

## Creating tomorrow, together: consulting on our methodology for PR24 Appendix Questions

### Blueprint for Water Response – September 2022

*Wildlife and Countryside Link is a coalition of 65 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.*

This response is supported by the following Link members:

- Amphibian and Reptile Conservation
- Angling Trust
- RSPB
- The Rivers Trust
- The Wildlife Trusts
- Waterwise

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Blueprint for Water welcomes this opportunity to comment on the draft PR24 methodology.

This document responds to the appendix questions of the consultation, and accompanies [our response](#) to the main consultation questions.

Further detail can also be found in our '[Environmental Manifesto for PR24](#)'. This sets out our ambition for PR24, and the action required from Government, regulators, and water companies, to ensure the Price Review meaningfully delivers for people and for nature.

#### Appendix 4 – Bioresources Control

Treated sewage sludge, or bio-solids, is known to contain contaminants such as microplastics and PFAS, which currently cannot be removed during the treatment process and are highly persistent in the environment. When treated sludge is spread onto agricultural land, the contaminants are re-

released into the environment, and subsequently end up in rivers and ultimately the ocean. A clean circular economy cannot be achieved while persistent pollutants, such as PFAS and microplastics, remain in circulation. These contaminants are extremely persistent in the environment and won't break down for decades, therefore they will continue to build up and accumulate in the environment.

Water company plans should not simply be looking to expand their markets for bio-solids; they should be looking for the most environmentally sustainable options for sewage sludge, and planning for a future where the use of bio-solids as a fertiliser may be restricted due to high levels of contaminants. For example, in a recent meeting of the APPG for microplastics MP George Eustice (then-Secretary of State for Environment, Food and Rural Affairs) and representatives from Defra (alongside a letter from MP Steve Double, Parliamentary Under Secretary of State) highlighted that wastewater treatment is a particular area of focus as the solution to stop microfibres and microplastics entering the environment, rather than mandatory washing machine filters. If Ofwat is advocating for greater use of bio-solids there needs to be discussion with Defra departments to ensure that pollutants are not simply re-released to the environment in this process. There should be an action plan of how pollutants will be stopped at source, and how bio-solids will be managed to prevent pollution.

## **Appendix 6 – Performance Commitments**

As outlined in our main response to the PR24 methodology consultation, we believe that Performance Commitments (PCs) can play a key role in incentivising companies to do more of the things that matter to customers and society, but that incentives must be carefully formed to ensure that they are delivering the best outcomes.

Ofwat's consultation on the Outcomes Framework for PR19 set out that the framework does not affect companies' requirements to meet their statutory obligations, but can inform the way in which they meet these obligations or the options they have for meeting them, and can also be used to incentivise the delivery of improvements which go beyond statutory obligations or which achieve those obligations faster than they are required to be achieved. The consultation stated "In order to ensure consistency between the outcomes framework and statutory obligations, companies must not propose performance commitments which are incompatible with their statutory obligations". We consider this not to be forceful enough; we believe that performance commitments should not deliver rewards for simply meeting legislative requirements - it is key to achieving better value for customers that the penalty and incentive regime imposes penalties for underperformance and rewards for outperformance, but does not reward companies simply for 'performance'.

For PCs to be impactful, the financial (and reputational) pain of not delivering against them must be greater than the cost of meeting them. This does not always appear to have been the case in the past, with companies speaking of the need to 'optimise' investment towards meeting PCs by balancing projected spend and likely penalties, to determine the least costly pathway. If there is a least cost route which does not see the commitment reached or exceeded, then the penalty set was clearly not large enough.

