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We appreciate the opportunity to respond to this consultation which provides a useful insight into the thinking of the RAPID collaboration as it continues to work on the framework for cross-regional strategic water resource solutions. As set out in our long-term strategy, Welsh Water 2050, we intend to explore options for sustainable water trading with other water companies that would benefit the people of Wales according to conditions set out in our Water Resources Management Plan.

The discussion document sets out a number of issues that will need to be resolved in order to enable and facilitate future water trading options. For Welsh Water, two of the key issues are likely to be how water is allocated in drought conditions, and the pricing of trades. These are correctly identified as issues in the document, though at this stage no firm proposals have been put forward.

On pricing, the document proposes that “efficient fixed costs are recovered through charges to the beneficiaries of the strategic transfer” and also notes the Welsh Government guidance stating that “customers of Welsh companies should get fair value for the use of resources consistent with competition law.” This means that for water trades originating in Wales, the return will need to cover both the fixed and the variable cost of the transfer, plus a margin appropriate to meet government policy and guidelines.

In practical terms, further exports from Wales are most likely to take the form of investment in additional water resource resilience in our South East Wales region, which would then enable us to reallocate some abstraction rights on the River Wye without a detriment to customers or the environment. These abstractions could then be taken up for the purpose of transferring water to the South East of England. This scenario would require the recovery of the fixed cost of the network resilience ‘upgrade’, which would benefit customers in terms of the resilience improvement. It is unclear however how the ‘transfer’ of the abstraction rights would be treated, as the exporting water would not be exported directly from our network. This would require further thought and discussion with the Welsh Government.

Regarding sharing of resources under drought conditions, we support the ‘fair shares approach’ proposed in the document, though it may be difficult to define this in practical and contractual terms.

We are at your disposal should you require any clarification or further discussion on the above.

Yours,

Eleri

Eleri Rees

Cyfarwyddwr Strategaeth a Rheoleiddio

Strategy and Regulation Director

Dwr Cymru Welsh Water