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David Rutley MP  
Interim Parliamentary Under Secretary of State  
for the Environment  
Department for the Environment, Food, and Rural Affairs  
Seacole Building  
2 Marsham Street  
London  
SW1P 4DF

31 May 2018

Dear Minister

**National Infrastructure Commission's "Preparing for a Drier Future" report**

Following the National Infrastructure Commission's (NIC) publication of the first part of its National Infrastructure Assessment, covering water supply, I wanted to write to set out Ofwat's initial reaction and thoughts on how the sector needs to respond.

The NIC's analysis, and its recommendations, provide an important contribution to thinking on future drought resilience, and complements important work undertaken by companies, Defra, the Environment Agency, and Ofwat in recent years. Ofwat shares the NIC's ambition to increase the level of resilience substantially over the period to 2050 and agree with the NIC that planning at the national level is needed to reveal the most cost effective supply side solutions to meet these challenges.

You will no doubt be considering carefully the NIC's recommendations for the Government concerning long term targets for leakage and metering. We agree with the NIC's analysis that demand side measures have a very important role to play in addressing long term pressures. We look forward to contributing to government work on personal consumption which will build on the challenge we have set companies in PR19.

We are also eager to work with government to explore what role, if any, Ofwat should play in commissioning and procuring transregional assets to facilitate increased water transfers between companies. We have started discussions with the NIC to help us understand fully the basis of their recommendations for a national water network. We

have also had some discussions with Defra and Environment Agency officials on the most effective way of achieving the desired outcomes in the context of Water Resource Management Plans which companies are already developing. I hope that Ofwat, Defra and the Environment Agency can continue to work together to come to a joint view on the most appropriate process.

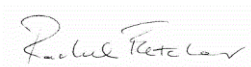
The NIC's analysis highlights weaknesses in current disaggregated company level planning processes. The appropriate next step is concerted joint work by companies themselves, with appropriate input from regulators, to consider infrastructure options to address the long term challenge the NIC has identified. This work could build on the analysis undertaken for Water UK in 2016 to provide an objective analysis of the optimum long term solutions at the national and regional levels. Water Resources South East, which is actively moving towards a more integrated approach to long term planning, may be a good vehicle for progressing this work, drawing on work being undertaken by the Environment Agency to develop a national water resources framework. In considering the best way to deliver the additional resilience required, we should also consider carefully the contribution that market mechanisms can make, such as the development of bilateral markets in water resources.

In the longer term, as experience of integrated national planning develops, we believe it will be necessary to review whether the existing statutory process for water resources and drought planning remains the most effective way of planning to meet the long term challenges the NIC have highlighted.

I would like my team to work closely with your officials in the coming weeks to develop options for progressing the response to these recommendations and taking forward discussions with companies and regional planning bodies on the most effective way forward to identify integrated long term solutions.

I am copying this letter to Sir John Armit, Sir James Bevan, Michael Roberts of Water UK, and the chairs of the existing regional planning groups.

Yours sincerely



**Rachel Fletcher**  
**Chief Executive**