



Consultation on Developing a National Policy Statement for Water Resources

Response from the Consumer Council for Water (CCWater)

Consumer Council for Water

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1 Introduction

- 1.1 The Consumer Council for Water (CCWater) is the statutory consumer organisation representing water and sewerage consumers in England and Wales. We have four regional committees in England and a committee for Wales.
- 1.2 We welcome the opportunity to share our views on this consultation on the development of the National Policy Statement (NPS) for Water Resources. As the consumer representative body, our comments are largely on the consumer (and customer) facing aspects of these proposals. As we are not in a position to help with technical data sharing or matters relating to planning, we have not attempted to answer all the questions posed.

2 Key Points

- 2.1 We welcome the development of a National Policy Statement (NPS) for Water Resources as it should support the timely delivery of the necessary investment to secure safe, reliable and affordable water services.
- 2.2 We believe the consultation clearly outlines all the reasons why the water sector needs to deliver a step change in its approach to water supply. We know that customers (and consumers) have an expectation that government (and others) will take the appropriate steps to deliver the long-term security of the public water supply and understand and place importance on securing water supplies for current and future generations.
- 2.3 The three principles adopted appear to be sound but we would also wish to see more prominence given to Nationally Significant Infrastructure Projects (NSIPs) delivering best value for customers in securing water supplies for the longer term.
- 2.4 We support the use of the water resources planning process for identifying potential NSIPs but given the potential for more inter-regional transfers and cross-company developments, we question whether regional, cross company, water resources plans should be a requirement in the near future.
- 2.5 Where projects involve several water companies in the role of donor, facilitator and recipients of water supply transfers, we believe it will be important to have clarity and transparency over the funding and cost recovery arrangements. While the financial benefits of a more stream-lined planning process are set out in the consultation in terms of overall project costs, it would be helpful to understand how these costs would be apportioned and what mechanisms would be used to determine this. Water customers will want to understand what they are paying for and why.
- 2.6 Lastly, large scale investments to secure water supplies should be re-prioritised ahead of other issues that may not be considered to be as important by water customers. Where schemes resulting in significant bill impacts are approved, water companies need to ensure investment is phased and bill impacts are smoothed so that water bills remain affordable for current and future customers.

3 Questions

Q1. Do you have any views or further evidence that could inform the need for resilience in the water sector?

- 3.1 Resilience in the water sector is crucial given the fundamental importance to society of having access to safe, secure and reliable water and sewerage services. Customer research (both from

CCWater and from water companies) shows that customers give priority to the security and reliability of their water supply and accept the need for investment now and in the future (maintaining and renewing existing assets and developing new ones). But, customers want smooth bill impacts.

- 3.2 The Water UK water resources long-term planning framework brought into sharp focus the scale, urgency, and pace of the challenges facing the water sector and the need to act now to build more resilience to mitigate the risks they present.
- 3.3 Recent research by CCWater¹ suggests that the future of water supplies is not at the top of people's minds. It is 'lived experiences' that shape customers' views on this issue - they rarely connect issues such as climate change and population growth with the water supply. As a result, many are surprised to understand the scale of the challenges faced by the water sector and the short time scales associated with them.
- 3.4 Research has shown that, when engaged, customers think of resilience in terms of future planning and investment. There is an expectation that those responsible for our public water supplies (water companies, regulators and government) will do what is necessary to ensure the public water supply we currently enjoy is maintained for future generations. Therefore, we think it is right that government takes timely action when deemed necessary in water customers' (and consumers') interests.

Q2. Do you have any views or comments on these principles for developing the NPS?

- 3.5 We agree with the three principles applied:

Principle 1 Setting out the need as part of a twin track approach

- 3.6 We support 'the twin track approach' of using demand management as well as resource management and development to balance demand and supply. We recognise that demand management (including water efficiency and leakage reduction) *is only part of the solution*. As such, demand management is not a justification to delay investment in water resource development. The scale of the projected deficit of water resources should not be underestimated. On its own, demand management will not address this issue in the seriously water stressed areas in the south and east of England in the longer term.
- 3.7 Large scale investments to secure water supplies should be re-prioritised ahead of other issues that may not be considered to be as important by water customers. Where schemes resulting in significant bill impacts are approved, water companies need to ensure customer support, that investment is phased and bill impacts are smoothed so that water bills remain affordable for current and future customers.
- 3.8 The development of a 'level playing field' for water resource options under the NPS seems appropriate for the reason given in the consultation document - that doing so would help to ensure no undue preference for one type of resource development option.

