Blueprint for PR24 – Achieving Environmental Ambitions

September 2024

Wildlife and Countryside LINK

Contents

Introduction

A significant step-change in ambition and delivery is needed if we are to see England's rivers, lakes, estuaries and coasts returned to good ecological health by 2027, 30% of land and sea protected for nature's recovery and the decline of species halted by 2030.
The ambition of water company business plans up to 2030, set through the process known as the 2024 Price Review (PR24), will play a central role in the achievement, or the failure, of these Government targets for nature recovery.

In 2021 the Blueprint for Water coalition published an Environmental Manifesto for the Price Review, setting out what needed to be included in water company plans for PR24 to ensure the sector made its full contribution to meeting nature recovery targets. This paper assesses the now published plans against these recommendations, to provide a view of the overall environmental ambition of PR24, and what needs to come next for nature.

Assessing the environmental ambitions of the Business Plans

In previous Price Reviews, we have scrutinised companies' draft Business Plans. We have seen a general trend from PR09, through PR14 and PR19 of increasing environmental ambition by the sector, and on paper it had appeared that companies were increasingly conscious of the importance of the environment to both customers and business resilience.

Yet delivery has often fallen short of ambition. In recent years we have seen the exposure of untreated sewage releases, the deliberate misreporting of environmental performance by some companies, and the realisation by the public that vast debts (often accrued not to deliver vital investment but to pay shareholders) are now constraining the ability of companies to invest in critical infrastructure and improvements.

Decision-making on the schemes that companies will progress, and the charges they will make to customers in order to fund them, also comes at a challenging time – on one hand, environmental awareness and expectation has never been higher, but on the other, the cost-of-living crisis means that bill increases necessary to fund environmental improvements will be extremely unpalatable.

Significant investment is required to address pollution, and to tackle leakage and wasteful water use. These issues not only harm our environment but our economic prosperity - the national implications of poor water management are already becoming clear, with major housing and infrastructure developments held up by lack of water availability. However, companies must do more to demonstrate to customers that their money as billpayers will be used to deliver this necessary investment, rather than to support companies' balance sheets and bonus payments.

In looking at PR24 plans, we have chosen to focus on scrutinising the **data tables** that sit behind the raft of other documents.[1] These tables are provided by Ofwat and must be completed and submitted by the companies, meaning that information is provided in a factual and (theoretically) consistent way. They capture key metrics that can be used to understand (and importantly from our perspective, compare), the proposals that companies have submitted.

We look here at what they tell us, what they don't, and at the work companies and regulators must now undertake to secure the best possible outcomes for the environment, both for PR24 and looking forward to PR29 and beyond.

What can we tell from the plans?

By looking at the data tables we can compare ambition across companies. We can see which proposals are industry-leading and which are lacking, which companies are continuing to press on environmental improvements, and which are resting on their laurels.

Most of our analysis focuses on the 10 water-and-sewerage companies that operate across England. This is because the majority of the environmental pressures facing our waters relate to wastewater, and so are not relevant to the plans of the smaller, water-only companies. However, unsustainable abstraction remains a pressure in many rivers and a threat in others, particularly across the precious chalk streams of south and east England. As such, where ambitions set out in our manifesto are relevant to both types of company, such as around water efficiency and abstraction reduction, we look across the plans set out by all.

In some areas, the data tables do not provide information that we can use to understand what companies are proposing against the particular ambitions that we have set out. Information may be insufficiently granular, or may not be captured at all. This in itself is telling. Against others, we can see a partial picture; the metrics may align in part with our asks, but not give us the full picture. Elsewhere still, the data tables contain data that give us a clear picture of what companies are proposing, enabling us to understand the level of ambition across the sector. Our analysis shows that in some areas, ambition seems high. In others however, ambition is variable.

[1] Data analysed for this scorecard was obtained in June 2024 by accessing the latest available version of the data tables published by each company on their website. Companies published updated data tables at different times; this meant that the version accessed was published either in January, March or April 2024 depending upon the company.

Where we see ambition

- **Blueprint recommendation for PR24: Set targets for zero pollution incidents by 2030**

Analysis of 2024 business plans:
Fish kills are simply unacceptable. Sewage fungus is avoidable. In previous manifestos we suggested that companies should set an ambition of reducing **serious pollution incidents** to zero, even if that target were unlikely to be met. We felt that this goal was necessary for culture change; in parallels such as health and safety, for example, there is a zero-tolerance approach to serious failings.

In PR19 companies did not adopt that ambition, so we repeated this proposal for PR24, and are pleased to see that the majority of companies have set a target of zero, Thames Water being the most notable exception. This represents a shift in mindset across the sector which is to be welcomed. However, we are mindful that simply setting a target does not guarantee that this target will be met. It will be important that regulators and sector stakeholders look at the performance that companies achieve across the AMP, and not just at the target they have set themselves.[2]

Serious Pollution Incidents 2030 (No.)

