



Water for life and livelihoods - Thames River Basin District

An Environment Agency consultation
paper

Consumer Council for Water Response

June 2009

A consultation on the Thames draft River Basin Management Plan

A Introduction

- 1 The Consumer Council for Water (CCWater) is the statutory body representing the interests of water and sewerage consumers across England and Wales. We have four regional committees in England and a committee for Wales. We have representatives on each of the River Basin District (RBD) Liaison Panels. This response represents the collective view of CCWater as well as focussing on the issues affecting the Thames River Basin Management Plan (RBMP).
- 2 We welcome the concept of co-ordinated plans to address pressures and impacts on the water environment. These should engage all sectors whose activities affect water resources and the natural environment. Solutions should be based on robust science and implemented in a sustainable manner so that they meet the economic, social and environmental needs of the present generation without compromising the ability of future generations to meet their own needs.
- 3 We consider that meeting the requirements of the Water Framework Directive (WFD) should be carefully balanced to make sure that any action is acceptable to customers and affordable in both the short and long term. The fact that the WFD will be implemented over three planning periods is recognition of the huge task involved. We should use this time to make sure that measures are implemented in a way that does not cause significant impact on water customers' ability to pay or reduce the acceptability of environmental expenditure. This is even more pertinent in the current economic climate.
- 4 We perceive that there is a risk in using single-issue surveys because customers' 'willingness to pay' may be over-estimated. This could result in the imposition of long-term costs on the water industry, and their customers, in such a way that the expenditure requirements 'lose touch' with the real world priorities of those customers and the ability of a significant minority to pay.
- 5 At the same time as loading new environmental costs onto consumers, the Environment Agency's policy is to press for a programme of compulsory metering. We expect that this is very likely to make the overall incidence of water charges more regressive in relation to income, with a particular risk of burden on households with children. This could lead to significant hardship and be in conflict with Government objectives on child poverty. As the peak expenditure to achieve WFD objectives could well come after 2015, it is a relevant consideration for the consultation that the level of ambition will also be met increasingly by poorer households. These concerns are

amplified in light of the implications of sewerage companies adopting private sewers in 2011.

- 6 We can provide more information on these effects and look forward to working with stakeholders to address these concerns. It is against this background that we make the following comments on the Thames dRBMP.

B Executive Summary

- 1 **The experience of river basin planning has been valuable.** With the Environment Agency chairing, a disparate group of stakeholders were able to cooperate in the development of the plans which were issued for consultation in a timely manner. The principle of consultation and cooperation at an RBD level has been established for future planning cycles.

- 2 **We support the application of sound science, so that investment is well targeted.** We consider that more work is needed to establish any correlation between compliance with the standards and the sustainability of fish populations. For this and other reasons, it is right that the emphasis of the first round of river basin planning is on investigations.

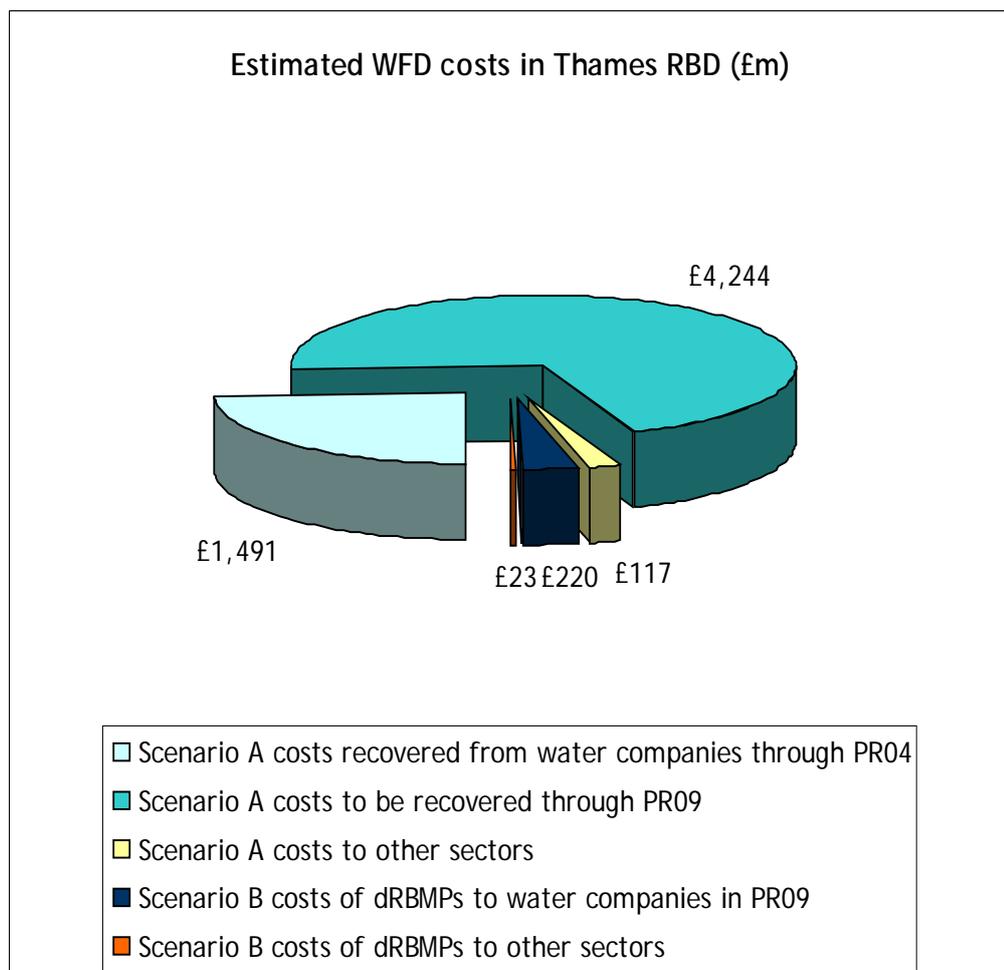
- 3 **We have concerns about the inflexibility of the 'one-out all out' approach to assessing the status of water bodies, whereby if a water body fails only one of the parameters, it fails overall.** We urge the Environment Agency to consider these issues carefully.

