

Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

5 September 2019

Natural Resources Wales response to Ofwat's PR19 Draft Determinations

Natural Resources Wales (NRW) welcomes the opportunity to comment on the consultation. As the principal environmental regulator in Wales, our purpose is both to pursue sustainable management of natural resources (SMNR) in relation to Wales, and to apply the principles of SMNR; in the exercise of our functions.

In May we exchanged correspondence with Rachel Fletcher about the unique legislation in Wales and how this should provide a framework for delivery of PR19 outcomes. Last month Clare Pillman and I had a very useful meeting with Rachel where we agreed to work closer together in future on common objectives around water quality and quantity, environment, affordability and social justice.

I also mentioned at that meeting about our desire to see efficiency savings reinvested in bringing forward environmental improvements that are currently identified for future price review periods and our comments in relation to the draft determination of Dwr Cymru Welsh Water's (DCWW) draft plan echo that discussion.

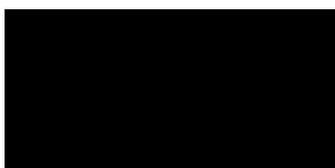
In August 2018 Welsh Government, DCWW and NRW agreed to the phasing of the National Environment Programme (NEP4.1) in order to reduce the impact on the affordability of customer bills within the PR19 business plan. It was agreed that any "headroom" from efficiencies would be used by the company to bring forward schemes, in order that the impact on future bills would be minimised. Based on DCWW estimates we believe approximately £250m of schemes categorised as green or amber have been phased for the PR24 planning cycle.

In Ofwat's draft determination we understand that efficiencies have largely been passed to the customer in the form of further reductions on bills, and we believe this includes efficiencies from the environment programme. In Ofwat's Final Determination we would like to see efficiencies from the environment programme used to bring forward schemes programmed for PR24.

We would also like to highlight the requirement for the Tywyn-Aberdyfi water resources scheme, which was identified in DCWW's Water Resources Management Plan, and the Wales guidance that directs companies to seek best value solutions. We understand that DCWW will be providing you with further evidence for the proposed solution.

Should you wish to discuss our response, please contact Geraint Weber on 07909 831421 or geraint.weber@cyfoethnaturiolcymru.gov.uk.

Yours sincerely,



Ceri Davies

Executive Director, Evidence, Policy & Permitting