Anglian Water	Dŵr Cymru	Northumbrian Water	Severn Trent Water	South West Water	Southern Water	Thames Water	United Utilities	Wessex Water	Yorkshire Water	Average	Blueprint target
0	0	0	0	0	0	4	0	1	0	0.50	0

For PR24, the number of Serious Pollution Incidents[3] has been made a 'Performance Commitment' against which companies will face penalties if they do not meet a target set out through the Price Review process. In this case, Ofwat has set that target at zero. In addition, reflecting the importance of this issue to customers and the environment, polluting companies may face fines or other sanctions on top – these must be of an appropriate level to act as a strong disincentive, ensuring that it is not better for the balance sheet to pollute than it is to invest in preventing pollution. Ultimately the issuing of penalties and fines

[2] Where we had set out a numerical target as part of our ambitions, we colour code the sector's proposals against that ambition. Green shows proposals that meet or exceed our target, amber shows proposals that are close to the target (generally within 25% of it) and red shows proposals which fall short of that. Where no numerical target was set, we show the same colour coding against the sector average, with green being average or better, amber being within 25% of average and red being adrift of that.
[3] This refers to Category 1 (Major) and Category 2 (Significant) Pollution events. It is also important that companies look at Category 3 events (Minor) to improve pollution control practices.

signals that there has been environmental harm; our hope is that by the end of the AMP, their issuing will no longer be necessary.

- **Blueprint recommendation for PR24: Take ambitious action that reduces abstraction needs**

Analysis of 2024 business plans:
In prior Price Reviews, action to reduce water wastage has been more than offset by increased demand, meaning that abstraction has continued to rise, and in many areas the extraction of water is at unsustainable levels. Since PR19 the Water Resources National Framework has been established, setting out the long-term water needs of the country and the scale of action needed to ensure resilient water supplies for the future. Without action, the predicted shortfall in 2050 would stand at almost 5bn litres/day; more than a third of current supply.

Water Resources Regional Groups have been established, bringing together water companies and other stakeholders to identify the action needed across a region to meet this challenge. Individual companies then capture needs in their long-term Water Resources Management Plans, and take forward initial actions through their Business Plans.

Each company has included proposals on tackling leakage and on reducing household and non-household water demand via water efficiency measures such as metering. The detail varies by company according to local circumstances and past activity, but looking at **'Distribution Input'** (DI) – the overall volume of water put into supply – tells us whether the sector plans to take more or less water out of the environment overall.

% change in Distribution Input (Ml/d) in 2029/30 compared to a 2022/23 baseline

Anglian Water	Dŵr Cymru	Northumbrian Water	Severn Trent Water	South West Water	Southern Water	Thames Water	United Utilities	Wessex Water	Yorkshire Water	Average	Blueprint Target
-4.6	-16.3	-4.2	-8.9	-13.6	-8.1	-6.9	-10.8	-6.0	-7.1	-8.6	**-5.0**

Despite expected population growth, the plans of all Water and Sewerage companies set out a reduction in abstraction compared to today. This is a welcome shift from past periods. In our manifesto, we set out that companies should look to deliver a 15% reduction in DI by 2040, which nominally equates to 5% per AMP. All companies come close to this target, and many exceed it.

Within this ambition, there are proposals by some companies that far exceed the plans set out by others. Northumbrian Water are planning a reduction in abstraction for **household**

use of 14%, South West Water of near 13%, and Dŵr Cymru of near 10%. United Utilities and Anglian Water each propose reductions of approaching 10% for **non-household use**. Southern Water intend to reduce **leakage** by a huge 74%, and Thames Water by 50%.

% Change from baseline year (2022/23) to 2029/30											
	Anglian Water	**Dŵr Cymru**	**Northumbrian Water**	**Severn Trent Water**	**South West Water**	**Southern Water**	**Thames Water**	**United Utilities**	**Wessex Water**	**Yorkshire Water**	**WASC Average**
Household consumption	0.06	-9.61	-14.33	-5.29	-12.78	2.51	3.58	-3.62	-1.28	-1.67	**-4.24**
Non-household consumption	-8.45	-2.24	25.05	6.01	-8.03	-0.67	-0.57	-9.90	-7.54	-5.56	**-1.19**
Leakage	-20.53	-46.60	-11.60	-43.46	-36.38	-74.34	-50.77	-27.95	-18.08	-26.34	**-35.60**

Of course, these figures alone can be misleading; a company that has failed to take action in the past has more scope now to deliver an impressive improvement, and typically a company that is strong on one component of water use is weak on others. But there are some positives that are common across all companies. For example, none propose to continue installing basic water meters in the next period, with all switching to 'smarter' versions that will better help customers manage their water use.

