

Link response to Ofwat: Views on PR24 water company business plans

21st December 2023

This response is on behalf of nature and animal welfare coalition Wildlife and Countryside Link ([Link](#)).

The response is supported by Angling Trust, British Canoeing, Earthwatch Europe, Freshwater Habitats Trust, Friends of the Earth, Froglife, Institute of Fisheries Management, Marine Conservation Society, River Action, Surfers Against Sewage, The Rivers Trust, The Wildlife Trusts, Waterwise, and WWT.

Summary

Blueprint for Water¹ welcomes the opportunity to share views on water company business plans for PR24, ahead of the Ofwat roundtable in January 2024.

The record investment anticipated in AMP8 will see the water sector nearly double in size in five years. Given the urgent nature of the biodiversity and climate crises, and the intense public scrutiny associated with record bill increases, it is important that the maximum environmental and social value is delivered through this investment. Industry investment and ambition must not be watered down.

Yet initial assessment of the business plans suggests that this value will not be delivered. In particular, we are concerned that:

- The evidence for the use of Catchment and Nature-Based solutions (CNBS) is limited and partly dependent on future guidance. Government has indicated support for CNBS in the Plan for Water and elsewhere, yet their inclusion in company plans remains limited.
- The overall AMP8 delivery burden is huge, due to historic underinvestment, and new priorities being added late into the planning cycle. Where trade-offs have had to be

¹ [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. [Wildlife and Countryside Link](#) is a coalition of 82 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.

made between investment priorities, decision-making is opaque and impossible to scrutinise.

- The inconsistent presentation of information makes meaningful analysis difficult. Along with the opaque nature of decision-making processes, opportunities for scrutiny are massively reduced.

We discuss these concerns further throughout our response.

We need a transformational Price Review in 2024, that will deliver a step-change in ambition to drive the protection and enhancement of the water environment, and deliver positive environmental outcomes in line with the Environment Act targets and Net Zero. Further thoughts on how to achieve this can be found in our [‘Environmental Manifesto for PR24’](#).

Overarching concerns

Record investment is anticipated under PR24. This is the result of multiple factors; historic underinvestment by the industry in treatment and network capacity, resulting in the overuse of storm overflows and the subsequent development of the Storm Overflows Discharge Reduction Plan; legal impetus of Water Framework Directive Regulations targets, ahead of a 2027 deadline; and, more recently, the implications of Nutrient Neutrality, the Levelling Up and Regeneration Act, and new guidance from the Drinking Water Inspectorate. There is also significant investment in new water resources capacity.

Ongoing failure to keep ahead of environmental quality standards is adding significant delivery burden to AMP8, at a time when household budgets are stretched, and capital, energy and input costs are high. Whilst the headline investment figures are welcome, addressing historic underspend and non-compliance will create significant challenges for both deliverability and affordability. It is vital that the investment and ambitions set out in the PR24 business plans are not watered down.

Yet the implications of this challenge are already being felt. In summer 2023, the then Secretary of State and the Environment Agency wrote to the water industry to direct companies to undertake a ‘phasing exercise’, to explore delaying all non-statutory environmental actions and investment until future Price Reviews.² This also directed the industry to explore using more

² Wildlife and Countryside Link’s response to the letters can be read here: [WCL Letter Secretary of State PR24 Ambition 10 08 2023.pdf](#)

optimistic climate change modelling in their water resources planning.³ This steer was driven by concerns relating to the affordability and deliverability of the business plans.

This is extremely concerning. The steer effectively caps the environmental ambition of the water industry at legal compliance until 2030, setting out that all non-statutory activity and investment should be de-prioritised and potentially cut from PR24. This will disproportionately impact biodiversity drivers, and CNBS projects, which may have the greatest potential to deliver multiple benefits for nature and people.

Furthermore, some water companies have indicated within their plans that they have been unable to fully complete the phasing exercise, given the tight time constraints.⁴ This undermines the ability of stakeholders such as eNGOs to meaningfully engage in the PR24 process and to scrutinise the plans, given that these could be subject to significant further changes.

Crucially, it remains unclear as to what extent the record investment in AMP8 will contribute towards delivering the Plan for Water, Net Zero, and the Environment Act targets, including to halt the decline of nature by 2030. Also unclear is whether the investment programmes are consistent with the aims of the Habitats Regulations and protected sites policies, such that we will remain safely above the thresholds for nutrient neutrality in areas not already subject to such advice. It is essential that water industry investment delivers maximum environmental and social value, including through driving progress toward Government environment targets and nature's recovery. Yet the plans continue to miss opportunities to do so effectively and efficiently, for example through the use of CNBS. We discuss this further throughout our response.

