The Welsh Government Guiding Principles for Developing Water Resources Management Plans (WRMP’s) for 2020

April 2016
This Guidance applies to water undertakers whose area is wholly or mainly in Wales. It provides an overview of Welsh Government policy, the legal requirements that must be met and the role and responsibilities of Government, regulators, water companies and their customers.

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1. Introduction

Water companies are required to produce a Water Resources Management Plan (WRMP) every five years. The plan must set out how a water company intends to maintain the balance between supply and demand for water over a minimum of a 25 year period. This is complemented by a water company drought plan, which sets out the short-term operational steps a company will take as a drought progresses.

The water resources planning guideline provides a framework for water companies to follow when developing and presenting their WRMPs. It sets out good practice in developing a plan with reference to approaches to follow, the scope for flexibility within the plan, and the information that a plan should contain. Water companies should follow this guideline and make sure that their plans cover the requirements specified by the Water Industry Act 1991, Sections 37A to 37D (as amended by the Water Act 2003 and the Water Act 2014) and the Environment (Wales) Act 2016.

The Welsh Government’s Water Strategy for Wales sets out the strategic direction for water policy over the next 20 years and beyond. It sets out the Welsh Government’s vision to ensure that Wales continues to have a thriving water environment which is sustainably managed to support healthy communities, flourishing businesses and the environment. We want the people of Wales to receive first class, value for money, water services with water used efficiently, safely and respectfully by all.

WRMP’s should demonstrate how they have taken into account the Welsh Government’s priorities, principles and policy commitments set out in the Well-being of Future Generations (Wales) Act (2015) and the Water Strategy for Wales. WRMPs should contain cost-effective solutions. These must be supported by evidence on why the options selected are the best value for customers and the natural environment and what alternative have been considered and rejected.

The Water Strategy for Wales seeks to reduce the burden of planning in water companies, so to this end, a ‘better regulation’ approach should be adopted in developing and consulting on the WRMPs. Such approaches should include agreement with the regulators of appropriate assessment methodologies and approach to use within the WRMP that reflect a risk based planning approach.

The WRMP and the consultation documentation must be clear and accessible as this is key to successful consultation and engagement. They should be suitable for a wide audience. Water companies should pro-actively engage with the Consumer Council for Water and their Customer Challenge Group throughout the process.

Supporting innovation, particularly within the water industry, is one of our key priorities. We expect innovation to be at the heart of the approach adopted by the water sector in Wales and in particular our water companies. Water companies should explore innovative approaches to maintaining resilience of supply which will reduce their overall costs.
2. Legislative framework

The legislative requirements for water companies to prepare and maintain a WRMP are set out under sections 37A to 37D of the Water Industry Act 1991, (as amended by the Water Act of 2003 and the Water Act 2014). These provisions set out the procedures companies must follow when developing their plans.

The Water Resources Management Plan Regulations 2007 provides further detail on the process, particularly around:

- consultation requirements;
- handling representations and the statement of response to representations;
- the power of the Welsh Minsters to hold an inquiry or hearing;
- publication requirements.

The Water Resources Management Plan (Wales) Directions 2016 direct the water companies to prepare a WRMP for 2020.

Section 6 of the Environment (Wales) Act 2016 requires public authorities (as defined in the Act) and water and sewerage undertakers to seek to maintain and enhance biodiversity and in so doing promote the resilience of ecosystems. This duty replaces the section 40 duty in the Natural Environment and Rural Communities Act 2006. This duty applies to water companies (wholly or mainly in Wales), Natural Resources Wales and Ofwat. It also requires that these bodies must prepare a plan outlining how they will comply with the new duty and every three years from 2019, report on compliance. This requirement can be met by including the information in any existing document that they produce.

The Water Industry Act 1991 (section 68) requires water companies to supply wholesome water. Wholesomeness requirements are set out in the Water Supply (Water Quality) Regulations 2010 (in Wales), and associated amendments.

The Well-being of Future Generations (Wales) Act 2015 aims to improve the social, economic, environmental and cultural well-being of Wales and improve the way in which decisions are made across specified public bodies so that Wales achieves its well-being goals for a prosperous, resilient, healthier, more equal and globally responsible Wales, with a vibrant culture and thriving Welsh language. The Act puts in place a Sustainable Development Principle and requires specified public bodies, including the Welsh Government, to show that they are thinking more about the long-term, to work better with people, communities and each other, look to prevent problems and take a more joined-up approach – helping us to create a Wales that we all want to live in, now and in the future.

Water companies must submit their plans to the Welsh Ministers and companies whose supply area includes any part of England must also send their draft plans to the Secretary of State when they are submitted to Welsh Ministers.
Water companies must ensure that they provide services to the public, including consulting and publishing their plans bilingually, in accordance with their statutory requirements under their Welsh Language Schemes, as agreed under the Welsh Language Act 1993, and in due course the Welsh Language Standards, as provided by the Welsh Language (Wales) Measure 2011. Accordingly, companies operating wholly or mainly in Wales should publish both Welsh and English language versions of non-technical summaries of their WRMPs and Drought Plans.
3. Government Policies

i) Key Messages

The Water Strategy for Wales makes clear the importance that the Welsh Government attaches to adopting an integrated and sustainable approach to managing water resources. This requires the integrated management of natural resources to maximise economic and social benefits in an equitable way while protecting all ecosystems and the environment. WRMP’s must ensure the long-term needs of a sustainable and resilient environment and that there are sufficient, reliable water resources available in Wales.

WRMP’s should focus on delivering towards improving the social, economic, environmental and cultural well-being of Wales as reflected in the seven well-being goals provided in the Well-being of Future Generations (Wales) Act 2015, and they should support other organisations to meet this their statutory requirements under that Act. They should develop their WRMP’s within the context of ensuring their ability to maintain access to fair and affordable water and sewerage services, both for people and businesses.

The key policy priorities that the Welsh Government expects water companies to address in their plans are all aimed at providing secure, sustainable and affordable supplies of water to customers while working to improve Wales’ overall resilience to provide safeguards from major threats to the safety of life and livelihoods – such as those posed by drought, flooding or major pollution incidents. They include:

• ensuring water supply systems are more resilient to natural hazards and future uncertainties, such as the impacts of climate change.