When it comes to the companies that only deal with water supply, it is interesting to look at their ambition in comparison to others in the sector. Given their narrower remit, we may expect to see higher ambition here because of their focus on water resources. Looking at the various components of water use *at first* seems to suggest that this is the case: compared to the water and sewerage companies, the average reductions in leakage, household and non-household water use proposed are higher in percentage terms than those set out by their counterparts. This is welcome.

% Change from baseline year (2022/23) to 2029/30									
	Affinity Water	Portsmouth Water	South East Water	South Staffs Water	SES Water	Bristol Water	WOC Average	WASC Average for comparison	Sector Average
Household Consumption	-20.53	-2.83	-6.02	-5.33	-15.55	-3.94	**-9.03**	-4.24	-6.04
Non-Household Consumption	-7.10	-19.08	2.18	-0.55	-9.56	1.83	**-5.38**	-1.19	-2.76
Leakage	-19.51	-58.96	-44.68	-30.07	-28.20	-34.00	**-35.90**	-35.60	-35.72

However, this seemingly greater ambition masks the fact that generally, the water-only companies are starting the AMP from a worse position, and so rather than leading the industry, are to an extent playing catch-up. This is demonstrated by looking at **Per Capita Consumption** figures, which are higher for the WOCs than for the WASCs.

Per Capita Consumption (measured) (l/h/d) 2029/30												
WASC data	Anglian Water	Dŵr Cymru	Northumbrian Water	Severn Trent Water	South West Water	Southern Water	Thames Water	United Utilities	Wessex Water	Yorkshire Water	WASC average	Blueprint Target (by 2050)
	117.26	112.55	126.64	111.89	123.89	128.04	123.93	111.93	122.69	104.44	**118.33**	**100**
WOC data	Affinity Water	Portsmouth Water	South East Water	South Staffs Water	SES Water	Bristol Water	WOC Average	Sector Average				
	114.58	131.44	127.48	119.91	129.78	122.95	**124.36**	**120.59**				

By the end of the 5-year period, water and sewerage companies will have reduced household consumption to 118 litres per person per day on average, whilst water-only companies, despite achieving *larger* falls, will only bring PCC down to 124 litres – meaning that in 2029/30, consumption across those companies will on average be 5% higher than that across their counterparts.

Overall, however, ambition to reduce rather than increase abstraction provides a welcome break from past practice. Yet the variability of ambition against the individual components of water use is harder to pick apart; it is difficult to determine from the data tables alone whether less ambitious proposals merely reflect local circumstances and the increasingly small returns when trying to build on improvements already made, or whether more could be done to share knowledge and approaches across the sector. Whilst there will be local factors at play, many of the challenges encountered by the companies will be common to all.

It is also difficult to ascertain how far each company's proposals go towards meeting the challenge of bringing abstraction down to environmentally sustainable volumes. Around half of the 2050 national need for 'extra' water is in the South East, so the challenge facing companies in the Water Resources South East area, including Thames Water and Southern Water, is particularly acute. If this need is not met by sufficient action to reduce demand, cut leakage and find alternative sustainable supplies, then the suite of globally rare chalk streams which provide much of Southern England's current water supply will continue to bear the brunt of the impact of our water use.

English companies must also contribute to achievement of the Environment Act target to reduce water use by 20% by 2038 (calculated as distribution input over population). As the PR24 data tables do not extend as far back as the target's baseline year of 2019/20, we have not attempted to gauge whether the sector's proposals align with the target. Company contributions towards meeting this target should be clearly set out in the final published plans.

Where we don't see ambition

- **Blueprint recommendation for PR24: Invest in nature-based solutions**

Analysis of 2024 business plans:
High-quality Catchment and Nature-based Solutions (C&NBS) can deliver more for society and the environment than traditional approaches. We had hoped to see substantial use of C&NBS wherever they would secure better outcomes for nature, carbon and customers. However, proposals in the draft business plans appear constrained, and of the £35bn enhancement investment set out in Ofwat's 'Draft Determination' decision on spend against the plans, efficiency cuts see just £2bn now allocated for C&NBS, placing a further squeeze on ambition.

From the data tables we likely can't see the full extent of companies' proposals on C&NBS – their potential use falls across multiple different areas covered by the plans, and the spend on, or outcomes achieved by, such interventions are not always presented separately from overall activity. However, where stand-alone information *is* given, it generally shows a relatively low use of green solutions when set against the expectations in Defra's Strategic Policy Statement and Ofwat's PR24 methodology, both of which expressed strong support for the use of C&NBS. The table below presents 2 examples of proposals on C&NBS use across the wastewater side of the business; it is not a comprehensive collation of ambition on green solutions, which are drawn upon across multiple different areas within the plans, but is provided in order to demonstrate the variability in proposals across the sector, and the generally low use of C&NBS within companies' proposed plans.

