



Department
for Environment
Food & Rural Affairs



Addressee
Address
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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, Ofwat 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. Collectively we have worked through the options and can confirm that Defra, the Environment Agency and Ofwat have agreed the attached timetable for companies operating wholly or mainly in England (Annex 1). We are pleased to announce that the date for business plan submission will be 3 September 2018. We have also provided our proposed dates for draft and final determination, noting that these will be subject to further consultation through Ofwat's Water 2020 programme. For companies operating wholly or mainly in Wales, the Welsh Government has already published its [timetable](#).

We have reached the conclusion that the revised timetable offer an appropriate balance of the risks between the WRMP and PR19 planning processes. It ensures that public consultation on WRMPs will be completed before business plans are submitted to Ofwat; 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 in Ofwat's forthcoming May consultation and 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 promptly during January 2018 to ensure there is sufficient time available to produce a Statement of Response by July 2018 within the statutory 26 weeks consultation and response period. The 1 December 2017 deadline for draft WRMP submission is a backstop date to enable regulators to support this and Defra and the Environment Agency will welcome earlier submission of draft plans.

Secondly, as it is likely business plans will be submitted before the Secretary of State 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 the 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 Ofwat will allow an appropriate level of flexibility to update business plans, as it has 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 Ofwat will 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. Water companies management of these risks will be taken into account in Ofwat's risk based review.

In setting out this timetable it is important to recognise that these two planning processes sit against the backdrop of wider decisions to be taken by the Government later this year on a potential direction on level of service and a National Policy Statement for water resources, as well as the National Infrastructure Commission's first National Infrastructure Assessment expected in early 2018. Further information on how the Government sees these processes interacting can be found in "[Enabling resilience in the water sector](#)" published in March 2016.

Next steps

The detail of the price review design remains under development through Ofwat's [Water 2020](#) programme. The final guidelines for WRMP for companies that operate wholly or mainly in England will be published shortly.

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,



Catherine Harrold

Defra



David Black

Ofwat



Trevor Bishop

Environment Agency

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

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