• considering all options to balance supply with demand, taking a more integrated approach towards sustainable management of natural resources in reducing the demand for water. This can be achieved by managing leakage and providing services to help customers use water efficiently where there is a reasonable prospect that the benefits of doing so will outweigh the costs.

• ensuring the views of customers are properly taken into account particularly on service levels and cost within the plan.

• including a succinct reasoning on why the options selected are the best value for customers and the natural environment and what alternative have been considered and rejected.

• ensuring efficient, sustainable water resources planning in compliance with all relevant European and domestic statutory requirements including the Water Framework Directive and Habitats Directive, and the Environment (Wales) Act 2016. Other legislation is listed in the technical guidelines.

• carrying out a Strategic Environmental Assessment (SEA) and Habitats Regulations Assessment (HRA).
All of the above should be carried out in the context of a risk based approach, where the level of assessment applied is appropriate to the risks and needs within the water resource zone.

**ii. Climate change**

The predicted effects of climate change, such as more frequent extreme weather events, can place greater strain on the most vulnerable people in our society. The Welsh Report of the UK Climate Change Risk Assessment highlights that warmer weather is likely to result in increased consumer demand and greater evaporation from our reservoirs.

A safe and secure supply of water requires investment and maintenance of the infrastructure network, building in resilience from natural hazards and the impacts of climate change. This will ensure adequate protection for people and our natural resources.

More intense rainfall will cause more surface water flooding and wash more pollutants into our streams, rivers and coastal waters. It will also reduce the recharge of water into our underground water resources in the areas of Wales where these are important. River flows in summer are likely to be lower and drought conditions are more likely to occur. Our reliance on surface water resources in Wales means that water systems must be resilient to these stresses and able to recover quickly from extreme shocks adequate for these predicted conditions. These changes are likely to increase the stress on the water environment consumption.

WRMP’s should use the most current scientific evidence about climate change and the impacts we might expect to see in Wales to inform the water resource management plan assessments. The best available understanding is currently provided by the UK Climate Projections 2009 (UKCP09), although if applicable later evidence may be used if agreed with Natural Resources Wales.

In conjunction with the wider water company Business Planning process, WRMP’s should support a policy of reducing the carbon footprint associated with the abstraction, storage, treatment and provision of water. They should:

- address the need to reduce greenhouse gas emissions and how this is supported by the options set out in the WRMP and their assessment via the Strategic Environmental Assessment process. Part 2 of the Environment (Wales) Act 2016 introduces a framework for reducing greenhouse gases across Wales through the introduction of targets and carbon budgets. By 2050, emissions from greenhouse gases must be at least 80% below the baseline. Interim emissions targets will be set for 2020, 2030 and 2040 by the end of 2018. Five yearly carbon budgets will be set beginning with the first for 2016-20 through to 2050. The first and second carbon budgets to be set by the end of 2018.

- ensure that our water resource systems are prepared for the likely effects of climate change and that we have secure and resilient water supplies.
• mitigate the effects of climate change by reducing customer demand for water through the implementation of water efficiency initiatives, demand management and leakage reduction.

iii. An ecosystem based approach

The Environment (Wales) Act 2016 introduces the ecosystem approach as the means by which to deliver the sustainable management of natural resources. This approach is represented in the principles of sustainable management of natural resources. These principles include for example addressing priorities and opportunities at an appropriate scale as well as collaborating and engaging with stakeholders and local communities. WRMPs should demonstrate how this area based approach has been used to promote strategic investment in sustainable water and drainage infrastructure that improves local environments.

They should include measures to encourage innovation and a longer term shift towards a system that recognises the value of the water resource available to Wales. A high quality water environment is essential to support a healthy ecosystem, which, in turn, provides a number of services for people, wildlife and the wider environment.

Water companies should adopt the ecosystem approach to managing water as reflected in the Environment (Wales) Act 2016. This approach includes considering the multiple economic, social, cultural and environmental services provided from our natural resources and ecosystems. This is in addition to meeting European environmental obligations, as set out in ‘A Living Wales’.

iv. Future water resources management & investment

The planning scope for WRMPs is 25 years, but water companies should take a longer term view where it is appropriate. It is essential to take a long term approach to WRMPs to make sure that appropriate measures are being taken to consider the impacts of future demands and climate change on our water resources.

WRMPs should provide the evidence and justification for future investments, which will inform water company business plans as part of Ofwat’s price review. They should take a long term view of investment, without being constrained either by the 5 year price review or the Business Planning cycle. They should not postpone necessary investment in order to deliver unsustainable short term reductions in customer bills.

v. Water trading

Water companies should only agree bulk supplies where they can demonstrate that it would not be detrimental to their customers or to the ecosystem of the catchment area and appointment area of the incumbent company from where it is taken.

Where a water company’s preferred solution to meet demand includes an option to transfer water from a water resource zone of a water company which is wholly or mainly in Wales, it should provide an opportunity for Welsh Ministers and Natural Resources Wales to give representations on its plan. The expectation is that any
proposals should be explored during the pre-consultation phase of developing a plan. If such options are likely to be considered as part of the preferred solution, water companies are expected to consult the Welsh Government on these options as early as possible in the process.

Any proposals for bulk supplies should include clear evidence of compliance with the statutory duty under Section 68(1)(b) of the Water Industry Act 1991 which places a statutory duty on water undertakers to ensure, in relation to each source or combination of sources from which water is supplied, that there is, in general, no deterioration in the quality of the water which is supplied that source or combination of sources.

vi. Demand management

WRMPs should demonstrate how undertakers will facilitate a reduction in domestic and business water use and how they will promote efficient water use to their customers. The promotion of water efficiency and water conservation is required to mitigate the environmental impact of society’s demand for water and in protecting the aquatic environment for future generations. A wide range of measures should be considered to help reduce demand for water.

Water meters have a role in providing an incentive to reduce water consumption and in some circumstances they can reduce bills. WRMPs should set out the company’s policy on metering, and include an estimate of the proportion of domestic properties with a meter at 5 yearly intervals throughout until 2045.

The design of measured charges can play an important role in improving water efficiency, reducing water consumption and abstractions, and enhancing the environment. There may also be an environmental and economic gain for customers generally if the effect of metering can defer the need for expensive investments in new resources.

