

Ofwat
By email

Tuesday 2nd May 2023

To whom it may concern,

Re: Accelerated infrastructure delivery project draft decisions

Blueprint for Water, part of Wildlife and Countryside Link¹, welcome the opportunity to respond to this consultation.

We have previously called for a more flexible approach to allow faster action where issues are identified, investigations undertaken and solutions proposed, such that each of these stages does not take place within a separate PR period. As such we welcome the accelerated infrastructure delivery project in concept, allowing likely expenditure from 2025-2030 to be brought forward into the current AMP, and are pleased that it allows expenditure to be brought further forward than has been the case in the past, allowing two years of delivery in the earlier PR period. Given the widely-accepted shortcomings of a rigid five-year AMP cycle (inflexibility, supply chain impacts etc), Ofwat should review the accelerated infrastructure process and consider whether there are lessons for future within-AMP scheme approval and look to introduce such mechanisms as standard in the future.

We welcome the types of schemes sought (water resilience, storm overflows and nutrient neutrality) recognising that these will accrue earlier environmental benefits as well as societal benefits, and if anything we would have liked to have seen broader categories still, such as water quality monitoring and flood risk reduction. In particular, we recognise the value of earlier monitoring as an early stage in understanding the need for later investment, and are surprised that monitoring / evidence gathering was not a theme specifically included in the call.

In general, the criteria for short-listing schemes appears to have been informed by political, rather than strictly environmental imperatives and decision-making on individual proposals appears to more open and flexible than traditional approaches taken to WINEP proposals. On this basis, there is a strong case for revisiting nature positive schemes which did not make the final cut but are nevertheless in keeping with wider environmental targets and objectives. We know that such schemes will need to feature heavily in future price reviews, so the flexibility of the accelerated approval process should be used to bring forward innovative solutions of the future that would struggle to be approved under standard PR decision-making.

¹ [Wildlife and Countryside Link](#) is a coalition of 70 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.

In terms of the schemes put forward, and those that Ofwat propose to approve for progression, or not, we have the following comments:

Smart Metering Schemes

We welcome schemes proposing Smart Meter installation such as those from Severn Trent Water and Affinity Water. The National Framework for water resources sets out that around a third of future water shortfall will need to be met by demand reduction, yet the amount of focus placed on this area compared to other aspects such as supply development, is minimal. For example, the PR24 water efficiency innovation fund offers £100m. Whilst this is welcome, the expenditure on supply schemes being progressed through RAPID is by comparison many times higher; £468m for PR19.²

In addition, we see the value of early progression of metering schemes not just as being in the water savings made, and therefore environmental harms avoided, but in the learning that could inform future delivery across the industry as a whole.

Comparing the figures given in the draft decisions document and Appendix 1, it is clear that there are wide variations in cost. Across all proposed metering schemes, cost per smart meter installed ranges from around £150 to over £1000, whilst £/MI yielded ranges from around £4M to £35M, presumably due to variation in current water efficiency levels, property types, household demographics and so on. It would be useful if all metering schemes funded through this route were required to share learning across the sector in order to better understand the underlying differences, barriers faced and successes achieved.

We can see that some of the costliest schemes (per unit) have been selected for progression, but often they include wider deliverables such as systems set-up, paving the way for wider future rollout. However, it is harder to understand why some of the most cost-effective schemes have *not* been selected to progress. In particular, with only one scheme (South Staffs Scheme 2) progressing non-household metering, we suggest that there may be value in also progressing United Utilities' NHH scheme to provide extra learning. NHH reduction will need to provide 9% of the reduction in demand needed to meet the Environment Act water use reduction target, yet this area of research is particularly underrepresented across the sector currently.

We note the inclusion of schemes which do not meet the criteria of being finalised by the end of AMP 8, e.g., Essex & Suffolk Water's Winter Storage Reservoir (Scheme 3). Such schemes necessarily involve very long timeframes so (provided wider concerns are dealt with) we agree that the inability to deliver additional water prior to 2030 should not be a barrier to acceleration.

A number of metering schemes are unapproved because of uncertainty over whether AMI or AMR meters should be favoured. This strikes us as a question that could best be answered at industry level rather than by individual companies, perhaps through UKWIR consideration; in the past the case for dumber-but-cheaper AMR meters may have made sense in areas where large water supply shortfalls were not predicted, however with the advent of regional planning and the sharing of water resources between companies and across regions, it would seem logical that AMI meters would provide the greatest scope for water savings and therefore the greatest resilience benefits. As such we suggest that UKWIR are brought in to assess and share learning from current and brought-forward metering schemes so that either an industry-wide decision can be progressed or that a

² <https://utilityweek.co.uk/fifteen-rapid-schemes-submitted-to-move-water-to-driest-areas/>

decision support tool can be developed so that companies can make decisions on the basis of collective learning rather than each individually having to commission research or progress trials.

