

Welsh Water 2050
Communications Team
Dwr Cymru Welsh Water
Nelson,
Treharris,
Mid Glamorgan
CF46 6LY
20/07/2017

Natural Resources Wales' response to Dwr Cymru Welsh Water's consultation on Welsh Water 2050.

Natural Resources Wales welcomes the opportunity to comment on the consultation. As the principal environmental regulator in Wales, our purpose is both to pursue sustainable management of natural resources (SMNR) in relation to Wales, and apply the principles of SMNR; in the exercise of our functions. The Well-being of Future Generations (Wales) Act 2015 also places a duty on NRW to apply the principle of sustainable development in our work.

We very much welcome the development of Dwr Cymru Welsh Water's (DCWW) longer term vision. This is a positive step in terms of identifying and framing the strategic challenges, responses and options that the company faces. Below we set out key issues. In Annex 1, we provide responses to the consultation questions.

Wales' new legislation, alongside NRW's purpose, and DCWW's "not for profit" status creates a unique opportunity for us to work innovatively and rise to future challenges. We will be looking to work with you in different ways - as an enabler, facilitator and partner – to deliver the outcomes Wales needs.

Long term planning is a principle of SMNR, as is the need to take account of the short, medium and long term consequences of actions. DCWW should aspire to keep looking further forward as many of the issues identified now will be exacerbated by some of the environmental changes we will experience spanning well beyond the 2050 timescale.

DCWW's PR19 business plan needs to be ambitious in delivering towards Wales' well-being and SMNR. It is important that the draft business plan (2020-25) sets the priorities, actions and measures of success within the longer term context, in order that the scale of ambition is clear.

We encourage DCWW to take a proactive and targeted approach to engaging PSBs and other stakeholders across Wales, based on their understanding of priorities within their draft programmes. We plan to work with you to identify priorities emerging from the current PSB programme through a joint workshop in October, 2017.

New tools such as Payment for Ecosystem Services (PES) schemes and area statements will provide important mechanisms for delivering land management measures at the required scale to achieve objectives for DCWW, NRW and others. It is important that DCWW and NRW continue to work together through the area statement process to develop a joint approach to PES. We welcome the proactive, preventative, collaborative approach that the Brecon Beacons “mega-catchment” proposal represents and consider this to be an excellent opportunity for trialling a PES approach in AMP7 and would like to progress this discussion further. We would like to see similar initiatives brought forward for sewerage.

Should you wish to discuss our response, please contact Geraint Weber on 07909 831421 or geraint.weber@cyfoethnaturiolcymru.gov.uk.

Yours sincerely,



Ceri Davies

Executive Director, Evidence, Policy & Permitting

Annex 1 - NRW response to consultation questions

a) Have we identified the right trends?

Yes. We broadly agree that the consultation has identified the right trends, but we feel the strategy doesn't then identify the cross-cutting impacts of these issues and the opportunities to develop integrated catchment solutions. The section on Demographic change should make greater reference to the issue of increasing demand, housing development and urban creep affecting wastewater network capacity. Management and development of the sewer network should be a priority for the company looking at how to ensure an effective drainage system is in operation both under normal and wet weather circumstances

DCWW have a good understanding of the potential impacts of climate change. But we recommend this section should refer to the impact of increased winter rainfall on water quality, the wastewater network capacity, in addition to sewer flooding of properties and flooding of assets.

Reversing the decline in biodiversity is an essential investment for well-being in Wales. Part 1, Section 6 of the Environment (Wales) Act places a duty on water & sewerage undertakers (as public authorities), across all of their functions to seek to maintain and enhance biodiversity so far as it is consistent with the proper exercise of those functions - and in so doing promote the resilience of ecosystems. It replaces and strengthens the previous Natural Environment and Rural Communities Act 2006 (NERC Act) duty. Welsh Government's interim S.6 guidance provides more detailed information about these duties and relevant information associated with the previous NERC Act.

The strategy should be clearer in setting out DCWW's biodiversity duty, and the challenge of addressing the continuing decline in biodiversity across Wales. This could be achieved by including further evidence from published sources (e.g. NRW's State of Natural Resources Report, State of Nature Report), and by assessing how each strategic response helps meet DCWW's biodiversity duty.

b) Have we developed the right strategic responses to meet these trends?

We encourage DCWW to develop integrated programmes at the local and catchment scale. For example, the strategy presents several "single issue" project proposals: Brecon Beacons "mega catchment" focuses on the upper catchments and the protection of raw water quality; and the Wye catchment proposal focuses on addressing the impacts of waste water discharges. There is benefit within these projects in assessing other environmental opportunities and threats to deliver more integrated solutions with wider benefits.

We are pleased to see a focus on "working with nature" to protect drinking water and reduce flood risk. However, the strategy could have gone further and developed a programme to "work with nature to protect drinking water and reduce the effects of wastewater discharges".

Regarding “enough water for all” - the document should be clearer in setting out DCWW’s statutory duty to produce a drought plan and how you plan for extreme droughts. DCWW will carry out drought scenario modelling across all their Water Resource Zones. Those that are likely to be at higher risk to drought will involve more detailed modelling for a given drought scenario (e.g. 1 in 200 year event). This is more likely for the Pembrokeshire, SEWCUS and North Eryri Ynys Mon water resource zones.

With reference to, “using nature to reduce flood risk and pollution” – there would be benefit in providing further clarity on how you will address sewer capacity to meet future growth and climate change

We support the rainscape approach and the benefits it brings in both tackling climate change and relieving capacity, but there are likely to be some instances where expanding sewer capacity is required to meet future growth and the impacts of climate change. We would like the vision to refer to a ‘toolbox’ of measures that DCWW can use across its business, rainscape being one of many. Rainscape in conjunction with other inventive solutions and development of networks needs to be demonstrated within the strategy.

