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Blueprint for Water comments on Defra's consultation on strategic policy statement and social and environmental guidance to Ofwat

The Blueprint for Water coalition welcomes the following detailed priorities in the Strategic Policy Statement:

- the direction that investor views are to be accounted for and that Ofwat should ensure that water remains an attractive investment (i.e. recognising that the cost of capital and thus the cost of any investment can easily be affected by regulatory decision making);
- recognition of the full range and interconnectedness of water management;
- recognition of the role that the catchment-based approach can play in protecting raw water quality and achieving a range of environmental and social objectives;
- the direction that Ofwat's regulation must support water companies pursuing Payment for Ecosystem Services approaches and other such investment in 'natural infrastructure';
- the direction that Ofwat should ensure that no obstacles are to be placed in the way of the water industry reducing its pressure on the environment from river and groundwater abstraction and taking action where too much water is being abstracted, and the recognition that damage to the environment from abstraction is not reflected either by prices or by water companies' options appraisals;
- the support for removal of barriers to social tariffs;
- that Ofwat will have to report to the Secretary of State on how these priorities have been reflected in their regulatory decision making.

We also welcome the emphasis on partnership working, both in relation to catchment management and the supporting comments on expanding metering.

We also welcome the direction to Ofwat to:

- support joint approaches with multiple benefits rather than 'silo working' with Ofwat regulating to enable these partnerships;
- set out more clearly how its decisions have taken sustainability into account;
- incentivise more strategic planning of the sewerage network;
- facilitate the catchment-based approach and review the impact their regulation has on the implementation of innovative approaches;
- ensure the regulatory framework presents no barriers to water companies making an appropriate contribution to catchment management and to engagement in integrated partnership working across catchments and landscapes;
- incentivise action to reduce demand for water, with the specific expectation that demand management should be more significant in water stressed areas;
- incentivise a new and sustained approach to reducing leakage, including the reputational risks and the impact on customer behaviour of not tackling it;
- incentivise use of Sustainable Drainage Schemes (SuDS) by water companies;
- enable companies to have more innovative tariffs (which can play a role in demand management), in the context of the specific reference to universal metering in water stressed areas;
- recognise water companies' need to consider long-term issues and risks, and to use regulatory mechanisms to ensure and incentivise companies to do so;

- learn the lessons from the 2012 drought.

However, the Blueprint coalition has some suggestions for improvements in the Strategic Policy Statement (SPS) that would allow it to better reflect the Water White Paper.

1.9 Defra suggests that Ofwat should “where possible, provide wider environmental benefits”. However, guidance on what these might be and how they could be provided is lacking and we would suggest that examples are provided and that specific guidance is produced to encourage provision of wider environmental benefits, with reference made to the intention to provide such guidance in the Strategic Policy Statement.

2. iii Effective Engagement. There is a specific reference to water quality, but no reference to water quantity or environmental status (i.e. Good Ecological Status under the Water Framework Directive), only ‘environmental protection and restoration’. The document’s focus on water quality suggests that it is the major issue, and such points of emphasis therefore need redressing, both in 2.iii and 2.22.

2.17 This section contains the requirement that Ofwat must recognise Defra’s revised River Basin Management Planning Guidance to the Environment Agency due in 2013. This is welcome, provided that guidance reflects the views of Blueprint for Water coalition following our concerns about the current River Basin Plans which culminated in the threatened Judicial Review.

3.10 In our view this section on sewer capacity is weak. Recent experience shows that inadequate sewerage capacity is now one of the greatest causes of acute pollution events and must be tackled with far more strategic thinking and full consideration of the role of SuDS and catchment management.

3.1, 3.3, 3.4, 3.5, Priority IV. We feel that making “sustainable development as central to the work of the economic regulator as it is to the work of the environmental and quality regulators” requires Ofwat’s sustainability duty to be raised to a primary duty, on par with its customer affordability and financeability duties. However strongly the Government’s desired sustainability outcomes are stated to Ofwat, we consider the risk of Ofwat failing to deliver upon them to be too great, if the sustainability consideration continues to rank secondary to customer affordability and company financeability considerations.