No regrets schemes

In a similar vein, several schemes are deselected on the basis of there being “no quantified need for investment (i.e., supply risk to customers to be addressed)”. We question the extent to which this matters; is there not a scenario where additional supply scheme or water efficiency work delivered by a company that does not *itself* have a quantified need for it, simply serves to improve the regional water resources picture such that the need for other (perhaps more controversial) schemes currently expected to be required under the regional plan may be reduced? With the scale of need exceeding 4,000Ml/d additional supply capacity needing to be found, we suggest that options such as these, if cost effective, could be progressed as an example of adaptive delivery.

We are also surprised that there are not more schemes included like Severn Trent Water’s River Water Quality Monitoring (Scheme 9). Here the installation of flow to full treatment monitors at wastewater treatment works is a statutory requirement under the WINEP and therefore non-controversial. Accelerating monitoring which would give companies a clearer understanding of the operation of their Storm Overflows would seem a no-brainer given public and political interest in the speed at which overflows could be tackled, and would allow companies to start developing and implementing plans much sooner. We suggest that Ofwat asks all companies to consider whether they are able to bring forward similar schemes.

Nutrient Neutrality (NN)

A number of NN schemes are rejected due to being proposed at wastewater treatment works that are below the 2000 Population Equivalent limit (e.g. South West Water Scheme 3, United Utilities Scheme 2). We consider this limit to be a shortcoming in the forthcoming legislation; it is a blunt tool for decision-making as it takes no account of what proportion of the overall nutrient loadings harming a protected site may be coming from small WwTWs, individually or collectively. This is particularly the case for designated river sites, where the discharge may be directly into small watercourses where the impact may be significant (when compared to, for example, the impact a works may have upon a designated coastal site into which it ultimately discharges, which may be a very large waterbody and many miles downstream.) As such, we suggest that this programme could usefully be used to explore when and where it may be feasible and beneficial to undertake works at these smaller WwTWs, and what that might look like.

We see a role here for the use of nature-based solutions; either at the works themselves (e.g., Integrated Constructed Wetlands), or in the wider catchment (such as through nutrient offsetting arrangements). In many cases these small, often rural, works will never likely meet cost-benefit thresholds for substantial upgrades, so nature-based solutions (NBS) offer the opportunity to deliver some level of enhancement *without* the constraints that seem to prohibit their use elsewhere, where the uncertainty over whether they can meet particular standards may dissuade companies from selecting them as a solution. They should be taken forward as a no-regrets option safe in the knowledge that ‘it’s this or nothing’.

Despite Government assurances to the contrary, the suite of approved NN schemes clearly demonstrate that the effect of the LURB amendment is to crowd out C&NBS proposals in favour of carbon and chemical intensive infrastructure. We request that each NN Price Control Deliverable (PCD) has a condition attached that before works commence, water companies must produce some

modelling to demonstrate that no equivalent P reductions in the wider catchment can be achieved by means of flexible permitting and green-grey hybrid approaches. As demonstrated in River Petteril and various nascent CNB schemes in Wessex area and elsewhere, WwTW upgrades at an arbitrary threshold can lead to massive unnecessary costs for consumers.

We note that whilst the threshold for approving NbS is artificially high in Ofwat decision-making, the LURB amendment does not even maintain the minimal status quo condition that investment in WwTW upgrades must demonstrate best value. The effect of these schemes is ultimately to unlock housing development, which raises serious equity and customer fairness issues. Customers rightly expect to see maximum benefits from their contribution to environmental targets via water bills. The narrow interpretation of the LURB amendment without even minimal consideration of more nature positive alternatives is disappointing in its own right whilst setting a wider precedent for the WINEP in PR24. The regulators must provide water companies with the necessary comfort that the outcome of reduced nutrient loading in protected sites is the driver and encourage companies to think creatively about how they can achieve this a catchment scale.

In addition, the programme could explore economies of scale. Is it more affordable to undertake work (of any kind) to these smaller works as part of a wider programme? If so, this could help to make the case for their inclusion in collective schemes in future, even if their consideration on stand-alone basis would typically rule them out.