- 4 **More work needs to be done to explain and enhance the measures that will be carried out by the sectors outside the water industry.** Across England and Wales, water companies are already responsible for around 96% of the costs of the first round of river basin planning. This appears to be a disproportionate load, especially as the main impediments to achieving Good Ecological Status appear to be associated with diffuse pollution and the man-made structures in and around water bodies, such as weirs and culverts. As such, the over-emphasis on paying for WFD through water bills appears out of line with the 'polluter pays principle'. We consider that Defra, the Welsh Assembly Government (WAG) and the Environment Agency for England and Wales need to develop more mechanisms and incentives to encourage other sectors to play their part.

- 5 **There is a lack of transparency about the methodologies for assessing disproportionate costs and the distributional effects.** We welcome the fact that the WFD recognises both the concept of disproportionate cost, and that investment to raise environmental standards should not have adverse distributional effects. But we see very little in the dRBMPs that is clear about potential final costs and

the distributional effects in terms of increased water bills.

- 6 **The Environment Agency must be clear about what is covered by the scenarios and options set out in the dRBMPs.** Reflecting this confusion, we have concerns about how much work water companies will be asked to do that is not currently in the actions set out in the National Environmental Programme (NEP) or covered in Ofwat's review of water prices (PR09). We feel that the Environment Agency needs to clarify what it is asking water companies to do and when and how this relates to the NEP and PR09.
- 7 **The figures from the impact assessments across England and Wales suggest that the proposed measures are not good value for money.** The estimated costs of implementing the measures that will go ahead if all the dRBMPs are approved is £26bn for Scenarios A and B - just over nine times the estimated overall benefits of around £2.8bn. It appears from this that the planned measures represent very poor value for money, which will make them unacceptable to water consumers. This pie chart illustrates the estimated burden on water companies in the Thames RBD:



- 8 **More work must be done to refine the cost estimates, as presented**

in the dRBMPs and this must be completed before recommendations are presented to Ministers. The Environment Agency will need to balance reliable estimates of costs and benefits but we urge the Agency to consider carefully how to improve this information. We would not be able to support the final plans if costs significantly outweigh the benefits or if the estimates continue to be based on incomplete or underdeveloped data.

- 9 We are still concerned about the level of benefits. We understand that the Environment Agency is carrying out more work in this area but we would like to see the outcomes so that we can understand the basis for decision making.
- 10 We would like the Environment Agency to do more to explain costs and benefits to make the proposals relevant to the public. There is a risk that the Environment Agency will fall short of the objective to facilitate public engagement on WFD issues.

C Responses to questions

Question 1: Do you agree with the assessment of problems in water bodies? What would you change?

- 1.1 In general, we value and support the aims of the dRBMP but we feel that there needs to be an element of realism in the assessment of problems in the water bodies. We said last year¹ that we considered that a blanket adoption of all the UKTAG standards would not be appropriate as some of the standards are over mechanistic and do not relate to the actual ecological health of water bodies.
- 1.2 We strongly agree, therefore, with paragraph 4.2.10 of the consultation document: "The "one out all out" principle of the classification system can sometimes mask the picture of the underlying biological health of the water environment . . . The natural life of watercourses can sometimes be healthy even when the chemical and physical indicators suggest a problem. This emphasises the importance of having confidence that there is a real problem before taking action to solve it."
- 1.3 Before any major investment is triggered, we would urge the Environment Agency to consider whether the 'one out all out' approach to standard setting is appropriate for those circumstances. For example, if a river or lake fails to reach a standard because it fails on a single chemical or biological measure, the Environment Agency needs to ask whether it is actually eutrophic, or failing to support a