Growth in population will increase demand for water. Domestic consumption has been rising. Welsh Government projections on population and properties forecasts should be used as a baseline for population forecasts for WRMPs. Water companies should also take into account Local and Strategic Development Plans and engage with local authorities to estimate changes in demand at a local level and to inform these plans.

Leakage is a high priority issue for customers and can damage the industry’s reputation. WRMP’s should demonstrate how companies will maintain leakage at the point where the environment, economic and social cost of reducing leakage is less or equal to the cost of getting water from other sources, and deliver an ongoing reduction in total company leakage during the planning period. As a minimum the Welsh Government does not expect a resource zone in deficit to have rising leakage in the baseline forecasts. This requires a strategic approach to managing leakage to inform the long term leakage forecasts in their WRMPs. They should consider the value that customers place on reducing leakage and the benefits this will bring to their customers’ willingness to participate in demand management as well as other benefits to the environment.
WRMP’s should show how water companies will innovate and develop expertise in preventing, identifying and repairing leakage more effectively.

Vii. Environmental and Social Costs

When considering the environmental and social costs of schemes to maintain a secure water supply, the method used should be proportionate to the size of the problem. Water companies should use the ‘building blocks’ approach, making a qualitative, quantitative then monetary assessment if necessary. We expect water companies to explain and justify which method they have used within their plan.

We encourage water companies to consider using an Ecosystem Services approach to environmental valuation, accounting for ‘local’ factors, as this would help to promote a consistent and integrated approach to environmental valuation across water environment planning. This consistency supports accountability and transparency, and helps with stakeholder engagement.

viii. Abstraction reform

The Welsh Government committed to the reform of the water abstraction management system in Wales in the Water Strategy for Wales, which was published in May 2015. Our aim is to reform how water abstraction (the process of taking water directly from water sources, such as rivers, or groundwater) is regulated in Wales to create a better, fairer and more modern approach that will ensure that we make the best possible use of our water resources whilst protecting the environment.

In January 2016, the Welsh Government published its response to the ‘Making the most of Every Drop, Reforming the Abstraction Management System’ consultation. This sets out how the abstraction management system will evolve to meet the challenges of an increasing population and climate change.

The Welsh Government’s response to the ‘Making the most of Every Drop, Reforming the Abstraction Management System’ consultation, sets out how the abstraction management system will evolve to meet the challenges of an increasing population and climate change, whilst still protecting the environment.

During the transition from the existing licensing system to the new regime, the focus in Wales will be on making changes to licences that will enable the effective management of water resources in all catchments. To help deliver this, Natural Resources Wales propose to review all existing licences. By reviewing all licences, both current and future abstractors and others with an interest in the water environment will have a clear picture of where water resources are available to support future growth, whilst still ensuring that the environment remains protected. This approach is in line with the Welsh Government’s Natural Resources Management policy and the recently issued Water Strategy for Wales, which promotes the proper use of water resources. It also supports the delivery of the aims of the Water Framework Directive.
In undertaking this review, where, for example, Natural Resources Wales find that licensed volumes exceed an abstractor’s requirements, those unused licence volumes will be removed, either to protect the environment or to free-up resources for other users. It is important to note that at the point of transition, Natural Resources Wales will ensure that all abstractors will receive permitted volumes that reflect current business use and in respect of water companies, meet their security of supply obligations.

For the majority of abstractors, Natural Resources Wales will use historical data to assess an abstractors water needs. For water companies a different approach is proposed. Water companies will be allowed to utilise their current water resources planning processes, such as the WRMP, as an evidence base to justify retaining any unused licences and also any licenced but unused volumes. This will ensure that transition does not affect security of supply. Further information on the level of detail required as evidence to support this transitional work will be included in the WRMP technical guideline or provided directly by the regulator.

xv) Drinking Water Considerations

Proposals for new sources of water supplies should include an assessment of the management of the drinking water or raw water quality of the option being considered. This should include the whole life costs of treatment, pumping, storage, networks, maintenance and operation. Routine operational matters to be considered include:

• control measures necessary to mitigate the impact of the option on optimisation of phosphoric acid dosing, pH and colour for plumbosolvency control;
• fluoridation practices;
• other chemical stabilisation processes;
• aesthetic impacts on consumers; and
• control of disinfection by-products.

Transfers of water, or commissioning of new sources, that increase the risk of non-compliance, such as by discolouration, nitrates or pesticides, should not take place until steps to mitigate those risks are in place.

4. Roles and responsibilities

Water companies

Water companies must prepare and maintain WRMPs with the involvement of their customers. Water companies must demonstrate how they will manage and develop water resources to balance the supply and demand for water. They must also make sure that all arrangements have been made for:

(a) providing water to premises in its area and for making water supplies available to those that demand them.
(b) maintaining, improving and extending its water mains and other pipes.
(c) maintaining an efficient and economical system of water supply within its area.
The company must review its plan annually and send a statement of the conclusions of its review to the Welsh Ministers.

Water companies will be required to prepare a revised WRMP in each of the following cases:

- if the annual review indicated a material change of circumstances - i.e. Those with significant impacts on customers or the environment either through loss of security of supply or higher bills. Changes which do not impact detrimentally on security of supply or customers' bills would not normally require the company to prepare and consult on a revised WRMP;
- if it has been directed to do so by the Welsh Ministers;
- within five years of the date of publication of its WRMP or a revised plan.

**Customers at the heart of delivery**

The Water Strategy for Wales highlights the importance of ensuring a strong customer focus at the heart of the delivery of water and sewerage services in Wales. This requires both a sound understanding of existing and future customer needs, and a strong voice for consumer representation.

Water companies should engage their customers and the Consumer Council for Water through direct engagement and consultation early in the process of plan development as part of their continual dialogue with their customers. They should seek to integrate this engagement with that being undertaken for the next price review to help ensure consistency with business plans. For example, customers may take a view on the levels of service (in terms of frequency of restrictions on use) or have particular priorities or concerns about levels of metering and leakage.

The price-setting process requires companies to develop plans in consultation with their customers and stakeholders. Customers need to know that the bills they pay are fair and legitimate. Good customer engagement is essential to achieving this.

The quality of customer engagement including assurance provided by Customer Challenge Groups will be an important factor in determining the level of scrutiny Ofwat will apply to the companies’ business plans for the next price review. We expect companies to use their Customer Challenge Group to provide assurance of the quality of customer engagement for WRMPs and help ensure consistency with business plans.