Principle 2 Clarifying the role of Water Resources Management Plans (WRMPs)

- 3.9 We recognise the importance of the established water resources planning process in identifying the most suitable and resilient solutions for a company to balance water supply and demand in its area.

¹ Community Research (2017). Water Saving: Helping Customers See the Bigger Picture. A report on behalf of CCWater. <https://www.ccwater.org.uk/research/saving-water-helping-customers-see-the-bigger-picture/>

As part of this process, we have encouraged collaboration between companies and at regional level, primarily through regional water resources groups such as Water Resources South East (WRSE) and Water Resources East (WRE).

- 3.10 This joint working (within the regions as well as with other sectors and interested parties), should enable more strategic solutions and efficient use of available water supplies. However, there is currently no requirement to agree a regional water resources management plan, so while regional modelling and planning informs individual company WRMPs, each individual company is ultimately producing its preferred plan. We therefore question whether it is time to consider a regional planning requirement which would build on the good foundations that the Water Resources in the South East Group modelling work has created. If all regions had this requirement it would provide a good platform for taking forward some of the larger more complex transfer schemes.
- 3.11 We agree that in selecting potential resource schemes the WRMP process ought to include extensive customer engagement and evidence of customer support and willingness to pay. It would be helpful for future planning application and approval that this evidence (as well as evidence deriving from any other appraisals deemed appropriate) is taken into account when considering Nationally Significant Infrastructure Projects (NSIPs).
- 3.12 We are pleased to see that the NSIPs planning process will ensure that the examination of any such project will give an opportunity for stakeholders to participate and for consumers/customers to make representations if they wish to do so, albeit within a shorter timescale.

Principle 3 Enhancing the environment

- 3.13 We agree with the need to preserve and protect the environment as part of the water resources development process and that this should apply to NSIP.
- 3.14 We support the fact that the NPS will build on WRMP requirements for an appropriate strategic environmental assessment and habitat regulations assessments. As stated in the consultation document, this will make sure that large infrastructure schemes (as identified in WRMPs) are designed to not only consider the environment, but work towards enhancing it as well.

Proposed Additional Principle

- 3.15 The consultation states (on page 11, paragraph 40) that ensuring the timely delivery of large infrastructure projects is important in making sure future needs can be met in an affordable way that offers best value for customers. We think this 'best value' point is especially important given that these projects will be paid for by water customers through their water bills, in some cases over many years. We believe this should therefore be flagged as a key principle.
- 3.16 At present each water company carries out its own social, economic and environmental appraisal, however some potential future projects will involve more than one company and will therefore require an overarching assessment of whether it meets the best value test.

Q11. What are your views on the factors we have set out here for considering if schemes are nationally significant?

- 3.17 We support the purpose of the NSIP process for *large infrastructure* projects (to streamline the process for planning consent). We agree with the justifications set out in the consultation document where this streamlined process could result in better value for water customers, who are likely to pay for the schemes.

- 3.18 In terms of the factors proposed (page 20 of the consultation), we broadly agree with the considerations about size and population served being the best metrics to review the definitions for NSIPs. However, we query what happens in instances where projects might be of a ‘small’ nature but deemed to be strategically important, be it from an economic, social or environmental perspective. This could be for example, the case of a relatively small transfer scheme that could help to increase the resilience of water supplies to a specified location. Do the factors mean that size is more critical than significance when deciding if the project can be considered as a NSIP? If so, then we believe that the factors should take greater account of the strategic significance of the proposed scheme.
- 3.19 In terms of the funding arrangements, it will be important to understand and have clear governance of how the NSIP will be funded, how these costs will be recovered and over what period of time. Risk should be carried by those best able to carry it. Risks associated with financing an infrastructure project, and any risk in its delivery, should be carried by the company (or companies) chosen to deliver the project. Adequate arrangements need to be in place to protect water customers from carrying a high level of risk due to a potentially higher cost of capital, and from paying further costs if the project fails to deliver, or if the cost of financing has been underestimated.
- 3.20 Separate financing of significant infrastructure projects (as with Thames Tideway Tunnel) could enable greater transparency to customers in terms of who is delivering the project, its financing arrangements, the costs incurred, and how this translates to customers’ bills. Such transparency could enable scrutiny and accountability of the project.
- 3.21 Finally, we agree with the importance of setting out a ‘level playing field’ that would not favour one type of water resources scheme (development) over another one. However, regional differences and characteristics will also have to be considered when developing this concept. For example, desalination plants may not make sense for some water companies due to their geographical location.