¹ CCWater's response to Defra/WAG's Consultation on River Basin Planning Guidance Volume 2

sustainable fish population.²

- 1.4 The process of assessing the problems in water bodies has, so far, been separate from the processes for assessing the costs of implementation. The consultation on the dRBMP will be an important opportunity to consider standards alongside a practicable cost yardstick - what is ideal and what is practicable at reasonable cost? In some cases, there may be a critical difference.
- 1.5 For example a standard of 0.1mgP/l for phosphate has been considered, with tougher standards for salmonid waters. If water companies are to achieve and maintain standards at such levels they may need to reconstruct sewage treatment works, rather than simply enhancing treatment procedures. All of this would impose heavy costs on water consumers, as well as carbon costs where extensive engineering work using steel and concrete is required. Joined up thinking and careful prioritisation is required to avoid creating further problems in the future through, for example, the implementation of unsustainable measures.

Question 2: Do you agree with the proposed objectives? What would you change?

General

- 2.1 Broadly speaking, we consider that the objectives which are set out are a good starting point from which to develop the final RBMPs. However, we consider that the likelihood of achieving these objectives may be lower because of a lack of joined up management of the water environment. In particular, we think that more work needs to be done to develop and enhance the information about those measures which are the responsibility of non-water industry sectors. This is explained further in response to question 5.
- 2.2 The Environment Agency has stated that it wants to increase the ambition of the dRBMPs. We support this aim with the proviso that there is no increase in the burden on water companies for the reasons we set out in response to question 5. Any further expenditure, over and above what has already been set out for PR09, could be problematic.

² "Our recent work through UKWIR has shown that phosphorus standards in the EU vary considerably, indicating the uncertainty about the cause and effect of the various proposed standards. In the UK the standards proposed for phosphorus are so tight as to suggest that many of our waters will never make good status and yet they will have, as they do today, thriving fisheries. It would be counterproductive to adopt such standards without supportive evidence of the impact on biology and being able to demonstrate the benefit that will be achieved by the major cost (in both environmental and financial terms) involved."

Source: Water UK response to Defra/WAG's consultation on River Basin Planning Guidance Vol 2.

Confidence levels

- 2.3 It may be difficult to substantially increase the ambition of the plans without changing the basis on which scientific judgements are made. However, there is a need to maintain scientific benchmarks, such as the criteria that 95% confidence in the causes of a problem is needed to trigger remedial measures. We understand through discussions with other stakeholders that the Environment Agency is considering whether relaxing this level of confidence is an appropriate course of action to take in order to facilitate action on low cost measures.
- 2.4 In theory, this may sound sensible but it seems to us that an inevitable outcome would be that some water companies will end up incurring additional costs. Many stakeholders now acknowledge that the water industry is already bearing more than its fair share of the costs of implementing the first round of river basin planning. The consensus seems to be that we need to increase the involvement of other sectors rather than increase the burden on water companies.
- 2.5 For these reasons, we feel that reducing the confidence criteria could be a counterproductive way of improving the ambition of the plans in this round. We could not support this idea if it resulted in significant additional costs to water companies. If the Environment Agency was to implement it, we would strongly urge them to review its applicability and use before the next round of river basin planning.

Fish populations

- 2.6 There is evidence to suggest that the aspirations for sustainable salmonid waters (including completion of the migration and breeding cycle) may not be realistic or practicable. The following are factors that may affect this:
- The failure to establish a full migration cycle to date;
 - The possibility that this failure is related to temperature as well as other factors; and
 - The probability that summer temperatures will rise above the usual range of Atlantic salmon as overall temperatures increase due to climate change.
- 2.7 Atlantic salmon were once established in the Thames. That they are no longer present except as an introduced species is due to a combination of factors, including hydromorphology, pollution (past as well as present), water flow and water temperature. It is also worth noting that there are no established salmon populations in rivers between the Yorkshire Esk and the Hampshire Test. This is unlikely to be entirely due to relative inefficiency of sewage treatment in these waters compared to other parts of the country.
- 2.8 It is likely that some or all of these problems will also affect other

species of fish. When setting objectives, the Environment Agency will need to consider whether the water is at, or will reach, temperatures above the headroom of the species in question. It is not clear whether this has already been taken into account. Hence, we call upon the Environment Agency to review the way in which the fish objectives have been set and are measured and whether they are still appropriate in the light of global warming.

- 2.9 We also question whether a highly modified estuary such as the Thames Tideway will be able to achieve more than a moderate ecological status. The Thames Tideway Tunnel RIA has indicated that the tunnel will fail to deliver its ecological objectives at some point before 2080. We understand that rising temperatures may defeat the objectives by 2050 and that in a hot summer the Tideway is already too hot for salmon.