3.18 As well as learning the lessons of the 2012 drought, we also feel it would be valuable to consider what we could do in events of even greater duration – which 2012 could so easily have been. We should be pre-laying plans for what to do to maintain essential supplies for the (almost inevitable) occurrence of such an event in the future.

3.20 We welcome the move from least-cost to long-term resilience planning. But without correction of systemic errors in accounting for the yields and costs of supply side and demand side measures (prior to distribution losses in the former case, after distribution system losses in the latter case), the value of demand side measures will continue to be falsely under stated, and demand measures will continue to be discriminated against.

3.25 Placing emphasis on water companies surrendering abstraction licences causing damage to ecosystems “where it is cost beneficial to do so” presents a potential barrier to resolving abstraction issues, because of the difficulties of accounting for the environmental and also recreational benefits and values of reducing abstraction impacts. EU and UK Government policies, as well as customers’ views, must be used to inform decision making along with cost benefit analyses, with the Water Framework Directive highlighted here as a particular driver.

4.2 Placing emphasis on “cost effective options and only invest(ing) in the measures that are needed to deliver the secure and sustainable supplies that customers want” could lead to a short-term focus on cost reduction that could prejudice long term sustainable outcomes.

We would like to see an additional note on the need for Ofwat to promote the use of a wider variety of ways of reducing demand, for example awareness raising, education, customer campaigns and retrofitting of water saving equipment and systems. In the same way that the catchment approach has been endorsed by Defra and Ofwat and has increasing credence with water companies, the importance of contextualising water company priorities within local communities is paramount. Investment in educating customers and supporting their efforts to use water more sustainably should be regarded as something that merits significant investment to achieve results in the longer term.

Social and environmental guidance

We very much welcome this part of the guidance, especially its emphasis on the ecosystems approach (3.4) and the need to integrate environmental management on land and water. We welcome reaffirmation of the catchment approach and encouragement for water companies to engage in partnership working across catchments and landscapes (3.4.6). In some water companies this engagement is currently lacking and we look forward to considerable improvements in ‘mainstreaming’ these approaches in the future.

3.4.4. In terms of Ofwat’s role in promoting the catchment approach “where it is the most economically viable approach”, we believe it is essential to acknowledge that there may be a degree of uncertainty attached to the outcomes of some catchment schemes or to the timescales for outcomes to be realised. This may present a barrier in relation to the “most economically viable” test. Other benefits, such as longer term environmental and climate benefits, should be part of any assessment of the viability of taking a catchment approach, as should customer support for the approach. Investing in explaining and demonstrating the merits of the catchment approach to customers is important and should be encouraged by Ofwat as it may also help demand management.

3.5.2 In terms of the Biodiversity Duty incumbent on Ofwat and water companies, we welcome mention of the need to have regard to *Biodiversity 2020* when taking regulatory decisions, but think that further guidance is needed on this to achieve a consistent approach across the sector. There is currently much variation in terms of how companies interpret and implement the Biodiversity Duty and uncertainty surrounding how businesses can engage in local delivery.

3.8 We believe that engagement of water and sewerage companies in the “planning for growth” is essential, but feel that water companies must become statutory consultees in the planning process to make their engagement effective.

As a final point, we perceive tensions between the Draft Water Bill proposals for upstream competition and this guidance. The risks of fragmenting the water sector and confusing customers may not help the water sector to take forward the catchment approach nor help customers to link water use to the local environment.

About the Blueprint for Water coalition

The Blueprint for Water coalition is a unique coalition of environmental, water efficiency, and fishing and angling organisations that is calling on the Government and its agencies to set out the necessary steps to achieve “sustainable water” by 2015 (www.blueprintforwater.org.uk). The Blueprint for Water is a campaign of Wildlife and Countryside Link.

This response is supported by the following seven organisations:

- Angling Trust
- Buglife – The Invertebrate Conservation Trust
- Royal Society for the Protection of Birds
- The Wildlife Trusts
- Waterwise
- Wildfowl & Wetlands Trust
- WWF-UK

**Blueprint for Water coalition
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