Critically, due to projected bill increases, public and political expectations of the water industry in PR24 will be significant. This is exacerbated by ongoing concern that billpayer money continues to fund company dividends, rather than going towards the necessary improvements to infrastructure, and in spite of poor environmental performance.⁵ Further assurance is required that the plans will deliver positive environmental and social outcomes, in line with statutory obligations and the delivery of Government targets, and that water industry

³ [Water firms urged to save money by diluting climate change plans \(thetimes.co.uk\)](https://www.thetimes.co.uk)

⁴ For example: Southern Water. (2023). 'SRN38 Water Industry National Environment Programme (WINEP) Methodology for WINEP Enhancement Business Cases Technical Annex'. https://www.southernwater.co.uk/media/9104/srn38-water-industry-national-environmentprogramme_redacted.pdf#page=17

⁵ For example, it has been reported on Monday 18th December that between 1990 and 2023, English water companies have paid out a total of £53bn in dividends. This means that companies have given almost the same amount to shareholders as they currently have in debt. <https://www.theguardian.com/environment/ng-interactive/2023/dec/18/how-much-of-your-water-bill-is-swallowed-up-by-company-debt-interactive>

compliance will be effectively regulated. A robust monitoring and enforcement regime is required to ensure that self-regulating companies are delivering against commitments, and that instances of non-compliance are detected and addressed swiftly.

Lastly, opportunities for meaningful analysis and scrutiny of the business plans have been limited, due to the opacity of processes and the inconsistent presentation of information. To understand the state of the Price Review, stakeholders must work through multiple separate plans and appendices; a huge task that is largely inaccessible to stakeholders such as consumers who may lack the necessary skills or prior knowledge, and is very time consuming for eNGOs. As such, it has been very difficult for us to properly review and assess the plans.

We have been grateful for instances where the Environment Agency or Ofwat have been able to share collated datasets with us; however, this should not be necessary. Breakdowns of factual data on the plans should be made publicly accessible to all stakeholders. We suggest that Ofwat collate and publish a set of factual data sets to demonstrate ambition across ODIs and PCs, and the levels of water company spend per head on core areas – for example, water efficiency, nature-based solutions, and preventing pollution.

Similarly, it is challenging that the decision-making processes for the WINEP remain unavailable to stakeholders, and that the WINEP itself is not published. This additional lack of clarity further undermines opportunities for scrutiny. Ideally, stakeholders should be able to work from drafts to final versions of the planning documents, to then understand which schemes are being taken forward.

Questions

Q.1 Your views on the types of schemes and approaches companies have proposed and whether there are, in your opinion, any examples of good practice or poor practice across the range of company plans related to catchment-based approaches and nature-based solutions, and related to the delivery of wider benefits.

Catchment and nature-based solutions (CNBS) can effectively and efficiently deliver multiple benefits for people and nature, often more cheaply than traditional, concrete-based hard engineering solutions.⁶ Government, Ofwat, and the Environment Agency have signaled support for CNBS, yet their uptake within the plans remains limited. The WINEP remains largely biased towards traditional, grey infrastructure.

⁶ For example: [WCL Briefing Building Resilience Floods Drought December 2023.pdf](#) and https://www.wcl.org.uk/docs/WCL_Briefing_Nature_Based_Solutions_Water_December_2023.pdf

We have heard of many missed opportunities to incorporate CNBS into the plans. For example, several CNBS schemes were stripped from draft Water Resources Management Plans between rounds of drafting, the reasoning for which remains unclear. There are also significant unknowns with respect to new powers associated with the Levelling Up and Regeneration Act.

However, examples of good practice that we are aware of include:

- Northumbrian Water's strategic partnership with The Rivers Trust and the North East Catchment hub;
- Anglian Water's Partnership Centre of Excellence;
- A number of companies have positive examples of using wetlands to tackle groundwater Storm Overflows and water quality issues. We are keen to see further examples of water companies meaningfully collaborating with eNGOs, and monitoring the efficacy of projects in order to apply lessons learnt to future work.
- Water butt trials, for example like those [run by United Utilities in Lancashire](#);
- Various examples of schemes proposed under the Advanced WINEP, such as United Utilities Rainwater Management Programme, which looks to invest in blue-green infrastructure through working in partnership.

There are positive examples of good practice within AMP7 that we would like to see continued and built upon in AMP8. For example:

- Wessex Water's [Cromhall treatment wetlands](#). Wessex Water considered expert advice from WWT to understand how to best deliver effective treatment wetlands. They also monitored the impact on biodiversity alongside monitoring of a range of pollutants. Wessex Water are keen to model new treatment wetlands on their successes here.
- Yorkshire Water's [integrated constructed wetland at the Clifton Wastewater Treatment Works](#) is a further positive example. This wetland has not only had success with treating water, but has cost 35% less than constructing a conventional treatment works. The operational costs of the wetland are also 40% lower than conventional treatment works.