River flows in dry summers

- 2.10 We also question whether the overall objectives for improvement may be unrealistic where rivers show small impact of physical modifications, such as flood defences and engineered channelling. In these situations, it will not take much to achieve some of the characteristics of a 'good' river but this may not be practical. For example, without the discharge from sewage treatment works of treated effluent, some river flows in a dry summer would often be negligible. We would ask the Environment Agency to bear such uses in mind and clarify where they feel these affect the objectives.

Question 3: For some water bodies we have proposed objectives with deadlines after 2015 or a lower overall target. Do you agree with these changes? What would you change?

- 3.1 We strongly support the approach of carrying out investigations in the first round of river basin planning. This will help to identify and confirm what measures may need implementing in further rounds of river basin planning. It will also help to identify where proposed measures may be ineffective, either because the causes of the problems have not been identified or because the benefits that can be assumed from carrying out the work are unclear.
- 3.2 We consider that programmes of investment should not be required unless there is robust evidence that they will address the pressures on the water bodies in a cost effective and sustainable manner. Where this evidence is lacking, it will be necessary to extend deadlines in order to gather more information about causation or to develop new technical approaches to resolving the problem. In principle, therefore, we agree with the need to extend deadlines for meeting the objectives.
- 3.3 We have no comments on the specific changes that are listed. In the

light of the considerations set out in answer to question 2, however, we suggest that the final version of the dRBMP should explain that for some water bodies in the region achievement of good status, even on a slow timetable, is unlikely. In these circumstances, it will probably be necessary to set less stringent objectives under Article 4.5 of the Directive on grounds of disproportionate cost or expense. Any such assessment should have regard to Defra/WAG's guidance on economic efficiency and distributional effects³.

- 3.4 The water bodies for which less stringent objectives seem likely to be appropriate include:
- The Thames Tideway. As explained in response to question 2, the substantial expenditure linked to the Lea and Tideway tunnels is unlikely to result in more than moderate status or secure ecological objectives for much more than 30 years, if that, because of rising temperatures.
 - Groundwater - because of the profound difficulty of reconciling the need to sustain public water supplies with ecological objectives, and because historic pollution of some aquifers is likely to be ineradicable.
 - The SW Essex Catchment, and possibly some other subcatchments: because conditions seem particularly unlikely to be conducive to resolution at proportionate cost.

Question 4: We have followed a process to assess (appraise) the actions. This process is described in detail in annex E. Do you agree with how we have done this?

- 4.1 As a member of the Thames RBD Liaison Panel CCWater has been involved in the process of assessing the actions that are needed. Overall, the Environment Agency has generally provided stakeholders with a good opportunity to give careful consideration of the issues. However, we have some concerns about the outcomes.
- 4.2 We are disappointed that the dRBMPs are still relatively silent on the economic implications of WFD implementation. Throughout the plans there is very little mention of the mechanisms for assessing disproportionate costs, including the distributional impacts or affordability of measures. Defra/WAG has stated that the Environment Agency⁴ must ensure that the appropriate level and type of justifications, including information about the distributional impacts, support the objectives included in the RBMPs. We are planning to work together with Ofwat and the Environment Agency to develop an approach in this area. However, it is a concern that the Environment Agency has not prioritised this work so far.
- 4.3 We also consider that the current reliance on the water industry to

³ Volume 2 of Defra/WAG's River Basin Planning Guidance, August 2008.

⁴ As set out in section 10 of River Basin Planning Guidance Volume 2, August 2008

deliver the majority of measures for the first round of river basin planning could be seen as a weakness in the strategy for delivering WFD. We explain this further in response to question 5.

- 4.4 We are also concerned about the lack of clarity in several areas. For example, at a basic level, we were disappointed that the wording of the dRBMP did not reflect the wording of the NEP, which sets out the key items of environmental expenditure for the water industry in PR09. This has made it difficult for stakeholders, including ourselves and water companies, to understand the cost implications of the dRBMPs.
- 4.5 We recommend that the Environment Agency reviews the read-across between the NEP and the water companies' final Business Plans (FBPs) and Annex C of the dRBMPs. This will help it to identify and quantify the costs to the water companies of the first round of WFD implementation which will, in turn contribute towards the work that the Environment Agency needs to do to balance costs and benefits. From a stakeholder perspective, we would like to see the final RBMPs reflect the final NEP as clearly as possible.

Question 5: What comments do you have on these actions? Are there any actions that have been missed, or any changes you'd propose?