From the data tables we have drawn information on proposed **wastewater spend on 'Catchment Management'**, which entails working across the landscape to prevent chemicals or nutrients entering watercourses or to enhance habitats to provide resilience against wastewater pollution. Spend ranges from nothing (Thames Water, Southern Water, South West Water, Yorkshire Water) to upwards of £80m (Dŵr Cymru, Northumbrian Water). There is more scope for companies with a larger area of operation to deliver more through catchment management, but even adjusted for size, the figures are extremely variable, with proposed spend per 100km^2 of company area ranging from £0 to £735K. It is notable that supportive policy in Wales has resulted in significant catchment management proposals from Dŵr Cymru, with a spend of over £85m put forward, whilst at the other end of the spectrum, seven English companies propose to spend only a little over £15m between them on this area of work.

Similarly, the data tables allow us to derive a figure for **'green' spend as a proportion of total spend for water storage capacity** at Sewage Treatment Works and Storm Overflows.

This spend relates to proposals where companies will use techniques ranging from rain gardens to wetlands to capture rainwater, keeping it out of the sewers in order to limit spills due to the system becoming overwhelmed. Percentages range from 0% (Northumbrian Water, Southern Water) to around a quarter of spend (Thames Water, Wessex Water); whilst these upper figures are welcomed, a sector-wide average of just 8% demonstrates either that companies have not favoured nature-based solutions, or that they have been discouraged from including them.

Spend on catchment and nature-based solutions - wastewater											
	Anglian Water	Dŵr Cymru	Northumbrian Water	Severn Trent Water	South West Water	Southern Water	Thames Water	United Utilities	Wessex Water	Yorkshire Water	Average
1. Green spend as a proportion of total spend	7%	2%	0%	8%	1%	0%	27%	10%	23%	1%	8%
2. Catchment management Spend £/100km2	£3,891	£208,495	£735,626	£114,760	£0	£0	£0	£23,332	£44,301	£0	£113,040

1 Green spend as a proportion of total spend (green and grey) for water storage capacity at Wastewater treatment Works and Storm Overflows.
2 Catchment management Spend – wastewater (2025-26 to 2029-30) (£/100km^2 of company area)

- **Blueprint recommendation for PR24: Develop nature-based solutions in partnership with local communities**

Analysis of 2024 business plans:

Where nature-based solutions are proposed, it is preferable that these are scoped and delivered in partnership with local stakeholders. Local organisations and individuals are well-placed to provide data, design expertise and delivery capacity to ensure that C&NBS are used in the most effective way. The data tables show how many **kilograms of**

phosphorus each company will prevent from entering the water environment through partnership working.

Again, ambition is variable, with only four companies proposing to make use of this delivery route. Most have not proposed any partnership schemes, indicating that flexibilities in delivery processes brought in by the Levelling Up and Regeneration Act 2023 have been insufficient or came too late in the day to enable companies to alter their proposals. Instead, we will see a reliance on costly capital upgrades which rely heavily on the use of chemicals to strip phosphorus from effluent.

P prevented from entering rivers from partnership working (kg)										
Anglian Water	Dŵr Cymru	Northumbrian Water	Severn Trent Water	South West Water	Southern Water	Thames Water	United Utilities	Wessex Water	Yorkshire Water	Average
0	587	0	0	0	0	299	77	864	0	**183**

- **Blueprint recommendation for PR24: Develop plans for decommissioning particular Combined Sewer Overflows (CSOs) so that they no longer discharge at all**

Analysis of 2024 business plans:

In our manifesto we asked for plans to "decommission all CSOs in recreational hotspots, and those causing environmental harm" and for "the most environmentally harmful CSOs to be dealt with, not just monitored, in the next business plan".

Subsequent to this, the Government published its Storm Overflows Discharge Reduction Plan (SODRP) in 2022. The plan requires that, by 2035, water companies will have improved all storm overflows discharging near[4] every designated bathing water, and improved 75% of storm overflows discharging into or near 'high priority sites' such as SSSIs, shellfish designated waters and chalk streams. Storm overflows will not be permitted to discharge above an average of 10 times per year by 2050.

Although these outcomes broadly align with our asks, the timeframes for delivery are slow, with five water company investment cycles being required to fully deliver Government's plan. The SODRP estimated that on average, spills would be reduced by 64,000 annually by 2030. In comparison, water company plans for 2025 - 2030 set out improvements which are

[4] 'Near' is defined in the SODRP as being within 5km upstream of the upper limit of an inland bathing water or within 1km of a coastal bathing water. For 'High Priority' sites, the term is in or 'close to'; this term is not specifically defined.

estimated to reduce discharges by twice this amount, 150,000 annually, by 2030. It is welcome that the sector plans to exceed Government targets in AMP8, and that activity has been brought forward into the current AMP to enable spill reductions to be achieved earlier.