Q.2 Do you think there are any specific gaps in company business plans, for example, areas where companies could have adopted catchment and nature-based solutions, and what the alternatives could be?

Given the aforementioned difficulties with analysing the plans, this is difficult for stakeholders to fully understand and scrutinise.

As discussed, we are aware that some CNBS schemes proposed by water companies have been rejected; we would welcome the opportunity to revisit these examples with Ofwat and the Environment Agency, to understand the rationale behind these decisions, and whether this was reasonable, and to discuss what change will be required to ensure that more CNBS schemes are accepted going forward.

For example, any catchments facing challenges with nutrient pollution and management should be considered candidates for a catchment budget and plan-led nutrient balancing approach. We would hope to see more instances of this once the guidance has been finalised, and would be pleased to discuss thoughts further.

Further work is also required to build stakeholder capacity to allow alternative options to be explored. Grey infrastructure options and outputs should not be 'locked in' before initiatives such as Thames Water's 'Smarter Water Catchments' and Anglian Water's 'Centre of Excellence' have had opportunity to demonstrate what these alternatives could be, for example.

Ofwat and the Environment Agency must take an aligned and consistent approach to CNBS, to remove any barriers and mainstream their use by the water industry. Ofwat and the Environment Agency should explore adopting joint, ambitious targets to accept CNBS schemes when these are preferred by companies and customers. For example, setting an aspirational sector-wide target of 10% WINEP investment going towards CNBS, or a 'nature first' commitment that would require companies to always explore CNBS options before progressing with more traditional solutions. Delivering CNBS options will help water companies deliver wider commitments and targets, for example the biodiversity performance commitment under PR24; Ofwat should highlight this opportunity to companies.

Q.3 Your views on the timeframes and deliverability for the solutions companies have proposed.

As discussed, the delivery burden on AMP8 is significant, owing to historic underinvestment and non-compliance, and new legislative priorities added late in the planning cycle. We understand that this will create significant challenges for deliverability and affordability. Given that trade-offs have and will have to be made between investment priorities, it is essential that decision-making processes are as transparent and clearly communicated as possible. This is currently not the case.

Blueprint for Water would welcome the opportunity to meet with Ofwat, the Environment Agency, and Defra to better understand the decision-making processes that have informed the

plans thus far, and the approach to resolving the known tensions between statutory obligations, affordability and deliverability.

We understand that several plans may fail strict compliance, due to proposed longer timeframes. We therefore encourage the Environment Agency and Ofwat to develop meaningful sector-wide summaries of these proposals, to discuss and explore with stakeholders whether in some instances, these longer timeframes could – with appropriate backstops – still deliver positive environmental and social outcomes.

Trends from previous Price Reviews also raise concerns regarding deliverability of PR24 business plans. For example, Anglian Water had 34 treatment wetland schemes within their PR19 plan; by 2022, this had been reduced to 26, and further in 2023 to just 25 schemes. This calls into question the deliverability of what is currently included within the plans, and what the implications or consequences of this failure to deliver might be.

Similarly, whilst we welcome the greater ambition on reducing water demand set out in the plans – and Ofwat’s efforts to support and encourage this ambition – we remain concerned that there is insufficient funding within the plans to deliver on this, and ultimately to secure the demand reductions required over the next decade. We discuss this further under Q.4.

Q.4 With regards to the environmental performance commitments, such as storm overflows, total pollution incidents and river water quality, amongst others, do you consider that companies have proposed stretching levels of performance?

With regards to water resources, there is currently a significant mismatch between spending and ambition on demand management, and water efficiency. For example, the investment dedicated to investigating just one moderately sized reservoir is comparable to that dedicated to all water efficiency programmes combined. This is further exacerbated by the risk of water resources investment being further squeezed both during and post-determination, given the scale of the AMP8 delivery burden and the steer given by the former Secretary of State and the Environment Agency.

It is unclear whether the expansion of the Storm Overflows Discharge Reduction Plan to bring all coastal and estuarine sites into scope has been fully incorporated into water company proposals. It is essential that the business plans account for this change; water quality in coastal and estuarine sites must be considered, in addition to rivers and other inland waterbodies.

Wildlife and Countryside Link (Link) is the largest nature coalition in England, bringing together 82 organisations to use their joint voice for the protection of the natural world and animals.

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This response is supported by the following organisations:

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