

Welsh Government
Water Resources Management Plans Consultation
Water Policy Branch
3rd Floor
Cathays Park
Cardiff
CF10 3NQ

11 September 2013

Dear Sir / Madam

Welsh Water– Draft Water Resources Management Plan

Welsh Water published its draft Water Resources Management Plan (dWRMP) in June 2013 and this letter summarises our views of that plan. These views are based on a high-level review of the processes described in the plan against the requirements of the Water Resources Planning Guideline. They are also without prejudice to any subsequent decisions that we may make in connection with the price control review process for Welsh Water.

In summary, Welsh Water needs to further consider the following areas in finalising its dWRMP:

- providing up-to-date evidence of customers' willingness to pay (WTP) for levels of service and options to resolve supply-demand deficits, and explaining how it has reflected these preferences in its least cost and preferred solutions;
- explaining the role of the Customer Challenge Group (CCG) in the development of the final plan;
- providing further evidence to demonstrate a robust options appraisal; and
- presenting the least cost and preferred solutions alongside one another in order to aid understanding the differences between them.

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1. Incorporation of customers' views

Welsh Water should consider improving its customer engagement process. The Executive Report implies that stakeholders can only obtain the dWRMP from the company's website or through direct mail. We expect the company to consider making use of additional forms of communication, such as using local media, and making the draft plan accessible in places such as public libraries.

The company appears to have based the dWRMP on customers' preferences for levels of service and water resources options taken from a 2008 willingness to pay (WTP) survey. The dWRMP does state that the final plan will be updated to reflect 2013 WTP survey results and we expect the company to fulfil this commitment.

We have not been able to determine the role that Welsh Water's CCG has played in the development of the dWRMP. The company should clarify the CCG's role in its final plan.

It does not appear that the company has set the dWRMP in context for customers by indicating the potential impact on bills of its proposed investment. The company should present this information in its final plan.

2. Baseline supply-demand balance

We cannot tell whether the company has included the impact of 'confirmed' and 'likely' sustainability reductions in its deployable output (DO) forecast. The dWRMP states that the company has included the impacts of reductions due to the Environment Agency's proposed licence amendments following completion of Stage 4 of the review of consents process, but whether this includes the 'confirmed' and 'likely' categories is unclear. The company should clarify this in its final plan.

3. Options appraisal

While the dWRMP sets out the approach used to calculate the cost of carbon, it is not clear whether the traded or non-traded price of carbon has been used. The company should clarify this in its final plan.

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Neither is it clear how Welsh Water has taken account of the potential for new sources of water to be better value than existing sources. The company should clarify in its final plan how the potential operating cost savings of such options have been factored into the options appraisal process.

4. Final planning solution and scenario testing

It is difficult to compare the company's least cost solution with its preferred solution. It would be helpful in the final plan if the two solutions were presented alongside one another together with an explanation of the key differences between them.

Yours faithfully

Andrew Walker
Director – Wholesale Price Control Review