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By email only

7 October 2020

Dear Colleagues,

Building resilient water supplies – the future of water resources management

The Coronavirus pandemic has been a powerful reminder of the importance of clean, wholesome and reliable water supplies for public health. It is, of course, far from the only threat we face. Climate change, population growth and the need to increase resilience to drought while improving the environment present a huge challenge to our water supplies.

This letter has support from each of the partner regulators in the Regulators' Alliance for Progressing Infrastructure Development (RAPID) and from Defra. We are writing to:

- Reaffirm our commitment to the water resources national framework and highlight the importance of regional plans in taking it forward
- Extend an offer to engage with you at a senior level at key points over the coming months and years to support you in carrying out this work

Water resources national framework and regional planning

If we don't take action, many parts of England will face water shortages by 2050. This was the conclusion of the water resources national framework which was published in March 2020. This finding was echoed in the recent report from the Public Accounts Committee. Regulators and industry are aligned in making sure this will not happen, however the challenge is great and our ambition and resolve must be greater still.

The water resources national framework estimates that we're likely to need around 3,500 Ml/d of new capacity in England between 2025 and 2050. Meeting these needs will require bold and coordinated regional plans. Every water company should be proactively engaging in this and we expect water companies to ensure that regional groups are properly resourced. A framework has also been put in place to

enable those leading on strategic resource schemes to buy in modelling services from the regional groups.

Regional plans will be key to meeting future water needs – the plans must identify clearly both the regional requirements and the water resource options to meet them. By August 2022 regulators expect to see draft regional plans that:

- Are ambitious on the environment, including changes to water abstractions, reducing the use of drought orders and permits, and exploring opportunities to deliver wider environmental benefits.
- Make progress on water demand management by striving to achieve *per capita* consumption of, on average, 110 litres per person per day by 2050 while also reducing non-household demand and delivering the industry's target to reduce leakage by 50% by 2050.
- Explore a wide range of options to increase water availability, including reservoirs, transfers, water reuse schemes and desalination plants and arrive at a plan that delivers for your customers, your region and the nation.
- Identify opportunities to develop and share supplies with stakeholders in other sectors and deliver broader social benefits such as reducing flood risk.

These plans will shape the statutory water resource management plans and inform the submissions and assessment of strategic resource options in the gated process.

Making space to achieve our shared goals

Excellent progress has been made in this area, however much remains in play. Success will depend on the development of effective regional plans, the timely development of selected options – both within and outside of the gated process – and this work feeding into water resource management plans and business plans. This will require leadership from us all to make sure our teams are ambitious, innovative and focused on collaboration.

Regulators have strong links in place with the technical teams working on regional plans and the strategic schemes. However, we want to engage with you at a senior level at key points over the coming months and years to pick up and address issues early and make sure we are providing joined up leadership in our respective organisations.

In order to achieve this, RAPID and its partner organisations propose:

- Individual sessions with each regional group attended by regulation directors representing the relevant water companies and Ofwat's Chief Regulation

Officer, David Black. These sessions will focus on the links between regional plans and the price review process.

- A series of sessions with the Water UK EcoReg Policy Advisory Group to focus on how to address barriers associated with shared resource schemes. These include how to allocate costs, benefits and risks across companies, customers and other stakeholders as well as how to successfully incentivise the delivery, operation and procurement of these schemes.
- Senior sessions with the regional planning groups to hear about the development of the plans in spring of 2021 and again shortly before the first draft of the plans are published to hear how they add up and what this means for the strategic schemes and overall water company plans.

Regulators will also make senior time available to engage one to one with companies or regional groups encountering particular issues with the gated process or the development of their plans. This will make sure we identify and resolve issues early. Please do get in touch to take us up on this offer. In the meantime my team will be in touch to organise the sessions mentioned above.

I look forward to working side by side with you and partner regulators over the coming months and years to secure safe and resilient water supplies and an enhanced environment for all.

Yours sincerely

Paul Hickey
Managing Director, RAPID