Storm overflows (Av. No. of spills) (2029/30)											
	Anglian Water	Dŵr Cymru	Northumbrian Water	Severn Trent Water	South West Water	Southern Water	Thames Water	United Utilities	Wessex Water	Yorkshire Water	Average
Average no. of spills (2029/30)	16.63	38.7	16.42	14	17.5	17.25	17.21	19.6	21.13	25.37	**20.4**
Baseline (2022/23)	40.27	43.32	29.14	33.37	28.05	25.72	23.85	49.73	27.18	37.91	**33.9**
% reduction	58.7 %	10.7 %	43.7 %	58.0 %	37.6 %	32.9 %	27.8 %	60.6 %	22.3 %	33.1 %	**38.5 %**

However, whilst our asks outlined the need to stop all discharges into recreational waters, and those causing environmental harm by 2030, water company plans only address some of these overflows. By 2030, water companies estimate that their plans would reduce spills affecting bathing waters by 62% and those affecting nature protected areas by 47%. For bathing waters, planned improvements are estimated to reduce the average number of spills per overflow from 19, in 2025, to 10 in 2030.

Pressures including supply chain constraints and the need to limit bill increases are cited as reasons that prevent improvements from being delivered any faster. Our manifesto called for plans for storm overflows to "Mainstream the use of C&NBS such as sustainable drainage schemes for reducing reliance upon CSOs, employing them wherever effective." However, as outlined above ('Invest in nature-based solutions') 'green' spend as a proportion of total spend for water storage capacity at Sewage Treatment Works and Storm Overflows ranges from 0% to 27%, with a sector-wide average of just 8%.

These figures may downplay the use of nature-based solutions, in that the sector may in many cases be employing hybrid options that combine both green and grey techniques. The cost of these, if not easily separated out, is likely to have been captured in the 'grey' column, meaning that green spend as reported in the data tables may be a conservative figure. Indeed, proposals collated by Water UK note that in terms of numbers, "of the nearly 9000 overflows being improved in the Plan, 25% of the interventions (affecting 37% of overflows) have some kind of "nature based" element, offering additional benefits for habitat, wildlife and local communities.[5]

Whilst there are complexities associated with some C&NBS, such as around how to provide for their use through the Environment Agency's permitting regime, the use of green solutions to capture and hold back rainwater is at the more straightforward and quantifiable end of the spectrum. Wherever flexibilities exist over the course of the AMP, companies should seek to shift from grey to green solutions for reducing spills, and regulators should facilitate this. In addition, the provision of such solutions by SMEs and the third sector could ease supply chain bottlenecks and enable faster progress towards spill reduction, whilst the generally lower cost of implementation may also go some way towards limiting bill increases.

The interactive map[6] published by Water UK of the sector's proposed actions to tackle Storm Overflows is extremely welcome, allowing stakeholders to explore the picture nationally and locally, and to understand the planned investment and expected outcomes. Going forward we would welcome similar initiatives that replicate this level of accessibility and transparency for other key areas of water company delivery, for example around water resources schemes or WINEP delivery.

- **Blueprint recommendation for PR24: Set out plans to achieve Environment Bill wastewater targets on nitrate and phosphorus as a minimum**

Analysis of 2024 business plans:
Since publishing our manifesto, the Environment Bill became the Environment Act, and a target was established that requires water companies to achieve an 80% reduction in phosphorus emissions, relative to a 2020 baseline, by 2038.

---

[5] WEB_Water UK National Storm Overflows Plan for England_0.pdf
[6] National Storm Overflows Plan | Water UK

This is a sector-wide target, meaning that the required reduction is 80% overall, and the contribution to be made by each company, or at each treatment works, may be higher or lower than 80%. However, the figures given in the data tables (the reduction in phosphorus proposed by each company as a percentage of load discharged from their treatment works in 2020), provide a good indication of the company's proposed contribution towards the aggregated target, even though we do not have sight of the exact contribution they are required to make.

All companies propose a reduction in phosphorus emissions through their plans. However, there is substantial variability in the ambition set out, with reductions ranging from 8-76% across the English companies to whom the target applies. Of those, five companies propose a reduction of less than 25%, which suggests a lacklustre contribution to the achievement of this legislative target. At the end of the AMP there will be 8 years remaining in which to achieve compliance with the target, so companies that do not plan to deliver their share of the reduction in AMP8 will need to use this period to develop clear plans for the following AMP instead.

Also unclear from these figures is how targeted these reductions are; meaning whether water companies have planned to deliver phosphate reductions in the locations where they will secure the greatest ecological benefits. These benefits may best be achieved through upgrades to small treatment works in the headwaters and upper reaches of rivers, where there is lesser flow to dilute the harmful nutrients being discharged and a greater length of river for them to impact, and therefore greater pressure on the ecology currently. However, it is usually more cost-effective to improve the works serving larger urban populations; these tend to be situated in the lower reaches of catchments, where the ecological benefits of upgrades may be less significant. This trade-off is something we would like to see better considered when proposals for upgrades during AMP9 are developed.