- 5.1 Our primary concern is that the figures indicate that the WFD is not being implemented in a wholly even handed or proportionate way. In section 4.1.3, the dRBMP lists the significant pressures on the water environment of the Thames RBD as:
- Low flow and depleted groundwater due to abstraction;
 - The impact of physical modification;
 - The impact of changing agricultural and land management practices on the water environment;
 - How future development can assist in achieving the WFD objectives;
 - The impact of urban run-off (including flood risk management);
 - The impact of aquatic alien species on ecosystem health;
 - The impact of point source discharges.
- Water companies are already addressing most of their point source issues. Other than this, the water industry plays a significant contributory part in only one of the pressures identified - low flow. However, as the scenarios in the dRBMPs set out, the water industry will be responsible for mitigation of most of the problems, mainly through its treatment of abstracted water and sewage. The water industry may incur at least 90% of the estimated costs for this RBD, excluding those costs already recovered from the water industry through PR04.
- 5.2 Ideally, expenditure should be allocated according to whichever party is/was responsible for the water pollution. Instead, there is a worrying

emphasis on water companies undertaking costly hard engineering solutions to clean up after others.

5.3 To address this risk, it appears to us that more work needs to be done to develop WFD specific measures that are targeted at non-water industry sectors. For example, there could be more information on the implications of the following:

- Compliance with agricultural best practice;
- Local wildlife trust conservations initiatives;
- How non-water industries can address and reduce pollution;
- The role of the Highways Agency;
- The role of Local Authorities; and
- The role of inland drainage management.

Failure to develop these opportunities may risk the delivery of the WFD both in the short term and the long term.

5.4 This approach would encourage industry and agriculture sectors to tackle pollution at source in this round of planning and contribute towards the longer term objectives of the WFD, helping to reduce risk of non-compliance in the future. This is a more thorough approach than relying on the water industry to deliver a larger number of expensive projects in future rounds of river basin planning. Customers' pockets will not be bottomless and the future political and economical climate may mean that it is not possible to use water bills to raise all the finance needed to support expensive programmes of measures. This could jeopardise the quality of waters.

5.5 Part of the problem is that there is no incentive on non-water industry sectors to play a key role in delivering the WFD. The water companies have to deliver environmental improvements through a tight regulatory framework but this does not always apply to other sectors. This leads to a situation where responsibility for measures and the costs of those measures are passed to water companies 'by default'. This is unfair and we call upon the Environment Agency for England and Wales, Defra and WAG to consider ways of creating incentives for non-water industry sectors to take responsibility for their impact on the water environment.

5.6 As a starting point, Environment Agency and Defra/WAG need to increase the involvement of non-water industry sectors by:

5.7

- Providing clear information that conservation groups and wildlife trusts can access to enable them to assess the problems in their area and decide what measures they develop and undertake. NGOs expressed concerns at a recent WFD conference that this does not seem to be happening through the dRBMPs or other related communications.

5.8

- Continuing support and funding for the English Catchment Sensitive

Farming Delivery initiative. This is an important area of work that supports the development and delivery of good agricultural practices. It is a 'win-win' for farmers, who may be eligible for capital incentives, and for the environment, which will benefit from lower pollution.

- 5.9
- There is an increasing amount of legislation that will contribute towards meeting the requirements of the WFD, such as the forthcoming introduction of Water Protection Zones (WPZs). However, any legislative framework must be supported by proactive 'business as usual' by the Environment Agency. For example, to support the operation of the WPZs, the Environment Agency must be proactive in identifying point source pollution and they must take appropriate enforcement action on the polluters.

- 5.10
- Another area of concern is the clarity of the measures set out in Annex C of the dRBMP. At several points, the wording is open. For example on page 91 there is the following description:

Improvements to water company assets at 9 locations in the North Kent Catchment, to deliver benefits against the pressures identified or investigate the need for further investment.

The full extent of what is required for this measure is not clear as there is a potentially wide difference between improvements that deliver benefits, which will entail capital expenditure, and investigations into the need for further investment, which will be relatively low cost.

- 5.11
- If it is intended that investigations should automatically lead to the full implementation of measures within this round of river basin planning, this may require revisions to the NEP. This would affect the outcome of PR09 and raise issues about the affordability of water and sewerage bills during the 2010 to 2015 period. We would like the Environment Agency to be clearer on these issues. As a matter of principle, we would not support further costs falling to the water industry before other sectors have increased their contribution.

- 5.12
- We also ask what process is in place to ensure that the number of investigations is rationalised, so that duplicate work is avoided and results are shared effectively. For example, what checks are carried out to ensure that the number of investigations is justifiable? The Environment Agency should clearly identify what the key unknowns are before asking for investigations.

- 5.13
- We ask the Environment Agency to consider carefully whether any of the entries against the title 'Abstraction and other artificial flow pressures' have the potential to undermine the ability of a water company to maintain its basic service. In some cases, it may be unrealistic to restore water flows to their natural background levels

when there is no cost effective alternative for water supplies, especially in areas where there is a presumption against developing or extending reservoirs.

