

Bilateral markets, water trading and protection of public health

Water UK represents and works with all major water and wastewater service providers in England, Scotland, Wales and Northern Ireland. Our vision is of a water sector that provides customers and communities with world-class services and enhances the UK's quality of life.

We recognise the importance of exploring all avenues to increase the overall resilience of the UK's public water supply and welcome the opportunity to comment on the call for information¹ by Ofwat on bilateral markets.

The call for information seeks stakeholders' "views on the range of policy issues that would need to be addressed in order for a bilateral market to be successfully established, and how such a market could complement, or conflict with, other means of providing water resources."

This paper provides some views on the specific issues around drinking water trading and the balance between sustainable use of resources and protection of public health.

In section 4.4 of the document a phased approach is proposed for introducing a market for treated water until the right regulatory framework can be established. Water UK supports this as a sensible approach.

Discussion

Water trading is a concept that has been explored and is currently being actioned by water companies largely through cross-boundary transfers of raw or treated water, for example the recent agreement between Portsmouth Water and Southern Water. These are governed contractually by bulk supply agreements and subject to the relevant regulatory frameworks to ensure the protection of customer acceptability and that environmental and drinking water standards are maintained. This supports the requirements of BS EN 15975-2:2013 Security of drinking water supply — Guidelines for risk and crisis management, that *"The responsibilities of the drinking water supplier and all other relevant stakeholders who share responsibility in the drinking water supply chain should be unambiguously defined together with the interfaces between them and their respective responsibilities at these interfaces."*

Water UK supports efforts to ensure that when new markets for raw or treated water are activated, they are managed in such a way as not to adversely impact water quality standards or customer acceptability and expectations. It is critical that any supplier of water, either treated or untreated, is

¹ <https://www.ofwat.gov.uk/consultation/bilateral-markets-call-for-information/>

required to meet the same regulatory obligations and is required to take measures that ensure that water quality is protected all the way through to the customers tap.

As an example, drinking water sources must be subject to a risk assessment that is shared between parties; to sampling, analysis and regulatory scrutiny and customers should have access to information about the source of their supply.

Additionally, in the case of drinking water very careful consideration needs to be given to ensure that any impact of mixing potable water of different chemical and biological compositions with existing supplies are both fully understood and are proactively managed. This is critical as changes to water composition, resulting from the blending of supplies, can have a material impact on:

- customer acceptability (e.g. taste and odour or other organoleptic compounds),
- compliance with water quality parameters at customers taps or water corrosivity to both iron mains and plumbing metals (i.e. lead and copper) – which may present a risk to public health;
- confidence and acceptability (e.g. discolouration);
- on networks (scouring, reverse flow, pressure); and
- on costs.

Water UK proposes that water trading and input of water through bilateral markets must:

- Be conducted in a way which maintains water quality and safety standards and not increase the risks to public health;
- Be subject to a regulatory and accountability framework which holds each relevant party to account for the actions they undertake and the costs arising from these actions, this would include ensuring that targets are agreed at the outlet of Water Treatment Works to ensure compliance at the customer tap - where the range of parameters are more extensive;
- Not compromise safety on the basis of costs, paying particular attention to recent high profile examples of where changes to a water supply were made for largely economic reasons without due protection to the quality impact, for example the lead contamination arising from a source change in Flint, Michigan during 2014 (e.g. <https://www.nrdc.org/stories/flint-water-crisis-everything-you-need-know> and https://en.wikipedia.org/wiki/Flint_water_crisis);
- Recognise the complex chemical and biological composition issues detailed earlier, which arise with mixing different sources and where disinfectants differ, including the potential impact on water quality parameters, customer acceptability, corrosivity and costs; and
- Enable recipients of supplies of water to manage or mitigate any water quality risks from the input of water, and in particular from intermittent inputs, through the development of codes of practice which ensure that there is agreement, and sufficient advance notice, on the timing of any inputs of water.

Conclusion

With the checks and balances explored above the proposals for bilateral markets could be a useful method to ensure the efficient use of resources and support the sector's efforts to increase its resilience in times of growing water stress.