

Consultation on Performance Commitments for Future Price Reviews
Ofwat

By email

Thursday 13th January 2022

To whom it may concern,

Re: PR24 and beyond: Performance commitments for future price reviews

Blueprint for Water¹ welcomes the opportunity to respond to Ofwat's discussion paper on Performance commitments for future price reviews – we consider these to be important approaches in enabling greater environmental outcomes to be achieved through Ofwat's regulation of the water industry.

Performance Commitments

Blueprint recognises the value of Performance Commitments in driving improvements in key areas of water company delivery. We consider that these can be of particular value for areas on which it has been challenging to achieve progress, such as for example on water quality, given the limited progress that the UK has made towards meeting targets stemming from the Water Framework Directive.

We have however previously raised concerns around the Performance Commitment regime, and these should be considered during the development of PCs and acceptance of companies' proposals under them. These include:

- That the desire to achieve outperformance targets can potentially stifle innovation; targets should be set in a manner which does not for example dissuade the adoption of nature-based approaches given the significant wider benefits that these techniques could deliver. Having outcome-focussed PCs is one element of this, which we support.
- Performance Commitments which solely measure compliance with environmental regulation must be set differently to other wider-ranging measures when it comes to financial rewards and penalties. For example, customers are likely to have an expectation that companies are already compliant with regulation, or will become so at their own cost. A payment for

¹ Wildlife and Countryside Link is a coalition of 64 organisations working for the protection of nature. Together we have the support of over eight million people in the UK and directly protect over 750,000 hectares of land and 800 miles of coastline. Blueprint for Water, part of Wildlife and Countryside Link, is a unique coalition of environmental, water efficiency, fisheries and recreational organisations that come together to form a powerful joint voice across a range of water-based issues.

simply 'achieving compliance' is likely to be unacceptable to customers, whilst penalties for failure, or rewards for significant out-performance, will likely be more palatable.

Blueprint for Water member organisations have a particular interest in the introduction of Common Performance Commitments on Biodiversity and Water Quality which will drive change in areas critical to the health of the water environment, and are contributing to the development of both of these.

A Biodiversity Performance Commitment

Water companies, in supplying water and sewerage services, place substantial burdens on freshwater ecosystems. Combined with the stresses from farming, urban land use, atmospheric deposition and climate heating, these pressures all contribute to the long-term decline in freshwater biodiversity in England's landscapes. We welcome, therefore, proposals to introduce a new and more refined PC on biodiversity in PR24, particularly if this is focussed on freshwaters and wetlands which are one of the most sensitive and threatened parts of the UK's natural environment. In terms of delivering societal benefit, a focus on the water environment offers the greatest opportunity for beneficial change, as well as being fair to the companies who have much less impact on terrestrial ecosystems. In taking this approach the water industry can play a substantial leadership role in improving the water environment if it also adopts three important evidence-based principles:

- 1. *Championing the protection of the whole water environment*** – both small and large waters, still and flowing – going beyond the traditional confines of the Water Framework Directive. This reflects the realisation that small waters are the most biodiverse part of the water environment and the easiest to maintain, improve or create.
- 2. *Focusing on water quality***: there is a growing awareness that, in terms of water quality, 'Good' status in the sense of the WFD, is not good enough for freshwater biodiversity. The new PC should take a true landscape approach where protection of freshwater biodiversity works by focusing on protecting existing clean water 'hotspots' first and then building out from these areas by **adding more clean water** to the landscape. This entails a combination of cleaning up damaged waterbodies (especially by starting with clean headwaters and working downstream), creating new clean freshwater and wetland habitats and removing sewage effluent discharges to sensitive waterbodies.
- 3. *Prioritising evidence***: much of the work to protect and improve the water environment is undermined by lack of evidence of benefits (or worse, evidence of failure to make improvements is disregarded). The PC should strongly emphasise evidence of effectiveness of the measures applied, particularly at the landscape scale.

A River Water Quality Performance Commitment

We welcome the development of a common PC around 'River Water Quality', as opposed to the existing bespoke PCs. This should help streamline methodologies, enable consistent cross-company comparison and increase knowledge-sharing around achieving the commitment. The creation of one

methodology for the PC, and the greater clarity this will provide, should also enable the eNGO sector to better engage with water companies on this important issue. This PC will be important in keeping momentum on improving water quality issues related to continuous discharges from sewage treatment works and pollution incidents, in tandem with the significant progress needed around pollution from Storm Overflows.

We also welcome that the 'River Water Quality' PC will be outcome based, as opposed to intention based; it is widely documented that the freshwater resource in England and Wales is largely in poor condition creating negative impacts on wildlife and people, and the water industry has significant influence and power in this space. This is reflected in two major reports released by Blueprint members in 2021; [Troubled Waters](#) and the [State of our Rivers](#) reports, which highlight the scale and impact of poor water quality on the natural environment, including protected sites, and highlight that pressures from agriculture and the water industry are the leading causes of freshwater pollution. England and Wales are currently falling significantly behind WFD targets for all waterbodies to achieve Good Ecological Status by 2027, and it's vital that the water industry delivers the best possible outcomes for water quality to secure a healthy freshwater environment.

We would be pleased to discuss any of these points further.

Many thanks and best regards,



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