We would like to see an emphasis on DCWW’s duty under s94 Water Industry Act (1991) to ensure that areas continue to be effectually drained, recognising the needs of future customers. We would be encouraged by a commitment in Welsh Water 2050 to work with local authorities and developers in identifying timely improvement to sewerage infrastructure to allow sustainable growth.

With reference to, “cleaner rivers and beaches” – the strategic response should be clearer in setting out the benefits to lakes, estuaries, coastal, marine and ground waters, along with special sites, such as shellfish and conservation designations. We are disappointed with the lack of ambition to implement catchment approaches to address impacts of waste water discharges. The company has missed the opportunity to integrate its catchment approaches across the business to deliver for both the clean water and wastewater sides of the business.

With reference to, ‘acceptable water quality for all customers’ the impacts of the strategic response on reducing leakage should be linked to the benefits this would provide for ensuring ‘enough water for all’, such as avoiding or delaying the need for investment in supply schemes in deficit zones.

c) Which strategic responses are priorities in the next 5-10 years in order to start to meet the challenges and opportunities up to 2050?

The Environment (Wales) Act aims to build resilient ecosystems so that they can provide additional benefits to people’s well-being. An assessment of evidence in Wales’ first State of Natural Resources Report concludes that overall, biodiversity is declining, all ecosystems have problems with one or more attributes of resilience, and that the full value of natural resources and ecosystems is not being adequately taken into consideration in decision-making processes.

We are working with DCWW to plan to meet their statutory environmental requirements in the next business plan (i.e. National Environment Programme). We encourage DCWW to integrate biodiversity and ecosystem resilience outcomes across their wider business plan, to optimise their contribution to SMNR and well-being.

We identify the following priority work programmes within the consultation (not listed in priority order):

- Safeguarding clean drinking water by working with nature
- Enough water for all
- Using nature to reduce flood risk and pollution
- Cleaner rivers and beaches
- “Missing” strategic response on sustainable wastewater service that deals with capacity issue to meet future growth and the impacts of climate change.

It would be useful to understand which catchments and communities DCWW see as priorities for action in the short and medium term across these strategic programmes, and we would like to explore this further at the PSB workshop in October.

We encourage DCWW to focus on addressing problems at source by developing integrated catchment solutions to deliver multiple benefits, and on taking adaptive and preventative actions to future proof our natural resources. For example, expansion and development of the rainscapes and watersource programmes so that they provide benefits across the business.

It is important that DCWW develop their programmes collaboratively and build flexibility into their approach in order that they can respond to the priorities and opportunities that will emerge from the Natural Resources Policy (NRP), area statements and well-being plans developed by Public Services Boards.

d) Which scenario (progressive or comprehensive) is appropriate for each strategic response?

NRW prefer the comprehensive to the progressive response outlined in the document. It is more likely to benefit Wales’ natural resources. We do not accept the argument that it is unfair to ask customers to pay for assets that may only benefit future generations. The document would benefit from out-lining the consequences of only following the progressive response.

e) What level of trade-off are you prepared to accept between bills and long-term investment in your water and wastewater services?

Thinking long term is an underlying principal of Wales’ legislative framework. Natural capital is declining in Wales and elsewhere in the world because it is undervalued. Many final environmental goods and services are common goods which cannot be priced by the market. In this respect the price of water, reflected in customer bills, is currently too low, even if it is more undervalued elsewhere in the UK. Water should not therefore be priced as an inferior good.

We need to change the way that our society views water from being a low-value bulk resource to being a valuable resource that, through sustainable use, can enable healthy lives and high-value economic activities. Climate change should drive this change of approach since Wales is likely to:

- Experience more frequent droughts;
- But at the same time be less water-stressed than south eastern England and parts of the continent – and thereby become relatively more attractive for human settlement and economic investment.

Furthermore, if the opening baseline in each five-year cycle is the charging regime that was set last time around, then that poses challenges in relation to climate change. As climate change accelerates the company faces a “rising baseline” simply to maintain its resilience. These increased charges will fall on future generations. There should, therefore, be a presumption that where actions now can reduce overall costs in the long term, then these should be taken now. Water companies are required to develop water resources management plans (WRMPs) that cover a minimum 25 year period, this principle should be adopted across DCWW’s business, and specifically for wastewater and sewerage planning.

However, we are also mindful of the need to mitigate against the distributional impacts of bill increases on vulnerable and low income customers. DCWW has already pioneered engagement processes linked to the use of the “customer dividend” arising from their constitution as a social enterprise. We believe that this could be extended and would like to work with you on this to the benefit of society as a whole.

We provide the following alternative scenarios for discussion:

Scenario A - ensure that no vulnerable customer would be worse off than under the progressive response, and to provide scope for them to be better off, customer bills for those on non-concessionary tariffs should rise each year by consumer inflation plus 120 basis points. The additional revenue raised should be used to extend help to vulnerable customers, for example by endowing vulnerable customers on water meters with an allowance of free potable water determined by an objective consideration of the minimum use for various household structures to ensure that nobody is forced to economise on water usage to an undesirable extent.

Scenario B - non-concessionary customer bills should rise at least in line with nominal GDP in order to ensure money for value.

Scenario C - allow customers to donate extra amounts through their bills for water related causes at home or abroad, with match funding from DCWW drawn from the surplus of revenue above the total expenditure implied by the comprehensive response.

With two levels of tariff and incentives to encourage those with higher willingness to pay for water services to donate to enhance well-being at home and abroad, DCWW would be using its ability, as a monopolist, to price discriminate for the benefit of society as a whole.

It would also provide a greater economic incentive for customers to adopt water conservation measures.