- 5.14 We think more can be done to explore the impact of rising block tariffs in order to assess issues such as;
- the efficiency of price signals;
 - fairness; and
 - the impact of tariffs on revenue volatility in particular.
- We believe that it is vital to ensure that tariffs do not involve undue discrimination against larger households.

Question 6: What comments on Scenario C actions do you have, including any additional information you can supply about specific actions?

- 6.1 Over the past few months we have been involved in several discussions about the dRBMPs with a range of stakeholders including water companies. One of the overriding impressions from these discussions is that there is generally a lack of clarity amongst stakeholders about which measures should fall under Scenario C. We think that the Environment Agency needs to do more work, both at a national and regional level, to explain Scenario C to stakeholders and to make sure that the measures are treated the same way across the country.
- 6.2 In addition, we have some specific concerns about the measures listed under Scenario C for the water companies. We note that although costs in Scenario C fall largely to the Environment Agency, actions are included which could lead to additional burdens on the water industry.
- 6.3 As referred to in response to question 5, any measures that require significant capital expenditure for water companies will have a retrospective impact on the price limits that will be decided later this year. Some examples of this follow:
Under 'Abstraction and other artificial flow pressures':
- Additional monitoring to confirm impacts on ecological status and their causes prior to licence changes.
 - Examine options for decentralised sewerage treatment arrangements including upgrading existing works to create locally sustainable systems.
- Under 'Nutrients, organic pollutants':
- Additional actions under PR09 for phosphate discharges when biological evidence is available and provides corroboration of need.
- 6.4 How likely is it that Scenario C measures will lead to capital expenditure before the next price review? Why are these measures not listed as Scenario B investigations to reduce uncertainty? In this way, they could have been included in the NEP. These issues need further clarification. Table 28 of the impact assessment lists the additional costs to water companies of Scenario C measures. The 'best estimate'

of abstraction costs is only £211,000 (PV). This figure will not cover the likely cost of any capital works, should these be required, and as such these cost estimates need reviewing.

6.5 We also note that although costs in scenario C fall largely to the Environment Agency, actions are included which could lead to additional burdens on the water industry. These include:

- Abstraction and other artificial flow pressures: Additional monitoring to confirm impacts on ecological status and their causes prior to licence changes
- Examine options for decentralised sewerage treatment arrangements including upgrading existing works to create locally sustainable systems.
- Additional actions under PR09 for phosphate discharges when biological evidence is available and provides corroboration of need.

We urge the same application of the disproportionate cost rule as for other scenarios, based on a realistic estimation of benefits.

6.6 In general, we would support the implementation of Scenario C where it enhances the likelihood of achieving the objectives of the WFD for a relatively low cost impact on water companies. Having said this, we feel that there is still a lot of confusion about what is involved in these measures and how this may affect costs.

Question 7: What support can you offer, such as undertaking any actions or providing resources, to help deliver more for your environment?

7.1 Although CCWater is not directly responsible for delivering any of the measures, we have played an active part in delivering WFD communications in furtherance of the objective of increasing public engagement with the issues.

7.2 This work has included:

- Raising and discussing the issues with our own stakeholders, including those who have not been previously engaged with WFD issues but who may have views about the implementation of the plans;
- Sponsorship of the Foundation for Water Research's Water Framework Directive Information Centre;
- Publishing WFD updates in our newsletters; and
- Updating our website.

7.3 We will continue to take responsibility for WFD communications in this way although we are a small office with limited resources.

Any other comments you may have on this plan.

Question 8: Do you agree with our assessment of how climate change will

affect pressures on the water environment? What would you change?

- 8.1 We agree with the Environment Agency's acknowledgement that climate change will affect pressures on the water environment. We appreciate that climate change prediction is an emerging science which limits the amount of information that is available now. However, even taking this into account, we feel that generally more needs to be done on this issue.
- 8.2 It is difficult to see how carbon costs and benefits are factored into the dRBMPs. We are aware that carbon costs will be taken into account in any assessment of disproportionate costs, but this is not applied to Scenario A measures which are likely to be carbon intensive. We believe that this is a serious shortcoming. If the carbon cost is not factored into the plans effectively, this will undermine the long-term sustainability of the Programme of Measures.
- 8.3 However, any assessment of climate change issues will only be useful if it refers to a realistic value for the cost of carbon. Although the valuation of £27 per tonne is widely used, there is a growing body of evidence to suggest that it is also an under-estimate. Our understanding is that the Department of Energy and Climate Change is likely to revise and increase this figure. It is vital that the Environment Agency keeps abreast of such issues.

Question 9: Do you have any other comments on this draft plan that you haven't already told us?