Reduction in phosphorus by 2030, as a % of load discharged from treatment works in 2020										
Anglian Water	**Dŵr Cymru**	**Northumbrian Water**	**Severn Trent Water**	**South West Water**	**Southern Water**	**Thames Water**	**United Utilities**	**Wessex Water**	**Yorkshire Water**	**Average**
15%	27%	8%	57%	10%	73%	21%	21%	63%	76%	**37%**

What we simply can't see

It is relatively straightforward to extract figures for environmental spend from the data tables. We can see the amounts that companies are spending on different types of activities, and overall. But what is harder to gauge is 'what this will actually deliver'. Spend is not the same as outcomes.

Without delving into the thousands of pages of written documents, and perhaps not even then, stakeholders cannot see what this expenditure will add up to in terms of environmental improvements. How many SSSIs will be improved? How many over-abstracted chalk streams will see relief? What progress will be made towards the Environmental Improvement Plan target of bringing 75% of waters to Good Ecological status? What state will our environment actually be in by the time we reach 2030?

We recommend that between Ofwat's draft decision on company plans in July and the final determination in December - which defines the sector's work programmes and budgets for 2025–2030 – each company should be required to include a summary page in their plans that sets out the environmental outcomes that their plan will deliver.[7] This should include:

- What proportion of the 'reasons for not achieving good status' attributed to the company (the issues that mean our rivers, lakes and seas are not in a healthy state) will be tackled by the end of the period.

- The contribution that will be made over the period towards meeting the Environment Act wastewater and water use targets, and the Storm Overflows Discharge Reduction Plan targets. Whilst there will be overlap with the above 'Good Status' outcomes, clearly setting out proposed contributions to legislative and other targets will provide clarity for stakeholders on the ambition within companies' proposals.

- The expected contribution that will be made seeking to further the purposes of Protected Landscapes, demonstrating compliance with the important new legal duty placed on water companies and regulators under Section 245 of the Levelling Up and Regeneration Act 2023.

- An estimate of the benefits to customers and society – in cost, carbon, biodiversity or other natural capital/ecosystem service terms – of the catchment- and nature-based solutions the company will deliver over the period. This could include, for example, the estimated bill reductions made possible by choosing green or hybrid solutions over grey, and the estimated carbon savings associated with reduced use of chemicals and concrete. At a minimum, companies should report the number of nature-based solutions schemes and projects to be delivered, and/or the spend on nature-based solutions; whilst this metric would still be a proxy for environmental outcomes, the benefits of nature-based solutions for delivering multiple positive

---

[7] For further detail on possible metrics of environmental improvement, see this consultation response from Wildlife and Countryside Link: WCL_Blueprint_Further_Views_Ofwat_Roundtable_January_2024_1.pdf

social, environmental and economic outcomes are well-evidenced.[8]

- An explanation of how and where the company will report on progress towards achieving the environmental outcomes set out in the Business Plan. Progress should be shared at least annually, and must be reported through a means which is available to and understandable by customers – such as via the 'Discover Water' website. Progress should also be reviewed and communicated by Ofwat through the annual Water Company Performance Report.

Next steps: Building on draft plans

This Price Review has been a difficult process to engage with. Challenges ranging from the inconsistent presentation of data across the draft plans, to late-stage political steer guiding the industry away from environmental ambition, have constrained stakeholder engagement and limited opportunities for meaningful scrutiny.[9] Despite record levels of investment set out in company plans, what the plans will deliver in terms of environmental outcomes still remains unquantified.

To maximise the environmental potential of the PR24 plans, improve the process for the next price review (PR29) and improve water company environmental performance across the board, we recommend that:

The Government introduces a Green Duty for regulators:

Positive action must be embedded through a strong new Green Duty for regulators, including Ofwat.[10] This Green Duty would require Ofwat to contribute, wherever possible, to the delivery of environmental targets under the Environment Act 2021 and the Climate Change Act 2008.

The Green Duty would mean that the delivery of environmental targets becomes a main driver of Ofwat's work and decision-making processes. It would also relate Ofwat's function and priorities more strongly to protected site condition and the Habitats Regulations, ensuring that nature's recovery is at the heart of the Price Review and regulating water company performance, and therefore that decisions are made with regard to how investment will deliver the best environmental outcomes. This would facilitate delivery of low carbon, multi-benefit infrastructure by default.

The Government should also bring forward new regulations, enabled under Section 245 of the Levelling Up and Regeneration Act 2023, detailing the requirements on water companies, Ofwat and the Environment Agency to improve the water environment as part of their new legal duty to "seek to further the purposes" of Protected Landscapes. These regulations should also set out legally binding targets for Protected Landscapes for water.