**Welsh Government**

The Welsh Government is responsible for water policy in Wales and provides the statutory framework and policy guidance for WRMP’s within which water companies must operate.
The Welsh Government issues the guiding principles, setting out what is required in a WRMP. Following the publication of the draft WRMP, interested groups send representations to the Welsh Ministers and these are forwarded to the appropriate water company.

The Welsh Government will consider the water company plan and statement of response to determine whether there should be a public hearing or an inquiry and it will seek advice from Natural Resources Wales before making a decision.

The Welsh Ministers may direct companies to make changes or to publish a new plan.

**Natural Resources Wales**

Natural Resources Wales has a major role in the WRMP process and advises the Welsh Ministers in respect of plans submitted by Water undertakers that are wholly or mainly in Wales. The Environment (Wales) Act 2016 prescribes Natural Resources Wales a new general purpose to pursue the sustainable management of natural resources (SMNR) and to apply the principles of SMNR in the exercise of all of its functions. It will provide advice in a manner which will apply these principles which include consequences of actions in the short, medium and long-term, the services provided by ecosystems, public participation and the resilience of ecosystems.

Natural Resources Wales publishes planning technical guidelines for water companies to follow when developing and presenting their WRMPs.

Section 37A(8)(a) of the Water Industry Act 1991 requires a water company to consult Natural Resources Wales before preparing its plan. Natural Resources Wales provides advice to water companies throughout the planning process to help water companies understand what they need to do to comply with the water resource planning guidelines and government guiding principles.

Once the draft WRMP is published, Natural Resources Wales will make representations to the Welsh Ministers on the content of the draft plan. This will cover any issues it considers relevant and will be set against the context of the Government’s policy position for managing water resources.

Once the statement of response is published Natural Resources Wales provides technical advice to the Welsh Ministers to help them decide on the next steps. The evidence requested is likely to cover:

- whether the plan meets the statutory requirements;
- whether the company has properly addressed the representations received;
- whether or not the changes proposed to the plan in the statement of response are significantly different to the draft on which the company consulted on; and
- the improvements it advises should be made to the plan.
When the Welsh Government considers whether a water company should publish its plan, Natural Resources Wales will advise if the published plan meets any Directions or guidance made by Ministers. Natural Resources Wales will then provide advice to the water companies on implementing their plans and preparations for the next round of plans.

For those companies going to a hearing or an inquiry, Natural Resources Wales will be a main party to the hearing or inquiry and will present Government policy views. Hearings and inquiries provide an opportunity for disputed issues to be considered by an inspector.

If the Welsh Government asks a water company for further information, the water company may request the help of Natural Resources Wales in responding to that request. Natural Resources Wales may be asked to provide advice to Ministers once the additional information is submitted.

**The Water Services Regulation Authority (Ofwat)**

Ofwat is the economic regulator of the water industry. Its functions include setting price limits for water and sewerage companies. Its main statutory duties are to:

- further the consumer objective to protect the interests of consumers, wherever appropriate by promoting effective competition;

- ensure that the companies and licensed water suppliers properly carry out their activities and functions;

- ensure that the companies can (in particular through securing reasonable returns on their capital) finance the proper carrying out of their functions; and

- further the resilience objective to secure the long-term resilience of companies’ systems and services to consumers.

Ofwat must carry out its functions in accordance with the Statement of strategic priorities and objectives it receives from the Welsh Government as well as other statutory guidance on specific issues such as charging.

Water companies have a statutory obligation to consult Ofwat before preparing their plans (pre-consultation phase). Once the draft WRMP is published, Ofwat may make representations to the Welsh Ministers on the content of the draft plan.

**Environment Agency, Department for Environment, Food and Rural Affairs (Defra) and Natural England**

Water companies should engage with these organisations in respect of any part of their WRMPs in England. The Environment Agency and Defra are both statutory consultees.

The Environment Agency will comment on the English parts of the plan and will make representation to the Welsh Government on the content of the draft plan. Once
the statement of response is published the Environment Agency will provide comments on matters that affect England to the Welsh Government via Natural Resources Wales.

Natural England is responsible for protecting habitats, species and ecosystems that depend on water, in particular European sites, Ramsar sites and Sites of Special Scientific Interest (SSSIs) in England.
5. Approach to water resource planning

The water resources planning process works alongside the process for setting water companies’ price limits. Aligning the two processes will play an important role in providing better incentives which will be set within the context of our wider policy aspirations for the water sector to deliver the best outcomes for customers and our natural environment in Wales.

We expect water companies to take responsibility for making effective links between these two processes. They must make sure that they engage with their customers and other stakeholders consistently over their WRMP’s and their business plans that they prepare as part of the price review.

Water companies have to set out an initial forecast of demand for water for at least 25 years, taking into account factors such as population and demographic changes and a changing climate. They should also take a long term perspective, beyond the 25-year planning horizon where appropriate, (for example where large scale investment may be required towards the end of the 25 year period).

Water companies need to compare this forecast of demand against a forecast of available water supply, considering what resources are available for deployment now and how these might change in the future, including challenges such as climate change and environmental need. WRMP’s should state the estimated level of resilience of their water resource zones in the context of more severe droughts than those within the historic record.

This will result in the water company having a surplus or deficit of water in each year. The water company will need to choose from the range of methods that are referenced in the technical section of the guideline when developing its plan and should take a proportionate approach to the problems identified, although they may take a different approach as long as its justified. A company which predicts a deficit will need to decide on a preferred solution to return it to surplus. A company which expects to meet demand plus reasonable contingency can implement options to increase resilience and adhere to Government policies and aspirations, improve the environment and carry out the wishes of its customers.

A preferred solution will have to be decided on the basis of it being the best value in meeting the needs of water company customers, the environment and wider statutory / Welsh Government policies and objectives. The final preferred solution may not necessarily be the least cost option. The impacts of the options should be transparently appraised.