We also recognise that PCs won't always be the most appropriate way to take forward an issue or achieve an outcome. However, if we consider that the bulk of environmental investment is delivered through the WINEP (for agreed investigations and interventions around, primarily, statutory obligations), with the PCs then 'pushing at the margins' to secure more / better outcomes, this

leaves a potential gap for emerging issues and innovative approaches. We want to be confident that such aspects are being picked up elsewhere within the regulatory framework. The innovation fund is helpful in this regard, but has not yet yielded sufficient progress in some areas. For example, Blueprint members had proposed a range of aspects that could be considered under the River Water Quality PC (see 6.9) but that were unable to be taken forward. Where we have insufficient knowledge to measure issues, to know what 'good' looks like and to understand what action needs to be undertaken, when, then we accept that it will not be possible to develop effective PCs – but we need to see action taken on these topics outside of the Outcomes framework such that in PR29 we do not face the same barriers.

For example, in our '[Environmental Manifesto for PR24](#)' we had identified that the PR24 methodology must support the mainstreaming of nature-based solutions (NbS); whilst a simple number- or area-based PC could see NbS used where they were not appropriate, a PC that considered the benefits that NbS could secure, could be more impactful. It is aspects such as these that we would welcome the opportunity to work with Ofwat on ahead of the next Price Review - otherwise, we could be in a position for PR29 where helpful PCs are again unable to be introduced because the groundwork has not been undertaken.

**(Q6.5)** We generally agree with the proposed definition for the biodiversity performance commitment; the approach proposed is practical and we agree with the use of the BNG 3.1 metric. We agree with the 'rolling programme' concept of baseline assessment. There should be specific targets for freshwater and wetland species (priority, scheduled and Red Data book species) drawn from a pre-defined menu of species which fall into these categories, and we would expect to see delivery by companies that is aligned with Local Nature Recovery Strategies.

Given the water companies' specific influence on the water and wetland environment, we recommend that their targets should be focused on increasing the extent and/or quality of freshwater and wetland habitats rather than, say, achieving gains by tree planting which will be well-covered by many other initiatives. Focussing on freshwater and wetland habitat creation or measures which create clean water (i.e., equivalent to WFD High status), should be prioritised to generate the most rapid gains, and should help mitigate the risks of Issue 2 (long timescales).

When it reconvenes, the expert group should address the issues of:

- Focussing on freshwater biodiversity (as opposed to *all* terrestrial biodiversity), minimising the effort on non-freshwater and wetland biodiversity which will be covered by many other actors;
- Determining which are the best methods for rapid and well-evidenced freshwater and wetland biodiversity gain, and prioritising these;
- How to encourage specifically freshwater and wetland species recovery, currently not well-defined in Biodiversity Net Gain, and some of the most threatened species in England.

Habitats improvement or creation should have documented gains as either new areas of high-quality habitat created or areas of habitat improved, with evidence of improvement. As far as possible, outcome measures like 'length of river improved', without evidence of actual improvement, should not be allowed. The poorly specified river habitat metric should be used with caution as it has no reference to water quality and relies on assessments of habitat structure which, alone, is well-known to be very weakly related to freshwater biodiversity. Similarly, it is important that companies focus on nature-based solutions where there is clear evidence of freshwater and wetland biodiversity gain.

**(Q6.7)** We disagree that the performance commitment on serious pollution incidents should only apply to water and wastewater companies. The performance commitment should apply to both water and sewerage companies (WASCs) and water-only companies (WOCs). Vast quantities of chemicals are used in the treatment of drinking water so it is just as important to incentivise WOCs to avoid serious pollution incidents. Applying the performance commitment to both types of company would see greater safeguarding of water quality overall. We proposed in our Manifesto that a target for zero pollution incidents (categories 1, 2 and 3) by 2030 should be set by all water companies; as such we would like to see PC trajectories that align with or exceed that ambition.

We also note that the Asset Health PC will have a significant bearing on water quality. We recognise that mains repairs, unplanned outage and sewer collapse as proposed are important indicators of a lack of planning and investment in asset health, but strongly agree that it will be important to ‘complement them with further monitoring outside the price review, to form a holistic and complete view of asset health and operational resilience’. We suggest that misconnections, blockages and cross connections (such as poorly designed dual manholes in large parts of London) are included as indicators of asset health for wastewater companies, making the link between asset health and river water quality, which is impacted by failing infrastructure and not just CSOs and STWs.