[8] WCL_Briefing_Nature_Based_Solutions_Water_December_2023.pdf
[9] For example: WCL_Blueprint_Further_Views_Ofwat_Roundtable_January_2024_1.pdf
[10] Apply_a_Green_Duty_to_public_bodies.pdf (wcl.org.uk)

The Government issues direction to increase uptake of nature-based solutions

Working with nature at catchment scale can address multiple stressors acting on the water environment effectively and efficiently, whilst also delivering wider benefits for people and wildlife. Nature-based solutions are often cheaper than traditional, concrete-based approaches, and create opportunities for blended finance, further increasing value for money.[11]

Nature-based solutions will be critical to driving the step-change in ambition and delivery that is needed in PR24, and to ensure that water industry investment delivers the maximum environmental and social benefits.

Before Final Determination, Government must issue stronger direction to Ofwat and the Environment Agency to facilitate the uptake and use of nature-based solutions. Particularly for delivery scheduled for the latter part of the AMP, where there may be more scope to divert to greener approaches, regulators should work with companies to ensure that this option is actively considered.

This should include reviewing the effectiveness of a mechanism that will in theory allow companies to 'revisit' WINEP proposals. Ofwat are employing 'Price Control Deliverables' for PR24; a tool that allows flexibility to adjust costings within-AMP without the risk of customers being short-changed. Whilst this mechanism could be used to enable companies to switch to green options, there is an in-built penalty for late delivery which could dissuade companies from departing from their original plans. Ofwat must ensure that this (otherwise-useful) protection for customers does not act as a barrier to the use of NBS, which can sometimes take longer to develop and implement due to the need for adequate stakeholder engagement. This mechanism must also be supported with clear, comprehensive national guidance to ensure that consistent, high quality NBS projects are delivered.

The Government should also instruct water companies to re-look at the phasing of biodiversity-critical schemes; any delivery integral to meeting government targets but earmarked for delay until AMP9 must be restored to AMP8.

Work must begin now to ensure barriers to the uptake and use of nature-based solutions do not continue in PR29.

Ofwat must improve how natural capital accounting is incorporated into decision-making processes, to ensure that all 'best value' assessments take full account of environmental and social benefits. Ofwat and the Environment Agency must also adopt joint, ambitious targets to accept NBS schemes when these are preferred by water companies and customers, driving a 'nature first' approach - for example, through setting a sector-wide target for 10% of enhancement spending going towards NBS. Ofwat must include a Performance Commitment for NBS within PR29.

---

[11] For further information on the benefits of working with nature to restore the water environment, see this policy briefing from Wildlife and Countryside Link:
WCL_Briefing_Nature_Based_Solutions_Water_December_2023.pdf

The Environment Agency must review their current policy which restricts Catchment Permitting and Catchment Nutrient Balancing only to companies rated 3* and above. Whilst this approach is understandable, it limits the ability of underperforming companies to embrace progressive opportunities to improve.

The transparency of the Price Review process is improved

In addition to companies publishing environmental outcomes summary pages, before final determination Ofwat should collate and publish factual datasets to clarify water company ambition across Outcome Delivery Incentives (ODIs) and Performance Commitments (PCs). This should also detail the level of spend per head in core areas; for example, water efficiency, preventing pollution, and nature-based solutions. Ofwat should also publish a carbon budget for the business plans.

Opportunities for meaningful stakeholder scrutiny should be increased in the run up to PR29. The WINEP should be published, with WINEP schemes clearly linked to Ofwat cost data tables, to allow stakeholders to better understand cost data, statutory drivers, and anticipated environmental outcomes. The WINEP evaluation should also be made available to all stakeholders.

Ofwat works with companies to ‘climate-proof’ approaches and proposals

Stakeholders have expressed concerns that the ‘grey’ solutions in the WINEP may not be resilient to the known pressures of climate change and are inconsistent with ‘adaptive planning’ approaches. Similarly, the helpful structure set out for Water Resources planning, in the form of a long-term national framework within which decisions can be based, must ensure that the environmental ‘destination’ embedded within it sufficiently includes the likely pressures that climate change will bring. In establishing what sustainable abstraction looks like, it must account for the needs of waterbodies under future climatic conditions, rather than ensuring only that current waterbody needs are factored in.

Towards outcome-focused regulation of the water sector

The current water sector regulatory model has developed over time with the aim of tackling the challenges of private sector shortcomings; sewage spills, leaking pipes, collapsing sewers, low water efficiency rates, incessant discharges of nutrients and chemicals, and excessive abstraction. The desire to manage these pressures without burdening customers with unmanageable bills has seen water regulation become more and more prescriptive. However, the climate and biodiversity crises at our door require something different; a regime which is more responsive and which cultivates innovative approaches that are more reactive to customer desires and environmental needs.

There is a clear case for the **evolution of our regulatory approaches over time to a more outcomes-based regime**, where regulatory oversight would focus on environmental outcomes rather than on specific actions. An effective regime should, for example, not push companies to ‘build storage tanks’, but to ‘reduce water pollution’.