A water company’s plan should provide a realistic approach to managing water resources and reflect customers’ preferences. If a company believes a particular position is not possible it should state why and what the barriers are. The company should provide evidence to support its chosen plan and demonstrate it clearly understands how its system performs, the main factors affecting its balance between supply and demand, what levels of service and risk are acceptable to customers, and how the plan is flexible and can adjust to the various risks and uncertainties, including the potential impacts of climate change.
River Basin Management Plans for the rivers Severn, Dee, and West Wales are required every six years under the Water Framework Directive. They highlight the pressures that the water environment faces and show what this means for the current state of the water environment in the river basin district, and what actions will be taken to address the pressures. WRMPs should demonstrate how they support the delivery of the environmental objectives of the River Basin Management Plans, and highlight any potential competing priorities between the plans, and align with the River Basin Management Plans.

Natural Resources Wales will be required to prepare and implement area statements under the Environment (Wales) Act 2016. In preparing these area statements, Natural Resources Wales will be required to collaborate with stakeholders and to encourage stakeholders to participate in the preparation of these documents. Water companies can play a role in preparing these documents by working with Natural Resources Wales and contributing evidence to the process.

In addition, there may be opportunities for other bodies (i.e. water companies) to assist in the implementation of area statements for example by participating in the new experimental schemes operated by Natural Resources Wales (a new power under the Environment (Wales) Act 2016). These schemes may include identifying opportunities for payment for ecosystem services or for the introduction of trialling potential general binding rules.

The Environment (Wales) Act 2016 requires Natural Resources Wales to prepare and implement area statements by 2019 to facilitate the implementation of the National Natural Resources Policy. This process is likely to begin in 2017. In preparing these area statements, Natural Resources Wales will be required to collaborate with stakeholders and to encourage stakeholders to participate in the preparation of these documents. Water companies can play a role in helping to prepare these documents by working with Natural Resources Wales and contributing evidence to the process. Water companies should consider within their plans how they will contribute and work with Natural Resources Wales to support the production of area statements. The water company must also outline how it will deliver its duties relating to section 6 of the Environment (Wales) Act 2016 within its plan.

Area statements will cover the whole of Wales and will promote action at a scale, which best addresses the identified issues and opportunities. The evidence collated, and the priorities and opportunities identified, in area statements will help align water resource planning with other land management activity. This approach should also be used wherever possible when planning for future water resources.

By considering the appropriate scale to address issues, it will align catchment based approaches to water management and water resource planning with other land management activity. This approach should also be used wherever possible when planning for future water resources.

WRMP’s inform companies’ business plans that they then submit to Ofwat as part of the process of setting price limits - developing these plans are two separate but
linked processes. The final WRMP will not be published until after the company has submitted its business plan to Ofwat. In order to manage this uncertainty:

- in their response on the draft WRMP, Ofwat and Natural Resources Wales will provide clear feedback on their concerns, providing specific instructions where possible, so that the company can address these if appropriate in its statement of response. Where either Ofwat or Natural Resources Wales has significant concerns with a water company’s draft plan, they may recommend that the company produces a revised draft plan to accompany its statement of response. In the absence of such a recommendation, the company should be clear about any changes it has made to its draft plan in response to feedback it has received.

- Ofwat and Natural Resources Wales will work together to review the statement of response and any revised draft water resources management plan in order to provide early feedback to the company on any outstanding concerns. The aim will be to guide the company on what will be acceptable for the business plan and final water resources management plan.

- Once the water company has finalised its plan, it must continue to review it. WRMPs should evolve as circumstances change and new opportunities become available in order to achieve the best results for customers. The water company must report any changes in its annual review to the Welsh Government Ministers. If there are any material changes at any point in the plan, the company may need to develop a new plan.

In the context of the annual review, ‘material’ changes are any changes to the plan since its publication that has a significant impact on the environment or customers. For example, through loss of security of supply or higher bills, and/or requiring new options to be implemented. Changes which do not impact detrimentally on security of supply, the environment or customers’ bills would not normally require the company to prepare and consult on a revised WRMP.

6. National security and commercial confidentiality

WRMPs may contain information that could be considered sensitive on grounds of national security.

When submitting plans to the Welsh Ministers for agreement to publish the draft plan for consultation, water companies should submit a statement from the company’s Security Manager, certifying that the plan has been reviewed and that it does not contain any information that would compromise national security interests. The statement must also say whether the plan contains any information that may be considered to be commercially confidential. Where information has been edited out, the company should indicate the nature of the information that has been removed.

The Welsh Ministers may also direct a water company to leave out any information from its plans that would be contrary to the interests of national security or would be
considered commercially confidential. (Section 37B(10)(a) and (b) of the Water Industry Act 1991, as amended by the Water Act 2003)

The technical section guidance and planning tables that are supplementary to the guiding principles show some areas that are sensitive and a company will need to decide whether to exclude this from the public version of the plan.

7. Drought Plans

Drought Plans set out the short-term steps a company will take before, during and after a drought. Companies should consider those common aspects of Drought Plans and WRMPs when developing their draft WRMP. In particular, changes to deployable output and levels of service may affect both plans.

Companies should make sure that their levels of service are consistent between the Drought Plan and WRMP. Temporary customer restrictions in terms of temporary use bans, and non-essential use bans can form part of the group of actions a company could take in a drought to manage demand. The frequency of these restrictions corresponds to customer levels of service, which companies should ascertain by engaging with customers, with the scrutiny of the independent Customer Challenge Groups. The starting point for planned levels of service is within the WRMP. If there are any differences in levels of service due to drought events and the drought planning process, the company will need to revise its WRMP levels of service accordingly. If a company changes its levels of service as part of the WRMP process, it needs to consider the implications of this in the context of the Drought Plan too, and it will also need to review the Drought Plan.

The WRMP should clearly set out the assumptions made within the assessment of deployable output in terms of how demand side measures have been included / accounted for. This should reflect the assumed order of implementation in terms of putting demand side measures in place before any additional water is taken from the environment via the supply side drought permit and drought order applications set out in the Drought Plan.

Changes to deployable output from implementing the WRMP may mean a change in the water available in a drought scenario. This may, in turn, affect when drought management actions are needed in a drought. The company should consider the implications of changes to planned deployable output within the WRMP to the company’s Drought Plan.
8. The process for developing a water resources management plan

The diagram below gives an overview of the statutory process for developing a water resources management plan.