Q15. Do you have any views on whether there would be benefit in including groups of smaller transfer schemes within the threshold? Please explain your reasoning.

- 3.22 We agree that there needs to be further understanding of the types of water transfers that would be captured by the different thresholds proposed. This would be of special importance to ensure the delivery of the much needed strategic connections in the South East.
- 3.23 We look forward to more information on the cumulative effect of smaller water resources transfers. We expect more information to be available once companies publish their WRMPs in January 2018.

Q13. Which of the two options is your preferred threshold for new nationally significant reservoir schemes?

Please explain your reasoning, where possible using examples of previous reservoir schemes and schemes that are likely to be brought forward in future WRMPs.

- 3.24 We recognise the importance of these issues in the context of the NPS, but we’re not in a position to give an informed view on a preferred threshold for nationally significant reservoir schemes.

Q14. Which of the two options is your preferred threshold for new nationally significant water transfer schemes?

Please explain your reasoning, where possible using examples of previous transfer schemes and schemes that are likely to be brought forward in WRMPs.

- 3.25 We recognise the importance of these issues in the context of the NPS, but we're not in a position to give an informed view on a preferred threshold for new nationally significant water transfer schemes.

Q16. What are the main benefits and risks of setting the same threshold for all infrastructure types? For example, do you see any reasons that the thresholds for reservoirs and transfers should be/ not be the same?

- 3.26 We recognise the importance of these issues in the context of the NPS, but we're not in a position to give an informed view on the threshold for desalination schemes.

Q17. What are your views on the inclusion of desalination schemes in the definition of nationally significant infrastructure?

- 3.27 As mentioned in the consultation document, desalination plants may not be as complex as other infrastructure in terms of spatial planning. Such projects may benefit from the NSIP planning process, as long as water customers are given adequate opportunities to express their views and concerns about these options.
- 3.28 As with any other options, we would expect each company's preferred options (including desalination schemes) to be supported by customer research, and show acceptance and willingness to pay. For a long period of time we have supported Thames Water's investment in a desalination plant on the basis that it is required to meet peak demands for water. In addition, reducing leakage is essential, and Thames Water (as well as any other companies wishing to develop desalination schemes) must show commitment to achieving leakage targets and other demand side obligations.
- 3.29 We are aware that desalination schemes may attract controversy given the high energy requirements as well as other environmental considerations such as disposing the resulting brine from the treatment process. We expect these factors, as well as customer (and consumer) acceptance, to be explored in the development of each company's WRMP and to influence its preferred strategy.

Q18. What should the threshold for desalination schemes be?

Please explain your reasoning, where possible providing examples of previous schemes or those that are likely to be brought forward in WRMPs.

- 3.30 We recognise the importance of these issues in the context of the NPS, but we're not in a position to give an informed view on the threshold for desalination schemes.

Q19. What are your views on whether effluent reuse schemes should be considered nationally significant?

Please explain your reasoning, where possible providing examples of previous effluent reuse schemes or those likely to be brought forward in WRMPs.

- 3.31 We support the considerations towards water re-use scheme mentioned in the consultation document.
- 3.32 We are aware that some water companies have included indirect effluent reuse schemes in their options appraisal for their WRMPs, and that it may be some time before effluent re-use will be implemented in England and Wales. As such, we support the intention to ‘future proof’ the amendments proposed for this part of the Planning Act to ensure that, if and when these schemes are implemented, they can be considered as NSIPs to increase the resilience of water supplies.
- 3.33 As well as desalination, effluent re-use may attract controversy given the high energy requirements as well as other environmental considerations such as disposing the resulting brine from the treatment process. We expect these factors, as well as customer (and consumer) acceptance and willingness to pay, to be explored in the development of each company’s WRMP and to influence its preferred strategy.

Q20. Do you have any further comments on what water resources infrastructure should or should not be considered nationally significant?

- 3.34 We agree with the proposal that the NSIP planning process would apply as long as the project is developed on behalf of a water undertaker for the purpose of carrying out its (statutory) functions. However, adequate governance and the structure of the project need to ensure that water customers pay only for the costs associated to the regulated business.

4 Enquiries

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