Nature-based solutions and storm overflows

We welcome the diversity of approaches taken to both characterising the baseline of storm overflows and specifying the desired outputs within PCDs. Some period of experimentation and learning will be needed to refine our approach to SOs. We hope that Ofwat will be undertaking a thorough review of these different approaches with a view to rolling out best practice in the normal PRs. We welcome Southern and UU's approaches in making up-front commitments to separation and deployment of wetlands and would encourage other companies to follow suite. Ofwat indicate that opportunities for NbS should be explored even where such commitments have not been written into the PCD itself. We would like to see this strengthened to a formal requirement to assess and present findings on the opportunities for nature based solutions. These assessments will help inform the evidence base for future determinations and help establish standards/criteria for the deployment of NbS.

We also suggest that the condition on demonstrating that enhancement expenditure not be used on meeting permit compliance or maintenance should be strengthened. EA should randomly inspect some portion of each company's proposed SO investment programme to establish the current performance of the asset and any maintenance issues before any improvement works begin.

Wider points

The following schemes are also excluded and (without reviewing them in detail such that we are able to make a case for their inclusion), we provide the following thoughts that may inform Ofwat's reconsideration of these schemes, and of further schemes like them which come forward through PR24 business plans:

- There are questions over whether Northumbrian (Essex & Suffolk) Water's Integrated Constructed Wetland (Scheme 6) could meet the P-permit limits; this will be a common issue with many ICW proposals and without a reasonable number progressing on a 'best

endeavours' basis, there will not be the evidence base to inform future proposals. As above, we feel there is a case for implementing ICW or wider catchment offsetting schemes particularly where more 'certain' but costly schemes are unlikely to receive funding. Ofwat notes that the proposal is not within an NN catchment, however none of those that are willing to risk non-compliance and therefore all propose standard WwTW upgrades. Proposals such as Northumbrian's represent a low risk opportunity to test and assess ICW capability.

- Whilst rejected on the basis of uncertain environmental need, the *concept* behind United Utilities' rainwater scheme (Scheme 5) is particularly welcomed. It looks to holistically consider the management of flood risk and overflows, working with business and community partners, and in that sense is a model example of what we would hope to see progressed through DWMPs.
- The 'learning from nature' proposal from South West Water (Scheme 2) is again, in concept, very welcome. Looking at the role that pond creation and catchment management could deliver to water quality *and quantity* is what is particularly interesting, in that the majority of NbS proposals which include water supply typically consider it from the perspective of *water quality threats* to supply, rather than looking at quantity specifically. Similarly the Biodiversity proposal (Scheme 15) from Affinity Water sought to consider water resource yields through enhanced land management. We would like to see more proposals coming forward which look at the flow or drought resilience benefits that could be secured through nature-based solutions. We note that the Water Resources Planning Guidance (in stating that to be considered in a WRMP a scheme should have some benefit to one or more components of the supply-demand balance) has seen companies reluctant to include NbS in their WRMPs due to a lack of certainty on the benefits they could deliver – whilst they may later feature in the Business Plan, this has left local stakeholders frustrated that options they are supportive of seem to be broadly rejected. We would welcome the inclusion of more such schemes in order to evaluate the benefit that they may bring to supply security.
- South Staffs' Chalk Stream Restoration proposal (Scheme 3) recognises the role that river restoration could play in providing resilience to species and habitats whilst long-term solutions to reduce abstraction pressures are developed and delivered. Noting the point that in this case, dWRMP acceleration should instead be considered first, we nevertheless welcome the recognition that wherever supply or demand schemes *cannot* be accelerated, habitat enhancements could play a valuable role in bolstering ecosystem health until those abstraction pressures can be removed.

In conclusion, we were pleased to see the range of schemes put forward which not only sought to reduce harms to the environment from abstraction or waste water activities, but that also sought to do so in a way which secured wider benefits, or significant accelerated learning which would be valuable across the sector as a whole.

We would like to see learning from these schemes actively shared across the sector and communicated to stakeholders.

Finally, we question whether the scheme criteria need to be rigidly adhered to; we see value in several of the proposals which did not fully meet the criteria but that would move forward environmental protection as well as testing innovative approaches, and in particular see that this scheme could have offered opportunity to test out innovative approaches sooner, such that they

would have greater benefit to the industry as a whole. We suggest that Ofwat reconsider whether some of the rejected schemes could indeed be included on that basis.

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

Many thanks, and kind regards,



Ali Morse
Water Policy Manager, The Wildlife Trusts, and Chair, Blueprint for Water