1. Prepare for consultation.
2. Consult prior to preparation of draft plans.
3. Prepare draft plan in line with Directions from Welsh Ministers and guidance.
4. Submit draft plans to Welsh Ministers.
5. Plans checked for information contrary to national security and/or commercial confidentiality and notifies parties whose information is included in draft plans.
6. Make representations on objections to Welsh Ministers regarding the inclusion of commercially sensitive data if necessary.
7. Assess representations and notify water companies of decisions made on commercial confidentiality and national security.
8. Publish and distribute draft plans as prescribed in directions.
9. Period of representation to Welsh Ministers.
10. Receive and forward representations to water companies.
12. Assess the need for hearing/inquiry on draft plans.
13. Direct companies to amend plans if necessary.
14. Object to direction on the basis of commercial confidentiality.
15. Confirm direction or issue new direction.
16. Prepare final plans.
17. Final plans checked against Welsh Ministers direction.
18. Publish final plans.
19. Review WRMPs.
The steps numbered below correspond to the diagram above.

**Step 1 - Prepare for consultation**

**Who?** Water companies.

**What?** Review existing WRMPs and consider any improvements.

- Review recommendations from previous Natural Resources Wales WRMP reviews, statutory consultees, directions from Government and lessons learned from recent water company experience.

- It is important to review WRMP in the context of Drought Plans to make sure the plans are consistent.

**Step 2 - Consult before preparing draft plans**

**Who?** Water companies.

**What?** Consult the following groups before preparing the draft plan:

- Natural Resources Wales
- Ofwat
- Welsh Ministers
- Consumer Council for Water
- Any licensed or appointed water supplier that supplies water in the water company’s area via the company’s supply system. A licensed water supplier must provide the water company with the information it needs to prepare its water resources management plan. Companies should take this information into account wherever possible when developing their plans.
- Customers through direct local engagement and the Customer Challenge Group.
- Environment Agency and Secretary of State (if plan affects areas of England)

It is good practice to involve Natural Resource Wales and Ofwat throughout this stage as a company develops its plan. A close working relationship during this time may improve the plan and reduce the need for further changes following the consultation.

Consult other groups that may have an interest in the WRMP and who could be directly affected by actions within the plan, including Natural Resources Wales and Natural England on respect of designated sites in Wales and England respectively.

In particular, companies should consult neighbouring water companies and third parties for potential options. Other parties can propose
options for the water company to include in its WRMP, for example parties with their own water resources in the water company’s appointed area or neighbouring water companies who can provide bulk supplies. Water companies must consider these bids from other parties.

Companies must take account of the views of customers to shape their WRMPs. Each company should use a range of means to ascertain customers’ views and to involve them in decisions. Focus groups and input from the Consumer Council for Water and the Customer Challenge Group can help challenge the quality of and response to this engagement in its draft plan. Engagement can also inform debate and help communicate the issues, as well as give companies an opportunity to listen to priorities and possible concerns.

The pre-consultation process provides the opportunity for the water company to set out its overall approach and highlight key differences from its previous plan. The company should also use this opportunity to indicate any areas of the plan where it might take a different approach from the guideline and explain the reasons why.

Those organisations being consulted should use the pre-consultation period to set out what they expect from the plan and highlight any issues that emerged during the previous planning period where action is needed, as well as raising any potential concerns.

Companies may wish to include a summary of the information they gained from their pre-consultation of their draft plans, but this is not a requirement.

When? Companies must start consulting before preparing draft plans no later than three years after they have published their previous final plan. Although not a legal requirement, we recommend that where a water resources management plan has changed significantly, pre-consultation should start no later than six months into the 12 months allowed for companies to revise their plans.

We suggest that companies submit their requests for information within six weeks of starting the review of their draft plan and allow appropriate time for responses.

**Step 3 - Prepare draft plans in line with Directions from the Welsh Ministers and water resources management plan guideline**

**Who?** Water companies.
What? Prepare draft water resources management plan after pre-consultation.

- Follow the relevant regulations and directions issued by the Welsh Ministers on the form of the plan and what the plan should address.

- Water companies should follow this guideline to make sure that draft water resources management plans cover the requirements as specified under section 39B of the Water Industry Act 1991.

Water companies should also take account of information gathered as part of the pre-consultation process to develop draft plans and include details of any bids from other parties they have received and, if any bids were rejected, explain why in the draft plan.

When? As directed by the Welsh Ministers.

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**Step 4 - Submit draft plans to the Welsh Ministers**

Who? Water companies.

What? Submit draft plans.

- The submission should include a summary, (including non-technical summary) main report, technical reports and tables.

- The submission should include a statement to declare whether any information in the plan is, or might be considered to be commercially confidential in relation to the company or another party, and inform the Welsh Ministers. The company must also provide the names and addresses of third parties concerned.

- All draft plan content should be publicly available unless companies make a case to the Welsh Ministers for it to be considered commercially confidential.

- The Welsh Ministers will request Natural Resources Wales to review the draft plans as the Government’s technical advisor and in relation to its responsibility for managing water resources.

- The Welsh Ministers will request Ofwat to review the draft plans in its role as the independent economic regulator.

- When submitting the draft plan the water company must also notify any bidders whether their bids to supply water have been
successful or not. The water company must provide unsuccessful bidders with reasons as to why their bid was unsuccessful.

**When?**  
Water companies must submit draft plans to the Welsh Ministers no later than five years after the company’s previous final plan is published.

**Companies whose supply area includes any part of England should also send their draft plans to the Secretary of State when they submit to the Welsh Ministers**

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**Step 5 – Plans checked for information that is a risk to national security and/or commercial confidentiality and notify parties whose information is included in draft plans**

**Who?**  
Welsh Ministers.

**What?**  
Plans checked for sensitive information. The Welsh Ministers will notify any named third parties whose information may be commercially confidential that their sensitive information is included in the plan and that the plan has to be published.

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**Step 6 – Make representations on objections to Welsh Ministers about including commercially sensitive data, if necessary**

**Who?**  
Water companies and third parties.

**What?**  
Where appropriate, raise objections to publishing draft plans containing any information that is commercially sensitive to them and make representations to the Welsh Ministers to justify the objection.

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**Step 7 – Assess representations and notify water companies of decisions made on commercial confidentiality and national security**

**Who?**  
Welsh Ministers.

**What?**  
Assess representations and notify companies of decisions to amend/publish their draft plans.

- Review any representations received on whether information should be left out of the published draft plan because of commercial confidentiality.