- 9.1 During the development of the plans, CCWater raised the need to highlight the costs and benefits in the dRBMP main document, which would have been the only part of the plans that some stakeholders would have read. We are disappointed that this did not happen and we feel it necessary to highlight some issues relating to the figures in the impact assessment. In particular, we are concerned about the lack of clarity over the estimated costs and benefits of the work which make it nigh impossible to assess the impact on water customers' bills of the first round of river basin planning. We believe that this omission may go against the principles of public engagement.

Costs

- 9.2 The impact assessment accompanying the Thames dRBMP included estimated costs of implementation for this RBD. The overall costs of implementation for this RBD were estimated at around £6.1bn, of which around 98% falls to the water industry, and hence water customers. The estimated total benefits for the region are around a twelfth of this figure. We appreciate that the impact assessments are not cost benefit analyses but it appears from this that the expenditure represents poor value for money, especially as the projected improvement in the length of water bodies at good ecological status of

the water bodies is likely to be very low.

- 9.3 We set out our concerns about the distributional impacts in the introduction. We are especially concerned about the potential for distributional impacts to increase significantly in later rounds of planning and we are disappointed that the plans have not addressed this. As the peak expenditure to achieve WFD objectives could well come after 2015, it is a relevant consideration for the consultation that the future levels of ambition will be met increasingly by poorer households, especially those with children.
- 9.4 Our understanding is that provisional cost effectiveness work identified risks of particularly high costs for some companies in the London and South East Region. We regret the lack of candour in the consultation as to the possible levels of cost involved.
- 9.5 Having said this, we are aware that some water companies themselves anticipate a much lower level of expenditure on WFD in their FBPs. We are aware however that some costs are at this stage not included in the final business plans and may be proposed for special financing measures or inclusion at a later stage.
- 9.6 Lower costs would be good news for water customers but these figures highlight the need for more work to be done to refine the cost estimates. These must be balanced appropriately with the estimated benefits or as a nation we risk tying ourselves into expenditure that cannot be justified. As such, we risk providing the European Commission with inaccurate or unreliable information that may be used against us at a later date.
- 9.7 It is vital that when the final RBMPs are presented to Ministers, they contain reliable estimates of costs and benefits. CCWater would not be able to support the final plans if the costs significantly outweigh the benefits or if the estimates continue to be based on incomplete or under developed data.

Benefits

- 9.8 In pursuit of a robust assessment of benefits, CCWater has frequently argued that the National Water Environment Benefits Survey (NWEBS) work on which the estimates of benefits were based did not produce realistic values for the willingness to pay for improvements to the water environment. We set out our points in our response to Defra/WAG's consultation on Volume 2 of its River Basin Planning Guidance last year.
- 9.9 We still have the following concerns about the validity of NWEBS and whether the level of benefits that the Environment Agency is relying on is a reasonable representation of consumers' views, not least because of the changing economic climate.

- 9.10 NWEBS was a single issue survey. We are aware that the methodology of the survey was designed to compensate for the known bias in results from such surveys. However, it is still questionable how much of the bias was removed and it is disappointing that there is no reference to this uncertainty in the impact assessments.
- 9.11 In support of our concerns, there has been more recent consumer research conducted on behalf of a number of stakeholders including CCWater, the Environment Agency, Defra/WAG and Ofwat⁵. This research has highlighted how customers' views on the acceptability of certain elements of an overall plan increases when these elements are presented individually and out of context. It seems highly likely that respondents to NWEBS will have over estimated their willingness to pay for environmental improvements, unless these improvements were valued as part of a basket of goods.
- 9.12 In addition to this, as members of the Collaborative Research Programme Steering Group, we signed off on the NWEBS with the proviso that the results of this survey were valid within a specific context and timeframe. The following caveat was including in NWEBS:

The Steering Group is conscious that the values derived from this study may be used in a variety of purposes and decision contexts for which they have not been designed. The Steering Group cannot advocate the use of these values in this way.⁶

As we progress, however, the use of the data is moving further away from the circumstances of its original relevance. The current economic climate is much more severe than it was 18 months ago and yet we are still relying on figures from more optimistic times.

- 9.13 CCWater has also raised concerns about how the environmental baseline was presented to NWEBS respondents. We are aware that work has been carried out to update the baseline since NWEBS was carried out. However, we have not yet seen the results of this work and therefore are in no position to assess whether our concerns have been addressed. As an example, we are still unclear about what benefit values were used when the dRBMPs were finalised. This lack of transparency raises further questions.
- 9.14 In its guidance to the Environment Agency last year⁷, Defra/WAG referred to the principles for Disproportionate Cost Analysis. Defra/WAG is clear that there should be a presumption against putting

⁵ Understanding customers' views. PR09 Quantitative Research into Customers' Priorities (February 2009), Report for Ofwat, Defra, WAG, CCWater, Environment Agency, DWI Natural England and WaterUK.