**(Q6.8)** We agree with the proposal to move away from using ‘Percentage of excellent bathing waters’ as the performance measure in this area. If the ‘Weighted classification-based approach’ is adopted, we would not expect to see that weighting distributed evenly across the classifications, thereby further incentivising continued improvements in order to achieve higher performance. Our concern with the sample-based approach as currently worded is that the proposed exclusions (e.g., for ‘short-term events’) could give a false impression of bathing water quality.

**(Q6.9)** We are disappointed that the proposed PC will consider only the reduction of phosphorus. We question the need for a PC that focusses on this given that on top of WFD obligations, the industry will be required to take action on phosphate as a result of both an Environment Act target (expected in October 2022) and as a result of new nutrient neutrality requirements placed upon the sector by Government. Given these obligations, we would expect to see any PC target on phosphate reflecting statutory requirements *at a minimum*, such that rewards would operate only in the space beyond – it is unclear how much scope there is to go ‘further or faster’ beyond what may already be relatively ambitious legislative requirements, in which case the value of a PC here could be minimal. In addition, although the target as worded does allow for the inclusion of ‘phosphorous stopped from entering rivers’ through wider partnership working, including by using nature-based solutions and catchment management, in reality, focusing on phosphorus alone could discourage the use of NbS, given the reliability of chemical dosing as a solution to phosphate pollution, and could therefore increase reliance upon chemical use as a solution.

Whilst phosphate pollution is a major pressure upon the water environment, a reduction in phosphorus alone entering rivers does not guarantee an improvement in water quality, and we would therefore like to see water companies required to measure and reduce other pollutants / parameters at output source - including nitrogen, faecal coliforms, suspended solids and BOD. We recognise that, as for the Environment Act targets, phosphorus has been proposed as its control is more fully within a water company’s gift, but that is to overlook the other water quality ‘reasons for not achieving good status’ (RNAGS) that are also attributable to the sector. We would have welcomed a PC closer to the alternative RNAGS proposal, and whilst we acknowledge the issues identified by Ofwat there (such as that the number of RNAGS can change as new information comes to light as well as because of company actions to improve water bodies), we suggest that alternative

measures such as 'downward trend' for all attributed RNAGS could potentially form the basis of such a PC (or where these are already included in the WINEP, 'faster downward trend').

Finally, as outlined in our introduction, through our input to the RWQ PC group we had put forward for consideration wider items including work on emerging chemicals, and microplastics. We accept that currently, understanding around impact, ability to monitor and ability to reduce discharges mean that PCs around such elements are perhaps not the best route towards achieving change, but we would wish to be in a much better position on these issues come PR29, and would wish to be kept informed of / involved in workstreams which will consider these issues in the coming years, such as through UKWIR programmes or innovation funding, so that reductions in these pollutants could be appropriately incentivised for PR29. It is these such approaches that a long-term approach to the Price Review should help to embed.

### **Appendix 13 – Data and Modelling**

We rely on robust evidence on the state of the water environment from monitoring in order to guide actions to protect and enhance freshwater systems. A lack of robust monitoring generates inaccessible, inaccurate and incomplete data leading to poor management decisions and substantial misdirection of resources. Ofwat should allow water companies to ring fence funding for monitoring, to ensure that the state of the freshwater environment is accurately understood and that investment decisions are fully reflective of this, and therefore the most effective use and prioritisation of resources. This is particularly significant given the challenge of historic underinvestment within the water industry, the cost-of-living crisis, and the critical state of the water environment.

In our PR24 Manifesto we recommend that Ofwat – alongside the Environment Agency and Defra – should promote Water Industry use of Citizen Science. In order to improve the appropriate monitoring of the environment, Government should endorse the [Catchment Monitoring Cooperative](#), which proposes to create the first national-scale framework for standardised citizen science approaches, integrating local monitoring with other low-cost, high-density data into national decision support tools. This should be embedded within both PR24 and WINEP recommendations.