- Determine whether or not the information is commercially confidential and let the water company know accordingly.
• Direct companies to leave out information if it appears to be a risk to national security. If a company considers that there is no information in its plan that may be commercially confidential it should confirm with the Welsh Ministers whether it can proceed to publish its draft plan.

Step 8 - Publish and distribute draft plans as prescribed in regulations

Who? Water companies.

What? Publish draft plans on the company website and in paper form.

• Companies should publish an appendix to their plans containing a list of the people and organisations they have directly consulted and providing details of where and how they have made the plan available to the public.

• Companies must publish a statement with the draft plan stating whether any commercially confidential information has been left out and the general nature of the information.

• Companies must describe how any interested party can make a representation, specifying where the representations should be sent and the date by which representations must be received by the Welsh Ministers.

• Water companies must publish draft plans both in paper form and on their website as outlined in the Regulations. Companies need to consider how best to communicate and liaise with anyone who is likely to be affected by the plan. In particular they should look for suitable ways to ensure their customers understand the draft plan and its implications by communicating the challenges and proposed solutions.

• Publish the draft plan on the company’s website and consider how to let interested parties, including customer groups, know about its publication.

• Send electronic copies of draft plans to the statutory consultees listed in The Water Resources Management Plan Regulations 2007. Paper copies must be sent where the draft plan cannot be sent electronically.

• Companies should make paper copies of the draft plan available at their main office. They should state on their website that paper
copies are available and send these to statutory consultees and other parties on request.

When?

- Companies should wait for direction from the Welsh Ministers before publishing their draft plan, and publish it following any dates specified in the Direction.

- Once companies have received the direction to publish, they should publish the draft plan for consultation within four weeks.

Step 9 - Period of representation to the Welsh Ministers

Who?

Water companies and consultees.

What?

Set and run a consultation period for representations on the draft plan.

- Water companies must specify where interested groups should send representations and the latest date the Welsh Ministers should receive the representations. Any party that wants to comment on a draft plan, including neighbouring water companies or third parties whose proposed options do not feature in the preferred solution proposed in the draft plan, can submit representations to the Welsh Ministers during this period.

- Ministers expect water companies to involve their customers fully when consulting on their draft plans. Companies need to consider the best way of making the public and those likely to be affected aware of the draft plans. This could include advising customers through water bills, advertising in local media and placing the plan in public places such as local council offices, libraries or National Parks offices as well as the water company’s main office.

When?

- Water companies should allow at least 12 weeks for consultees to respond to the draft plans, and longer for more complex plans. The consultation will include customers and their representatives including the Consumer Council for Water and the companies’ independent Customer Challenge Groups. Parties who are not familiar with the plan or with water resources planning should be allowed enough time to consider the issues.

- A company must publish its statement of response to representations (details in Step 11 below) within 26 weeks of publishing its draft plan. Companies need to consider this when they set the amount of time for representations.
Step 10 - Receive and forward representations to water companies

Who? The Welsh Ministers.

What? Send copies of representations to water companies. At the same time as the Welsh Ministers send them to the company, they also send copies to Natural Resources Wales to review them in its role as technical advisor to the Welsh Government.

Water companies should consider whether to involve interested parties to resolve issues raised during the consultation, before preparing a statement of response.

Step 11 - Assess representations and produce statement of response

Who? Water companies.

What? Assess representations made on the draft plan and produce and publish a statement of response. The statement should include:

• an explanation of how the company has considered representations it has received on its draft plan.

• an outline of any changes the company has made to its plan and the reasons for making these changes.

• a clear explanation of how the changes affect parts or the whole of the plan.

• any changes in timing and schemes selected to maintain a balance of supply.

• an explanation where it has not made changes as a result of representations.

• Companies should consider whether the statement of response alone provides enough detail for customers and stakeholders to understand the changes a company has made to its plan. A revised draft plan is not required, but companies should consider whether it would help interested groups to understand the changes made through the statement of response.

• If a revised draft final plan is produced it should be as close in format and structure to the draft plan as possible; any major
changes between draft, revised draft and final plans should also be presented clearly and comprehensively in the statement of response.

- Companies should publish their statement of response on the company's website and let those who made representations, including customer groups, know that the statement of response has been published.

- Companies should contact the Welsh Government directly if they have any questions on producing the statement of response.

- The Welsh Government will consult Natural Resources Wales for advice on the water companies statement of response. Natural Resources Wales will also consult with the Environment Agency in relation to any areas of the statement of response that affect England.

**When?** A company must publish a statement of response to representations within 26 weeks of publishing its draft plan.

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### Step 12 – Assess the need for hearing/inquiry on draft plans

**Who?** Welsh Ministers.

**What?** Direct that a public hearing or inquiry be held over the draft water resources management plan if required.

- By involving interested groups effectively throughout the consultation process a water company may be able to resolve many issues relating to its plan. A hearing or an inquiry may be needed where there are substantial unresolved conflicts of opinions; where a water company has not provided enough evidence to justify a particular course of action or where a substantial change to the plan has been made that did not form part of the consultation.

- The Examination in Public (EIP) process enables the Planning Inspector to use a structured but informed discussion between the parties, in a similar approach to a hearing, but to use cross examination to those specific areas identified by the inspector as requiring it.

### Step 13 - Direct companies on amendments to plans if necessary

**Who?** Welsh Ministers
What? Advise of any changes that need to be made to the plan as a result of representations received, statement of response or the outcome of any hearings or inquiries.

- Directions may apply to a single company or a number of companies.

**Step 14 - Object to a direction on the basis of commercial confidentiality (if required)**

**Who?** Water companies.

**What?** If necessary, object by notice to the Welsh Ministers on any commercial confidentiality issues arising from the direction.

**Step 15 – Confirm direction or issue new direction**

**Who?** Welsh Ministers.

**What?** Consider the water company notice and whether to confirm the current direction, or cancel it and issue a new one.

**Step 16 - Prepare final plans**

**Who?** Water companies.

**What?** Prepare final plans

- Take into account any directions from the Welsh Ministers when producing their final plans.

- Send final plans to the Welsh Ministers and Natural Resources Wales who will to carry out Step 17.

- When submitting final plans, a statement must be included to confirm the plan does not contain information that is commercially confidential or a risk to national security.

**Step 17 – Final plans checked against Welsh Ministers directions**

**Who?** Natural Resources Wales and Welsh Ministers.
What? Check final plans to make sure they comply with directions and that no new information that is a risk to national security has been included.