Such an approach would open the door to selecting actions that deliver the greatest benefits to the environment, giving companies the scope to work with local partners to deliver outcomes in the way that's most acceptable and affordable to customers, and reflects local environmental priorities.

Catchment and nature-based solutions would become more prominent – but as with existing actions, cost allowances would be set by Ofwat so that spend is efficient and fair to customers. In many cases this more flexible approach could secure enhanced outcomes at a lower cost.

Delivering better outcomes case study: The River Petteril, Cumbria

Phosphorus pollution levels required United Utilities to look at options to reduce emissions from four small wastewater treatment plants across the catchment. However, upgrades were deemed disproportionately expensive to customers, and would have done little to tackle the wider pressures in the catchment, particularly farm pollution which also contributed to nutrient pollution loads.

Instead, working with the Environment Agency and local partners, the company trialled a 'Catchment Nutrient Balancing' scheme with the aim of delivering at least equivalent nutrient reductions by using nature-based solutions instead of, or alongside, upgrades to treatment works.

Taking a catchment-wide approach, United Utilities worked with farmers and partners to reduce agricultural runoff by creating hedges, vegetated buffer strips, and sediment ponds, co-funding measures with Nestle, who source from farms in the catchment. Along with some improvements at treatment works, the company was able to deliver a 63% phosphorus reduction in the catchment area, vastly exceeding the 9% envisaged at the start of the trial. They did so at a cost saving of £7m for customers, and secured an additional £1.7 million in natural capital benefits, compared to using conventional solutions alone.

Such schemes, although possible under current permitting regimes, have required significant specific focus and flexibility from the regulator and all partners involved. They proceed in spite of, rather than because of, current regulatory controls.

Recent policy interventions including the CIWEM-led 'A Fresh Water Future' Programme[12] have highlighted the benefits that an outcome-focussed approach could deliver.

The opportunity now exists to work to align economic and environmental regulation, whether through policy evolution or legislative change, so that it better incentivises and enables companies to step forward and invest in improvements, not just for water quality and resource security, but also for biodiversity and for carbon. The scale of the challenge facing our water environment, and the water sector, make it clear that we need such better ways of securing sustainable solutions for water and nature.

[12] For further information: 'A fresh water future' report has been launched - CIWEM

Closing thoughts

Blueprint for Water members welcome much in the direction of travel seen throughout in PR24; a significant programme of environmental expenditure, a stronger focus on long-term planning, a broad suite of environmental drivers and a slow move towards greater transparency and co-creation. But there is further to go to, when it comes to delivering against commitments, rebuilding customer trust, and delivering solutions that secure the best outcomes overall.

We hope that our reflections on the draft plans help to highlight positive changes that could be made before final determination, on into the delivery phase itself, and looking ahead to PR29. We look forward to companies, regulators and Government taking on board and acting upon our contributions.

Glossary

PR / PR24

PR refers to 'Price Review', also sometimes called 'Periodic Review'. This is the regulatory process by which Ofwat set the price, service and investment package that water company customers will receive, including what companies are allowed to charge their customers in order to fund the works set out in their Business Plans. This process happens every 5 years.

PR24 refers to the 'Price Review 2024'. PR24 will set the price controls for the period 2025-2030.

Business Plan

Water company business plans are written and submitted to Ofwat, the economic regulator for the water industry, every 5 years. Business plans set out the proposed investment and service package that customers will receive, with Ofwat ruling on the final package through a 'Draft' and then a 'Final Determination'. This is the decision which sets actions, budgets and bills for the forthcoming 5-year period.

AMP

AMP refers to 'Asset Management Period'. This is the period covered by the business plans. In 2025, we will be entering AMP8.

WINEP

The WINEP is the 'Water Industry National Environment Programme'. This is the programme of actions that water companies will undertake to improve the environment, including through legislative obligations such as under the Water Framework Directive Regulations, the Bathing Waters Regulations, and the Habitats Regulations. Actions under the WINEP are included in company business plans. The WINEP is developed by the Environment Agency and Natural England working with companies.

WASCs

WASCs are 'Water and Sewerage Companies'. These companies provide water and sewerage services to customers. There are 10 WASCs that collectively provide service across the whole of England.

WOCs

In some areas, water supply will be provided by a WOC. These are 'Water Only Companies'. Customers served by WOCs will have their sewerage services provided by another company, a WASC. For example, a customer in Bristol would have their water service provided by Bristol Water, a WOC, and their sewerage service provided by Wessex Water, a WASC.

This document is supported by the following organisations:

- Angling Trust
- Bat Conservation Trust
- Campaign for National Parks
- Friends of the Earth
- Freshwater Habitats Trust
- Froglife
- Institute of Fisheries Management
- Marine Conservation Society
- Paddle UK
- Planet Patrol
- River Action
- RSPB
- The Rivers Trust
- The Wildlife Trusts
- Waterwise
- WWT
- ZSL