⁶ National Water Environment Benefits Survey, NERA 2007

⁷ Volume 2 of Defra/WAG's River Basin Planning Guidance, August 2008.

monetary values on non-use benefits. These would include benefits emerging from improvements to amenities, such as property prices and regeneration, as well as impacts on man-made landscape such as heritage. Yet through its National Liaison Panel for England, the Environment Agency has announced its intention to consider how to value these benefits. We urge the Environment Agency to have a transparent dialogue with stakeholders about how it will follow the Defra/WAG guidance.

- 9.15 In addition, the Environment Agency plans to evaluate benefits on a local basis seems to mirror the work done with NWEBS. Respondents to NWEBS have already estimated their value for benefits including recreational improvements and ecological improvements. As every household that gives a local value will already have had their willingness to pay represented through the national survey, how can additional local values be added in without double counting? We would like reassurance that when the Environment Agency counts up local benefits, it will take steps to ensure that double counting does not take place and explain its reasoning clearly to stakeholders.
- 9.16 Finally, we note that flood problems will be addressed through Catchment Flood Management Plans and any future work carried out under the Floods Directive. However, the benefits listed on page 12 of the impact assessment include 'resilience to droughts and flooding'. How can the benefits of flood prevention work be claimed if the costs are not included within the impact assessments? There needs to be clarity about how the costs and benefits arising from improving flood resilience should be handled.
- 9.17 To enable all stakeholders to better understand the background to its decision making we call upon the Environment Agency to distribute the outcomes of any work it has undertaken to develop its benefits estimates as this may address some of the wider concerns about any possible over-estimation of benefits.
- 9.18 We would also like the assurance that for future rounds of river basin planning, the Environment Agency, or Defra/WAG, will carry out further consumer research, preferably without relying on single issue surveys, to take a more rounded view of willingness to pay for environmental improvements.

Thames Tideway

- 9.19 There is another issue which is highly significant for any decisions on the Thames dRBMP. We have questioned and will continue to challenge the cost benefit case for the longer Thames Tideway tunnel, and have put forward proposals we believe could significantly reduce its costs while securing some 90% of the envisaged benefits in terms of reduced storm overflows. To date DEFRA has not supported reconsideration.

- 9.20 We believe this is a highly significant test case for disproportionate cost under the WFD, and for clarification (following an ECJ ruling reported after the Ministers decision on the Tideway) of requirements concerning storm overflows under the Urban Wastewater Treatment Directive. We will continue to press for reconsideration, for a full expert appraisal of the claimed public health benefits in accordance with guidance on managing risks to public health, under the Treasury Green Book. We also question in purely ecological terms the wisdom of incurring significant carbon costs which will almost certainly fail to deliver sustained improvements in return from migration of salmon.
- 9.21 It is important to develop a robust approach to benefits analysis as willingness to pay may be the only barometer to measure the acceptability of environmental improvements. The willingness to pay for WFD improvements is directly related to household incomes. Wealthier households are willing to pay more. However, median values from NWEBS indicate that the amount supported by half the sampled population does not exceed £25 per household per annum.⁸
- 9.22 If the Environment Agency is to ensure that future rounds of river basin planning are both sustainable and acceptable to water customers, it needs to start addressing these issues now. The dRBMPs have a wider impact than this round of river basin planning alone.
- 9.23 Through the liaison panel we are still engaged in discussions with the Environment Agency on several of the economic issues outlined above. Requests for clarification are being addressed, and it is likely that discussions will follow.
- 9.24 We are seeking to clarify information about costs and benefits, and the way in which guidance from DEFRA on disproportionate costs and distributional impacts will be reflected in the finalisation of plans.
- 9.25 We have in particular identified sharply increased water bills for households with children as a probable consequence of compulsory metering if it is introduced. The effect of combining compulsory metering with sustained increases in the costs being financed through water and sewerage bills is for us a major concern.
- 9.26 Public support for environmental improvement has been strong to date, but may be diminished if very large numbers of low income households are presented with water and sewerage bills they cannot pay.
- 9.27 A combination of circumstances means that it is only recently becoming possible to assess the scale of these distributional effects, and further Government proposals on ways of mitigating them are awaited.

⁸ National Water Environment Benefits Survey, NERA 2007

9.28 Depending on the progress of discussions we may make further representations before or shortly after the close of this consultation.

Enquiries

Enquiries about this consultation response and requests for further information should be addressed to:

Karen Gibbs
Policy Manager
Consumer Council for Water - London and South East
PO BOX 61778
London
SW1P 9NB

Or

Sarah Thomas
Policy Manager
Consumer Council for Water
1st Floor, Victoria Square House
Victoria Square
Birmingham
B2 4AJ
Tel: 0121 345 1042
Fax: 0121 345 1001
Email: sarah.thomas@ccwater.org.uk