- Report to Government on how directions have been considered in final plans.
- Plans checked for new sensitive information.
- The Welsh Ministers have the power under Section 18 of the Water Industry Act 1991 to make sure the water company publishes its water resources management plan, including any directions made regarding the content of its plan.

**Step 18 - Publish final plans**

**Who?** Water companies.

**What?** Publish final plan.

- Publish to the same requirements as publishing the draft plan in Step 8.
- Explain its implications to customers and stakeholders.

**When?** Companies should wait for direction from the Welsh Ministers before publishing the final plan, and publish following any dates specified in the direction.

**Step 19 – Review of water resources management plans**

**Who?** Water companies.

**What?** Start the cycle to review the WRMP if either circumstances change significantly or if directed by the Welsh Ministers. Significant changes are those with significant impacts on customers or the environment either through loss of security of supply or higher bills. Changes which do not impact detrimentally on security of supply or customers’ bills would not normally require the company to prepare and consult on a revised WRMP.

**When?** Where a company has a significant change in circumstances that affects any aspect of its WRMP, it must prepare and re-publish a
revised plan within 12 months of the change. The process of revising plans should start from the pre-consultation (Step 2).

A company must revise and resubmit its WRMP no later than five years after it published its latest plan. This is separate to any annual reviews of the plan.

A water company may need to change its WRMP as circumstances change and it should report this through the annual review process. The company must let the Welsh Government, Ofwat and Natural Resources Wales know directly if there is a change and then involve the Environment Agency if any of the significant changes affect areas in England as soon as possible.

A water company must detail all the changes to its WRMP in the plan's annual review. It may also want to let any parties that have made representations on the draft plans know of any changes to the final plan or, alternatively, make them aware of the annual review, which will describe these changes.

The Welsh Government recommends that a company should publish its annual reviews on its website so customers and interested groups can see the progress being made.
9. **Indicative Timetable for the 2020 Water Resources Management Plans and price review**

The timetable provided here is indicative and is subject to change. Water companies are encouraged to discuss possible changes or issues with the Welsh Government.

<table>
<thead>
<tr>
<th>Date</th>
<th>Planned event</th>
<th>Description</th>
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<tbody>
<tr>
<td>October 2016 – November 2017</td>
<td>Pre-consultation - Water companies begin to pre-consult on their draft WRMP.</td>
<td>An important step to reducing the time spent in the formal process. Water companies should consult and meet with statutory consultees to discuss proposals for the draft WRMP. This should not be a one-off activity but stakeholders should be engaged throughout the pre-consultation period. Water companies should ensure other interested parties such as Customer Challenge Groups are involved in this process to share their views. Water companies will need to engage with neighbouring water companies about approaches, findings and whether water can be traded between them (if applicable). Water companies should ensure other interested parties such as Customer Challenge Groups are involved in this process to share their views. Water companies will need to engage with neighbouring water companies about approaches, findings and whether water can be traded between them (if applicable). Water companies should ensure other interested parties such as Customer Challenge Groups are involved in this process to share their views. Water companies will need to engage with neighbouring water companies about approaches, findings and whether water can be traded between them (if applicable). Water companies should ensure other interested parties such as Customer Challenge Groups are involved in this process to share their views. Water companies will need to engage with neighbouring water companies about approaches, findings and whether water can be traded between them (if applicable).</td>
</tr>
<tr>
<td>December 2017</td>
<td>Submission – Water companies prepare and submit draft WRMPs to the Welsh Government for review (security checking).</td>
<td>Water companies are encouraged to submit the draft WRMPs as early as possible. They will need to submit a statement from the company’s Security Manager to certify the plan does not contain any information that would compromise national security interests or any information that may be commercially confidential.</td>
</tr>
<tr>
<td>January – February 2018</td>
<td>Security checking direction to water companies to publish in draft plan for consultation by the Welsh Government.</td>
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<tr>
<td>March – June 2018</td>
<td>Public consultation - Water companies publish their draft WRMPs for consultation.</td>
<td>Water companies can only publish a draft WRMP once they have received clearance from the Welsh Government. They must follow the Directions and Regulations surrounding publishing. The expectation is that companies will consult for a minimum of 12 weeks. Once a company has published its plan for consultation, there is a statutory 26 week period within which they must consult and produce a statement of response.</td>
</tr>
<tr>
<td>June 2018 - 3 September 2018</td>
<td>Water companies prepare and publish statements of response and a revised draft WRMP.</td>
<td>Companies must publish a statement of response setting out the consideration they have given to representations and the changes they have made to their WRMPs as a result. Where representations have not led to a change, the statement of response must set out the reasons for that. A revised draft WRMP is not a statutory requirement. However,</td>
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preparing a revised draft may be the simplest way to demonstrate the changes that have been made to the plan.

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<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Details</th>
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<tbody>
<tr>
<td>3 September 2018</td>
<td>Water companies submit Business Plans to Ofwat.</td>
<td>The water company business plans should reflect / use the supply-demand balance details from the WRMP to complete the supply demand section of the strategic business plan. There should be no differences unless a company has been directed to amend its WRMP.</td>
</tr>
<tr>
<td>October/ November 2018</td>
<td>Review statement of response / revised draft WRMP.</td>
<td>Ofwat and Natural Resources Wales (The Environment Agency in respect of England) to provide initial view on outstanding issues WRMPs. The Welsh Government will decide on whether water companies will need to undertake further work.</td>
</tr>
<tr>
<td>December 2018/ January 2019</td>
<td>Directions for amendments, hearings/inquiries.</td>
<td>Welsh Government to inform companies of any amendments or if they are required to attend a hearing or inquiry.</td>
</tr>
<tr>
<td>February 2019</td>
<td>Water companies publish final WRMPs.</td>
<td>Welsh Government Ministers will direct companies to publish their final WRMP. This is subject to plans being of a good quality, active pre-consultation and following the planning guidelines. Delays may be caused if companies need to provide additional information or have been directed to attend a hearing or inquiry.</td>
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<tr>
<td>June/ July 2019</td>
<td>Ofwat publishes draft determination of price limits.</td>
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<tr>
<td>December 2019</td>
<td>Ofwat publishes final determination of price limits.</td>
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