

Many of the benefits we get from our natural capital are best delivered at a local level and you play a substantial role in contributing to local environmental improvements. Your role as active stewards of water resources will continue to grow as you contribute to delivering a healthier water environment, more resilient to drought and pollution that offers economic and social benefits. We want to see better informed decisions that reflect the value of the environment, using natural capital as a currency to aid understanding about how to manage our environment. We expect you to thoroughly investigate and report on environmental and social costs and benefits. You will need to consider whether your abstractions are truly sustainable, looking across a catchment as a whole.

The water resources planning process is an ideal opportunity to engage with communities too; both to connect them to their local environment and help them to understand the reasons for your plan.

There is also real potential for collaboration with businesses – and not only businesses connected to the public water supply – to enhance their resilience and to make better local

⁴ <https://www.gov.uk/government/publications/defras-strategy-to-2020-creating-a-great-place-for-living>

⁵ http://ec.europa.eu/environment/water/water-framework/index_en.html

decisions. The majority of businesses do not have the capacity that you have to enhance resilience, e.g. to build large-scale water storage or to move water around the network. Your plan should be informed by this engagement.

In enhancing our environment, you must ensure you are compliant with legal requirements. You must have regard to River Basin Management Plans⁶ (RBMPs) and their objectives when making decisions that could affect the condition of the water environment. You will need to ensure your current abstractions and operations as well as future plans support the achievement of environmental objectives and measures set out in RBMPs. To do this you must ensure the plans will:

- prevent deterioration in water body status;
- support the achievement of protected area and species objectives; and
- support the achievement of water body status objectives.

You should continue working with the Environment Agency to take a proportionate and evidence based approach to identify the changes you need to make to current abstraction licences to meet environmental requirements.

You should consider drought management options as part of your plan. You should identify and explain where you plan to incorporate regulator and government interventions such as drought permits and drought orders as possible options to manage plausible droughts more severe than your WRMP has been designed to meet. Your water resource management plans should therefore link to your drought plan.

Promote efficient water use and reduce leakage

Demand management means helping to control demand better predictions of future water needs. Your plan must demonstrate how you will promote water efficiency and leakage control and, where appropriate, increase customer metering. We expect this will mean your WRMP will continue the trend of reducing overall demand for water particularly if your water company is in an area designated as water stressed, or where you have demand that is above the national average. Where an increase in population or commercial use leads to increases in total demand, you should ensure your plan demonstrates how you are reducing per capita consumption.

It is difficult to see why you should not be able to achieve a reduction in per capita consumption. You should show, through scenario analysis, the impact on costs from options that deliver demand reductions and be prepared to justify, if appropriate, why you are not proposing to put these in place.

⁶ <https://www.gov.uk/government/collections/river-basin-management-plans-2015>

We believe that a blanket approach to water metering is not the right way forward. However, where your water company is in an area designated as an area of serious water stress, you must consider universal metering as part of the feasible options in your options appraisal providing full costs and benefits of your proposals. If your water company is not in an area of serious water stress you also have opportunities to introduce more metering and we expect you to evaluate these and the wider benefits they can bring for managing both demand for water and leakage including leakage from customers' supply pipes.

An effective metering programme should be informed by previous experiences of metering programmes, customer views and include provision to support customers in reducing the amount of water they use, e.g. through water audits and water efficiency advice. We expect you to use the latest research into the effectiveness of metering programmes and use of tariffs to assess the costs and benefits of metering and the impacts on demand.

Water leaking from water company pipes wastes resources and capital. It will be hard for other users to accept restrictions on their abstractions at times of water stress and potential drought if there continues to be such a high volume lost through leakage from the public water supply. It is a reputational issue for the industry and has an impact on customers' willingness to use less water.

We want to see the downward trend for leakage continue and you must consider leakage management fully as an option to balance supply and demand. We expect you to ensure that total leakage does not rise at any point in the planning period. If you think you will not meet this expectation, you should clearly provide the reasons and what it would take to reverse it. You should cross check your leakage levels with other water companies and with water suppliers in other countries. Challenging leakage objectives should be informed by your customers' views on leakage and also be based on the potential for innovation in future.

We expect you to choose demand-side options as part of the preferred programme wherever it is reasonably likely that the benefits will outweigh the costs. All feasible water demand side options must be considered alongside other options for delivering a supply and demand balance. You must take into account the wider environmental and social benefits of demand measures, including those that have non-monetary values.

By following the expectations set out here and the detailed technical guideline, you should demonstrate you have fully assessed the challenges of the future and proposed a plan that will continue to deliver the water needed over the long term.



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