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Date 5 May 2016

Dear xxx

In November, Defra, the Welsh Government, the Environment Agency, Natural Resources Wales and Ofwat wrote to you setting out our expectations for the next round of Water Resource Management Plans (WRMP). In that [letter](#) we also made a commitment to streamline the alignment of the WRMP and price review planning processes. Alongside that letter, Defra, the Welsh Government, the Environment Agency, Natural Resources Wales and Ofwat consulted on the [Water Resource Planning Guideline](#) - the technical guidance for the WRMP process.

Following this, in December, we consulted on the regulatory framework for wholesale markets and the 2019 price review (PR19) and included a draft timetable for PR19 in its consultation [Water 2020: Regulatory framework for wholesale markets and the 2019 price review](#).

Responses to both of these consultations and ongoing engagement made it clear that stakeholders supported better alignment of the WRMP and PR19 timetables and would welcome clarity on any decision around this.

We have listened to the concerns raised about alignment and recognise the benefits that greater alignment between the two planning processes will bring. Having considered the options we are pleased to confirm the business plan submission date as 3 September 2018. The other dates for draft and final determination of price limits set out in Annex 1 are indicative, and will be subject to further consultation through our [Water 2020](#) programme.

We have reached the conclusion that the revised timetable offers an appropriate balance of the risks between PR19 planning processes and the [indicative WRMP timetable](#) published by the Welsh Government. It ensures that public consultation on WRMPs will be completed before business plans are submitted; this is a change to earlier proposals that should help ensure companies have the evidence needed to underpin future water resources investment. We believe that this will ensure that

water resources planning outcomes, including long term, strategic and resilient solutions, are reflected through the price review process.

This revised timetable will be reflected in the final WRMP guideline and the decisions announced; our forthcoming consultation in May and the decision document on Water 2020. However, we recognise that two potential risks to the timetable remain.

Firstly, water companies will need to publish their WRMPs for consultation early in 2018 to ensure there is sufficient time available to produce a Statement of Response by September 2018 within the statutory 26 weeks consultation and response period. This will be necessary to ensure that the WRMP can be reflected in the business plan submitted to Ofwat on 3 September 2018. The December 2017 deadline for draft WRMP submission to the Welsh Government for checking is a backstop that will enable them to support this but their [guiding principles](#) encourages early submissions.

Secondly, as it is likely business plans will be submitted before the Welsh Government makes decisions on WRMPs, companies will need to ensure that their business plans as far as possible reflect their WRMPs when they are submitted on the 3 September 2018.

Delays to either of these stages of the process would create issues for the PR19 and WRMP timetables. However we think that these risks are manageable with effective planning and use of risk-based approaches from ourselves and the other regulators. It is up to companies to own and manage these risks and ensure they prepare appropriately.

However, if water companies need to update their WRMPs during the price review process, for example due to the outcome of a public hearing, then we will allow an appropriate level of flexibility to update business plans, as we have done in previous price reviews. Companies will not be penalised where delays and discrepancies could not have been reasonably foreseen or fall outside a company's control. However we expect business plans to include a clear strategy to manage risks, including those to customers that may arise if significant uncertainty about WRMP outcomes remain when business plans are submitted. We will take account of your approach to managing these risks in our risk based review of business plans for PR19.

### **Next steps**

The final WRMP Technical Guideline for companies operating wholly or mainly in Wales will be published shortly. The detail of the price review design remains under

development through our [Water 2020](#) programme with the next consultation due in May 2016.

We recognise the policy framework for water company planning and service delivery continues to evolve. We look forward to continued engagement to work together and take practical steps that better align the policy and processes as they develop.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Black', with a stylized, flowing script.

David Black

Ofwat

## Annex 1: WRMP and PR19 timetable for companies whose areas are wholly or mainly in Wales

	Date	WRMP	PR19
2016	Spring	<b>Welsh Government</b> publish WRMP Guiding Principles <b>Defra, Welsh Government, Environment Agency, Natural Resources Wales and Ofwat</b> publish WRMP technical guidance (WRPG)	
	May		<b>Ofwat</b> publish design consultation
	Spring (2016) → Winter (2017)	<b>Companies</b> conduct pre-consultation on draft WRMPs	
	October / November		<b>Ofwat</b> consults on customer engagement and outcomes, and further design issues
2017	June / July		<b>Ofwat</b> publishes price review methodology consultation
	December	<b>Companies</b> submit draft WRMPs to Welsh Government for security clearance and checking	<b>Ofwat</b> publishes price review methodology
2018	March – June	<b>Companies</b> publish draft WRMPs for public consultation	
	June - September	<b>Companies</b> publish Statement of Response within 26 weeks from consultation	
	3 September		<b>Companies</b> submit business plans to Ofwat
2019	February	<b>Companies</b> publish final WRMPs subject to direction from Welsh Government ministers	
	March / April		<b>Ofwat</b> publishes enhanced company draft determinations
	June / July		<b>Ofwat</b> publishes standard company draft determinations
	December		<b>Ofwat</b> publishes final determinations