

RAPID consultation on the regulatory and commercial framework for strategic water resource solutions

Hafren Dyfrdwy response

26 January 2022

RHAGOROL O'R TAP
WONDERFUL ON TAP



severn dee

Our response

We welcome the opportunity to comment on the regulatory and commercial framework options for strategic resource options (SROs). We support the current SRO process that RAPID is managing.

We welcome that your consultation takes account of the different policy context in Wales, particularly the need for solutions that involve sourcing water from Wales to demonstrate benefit to the economy, people/society and environment of Wales. In essence, proposals that affect Wales need to have regard to the interests of Wales, especially sustainable management of its natural resources, Welsh legislation and policies – including the guiding principles. With this in mind, it is essential that we continue to work closely with governments in both Wales and England.

Our main thoughts on this consultation are:

- We think it would be helpful to keep open the option of a future gated process for new SROs that are not in the next price review.
- The water trading incentives will need to be sufficient to cover the fixed and variable cost of the transfer, plus a margin appropriate to meet Welsh government policy and guidelines on the benefits that should accrue to Wales.
- We support the programme of work to review aspects of the environment regulatory framework to improve clarity and understanding and welcome that Natural Resources Wales (NRW) is involved in this work.
- We agree with the consultation that it might be necessary to explore alternative models to Direct Procurement for Customer (DPC) in Wales given Welsh Government policy.
- On charging we can see that Option 4, using principles rather than a methodology for setting charges, appears most consistent with the current approach to bulk supply agreements. This would also leave scope to make sure that any solutions involving sourcing water from Wales do indeed benefit the economy, people/society, and environment of Wales.
- We support RAPID developing a more detailed framework for the fair shares approach. A key issue in Wales is for this approach to be consistent with the requirement that sourcing water from Wales demonstrates benefit to the economy, people/society, and environment of Wales.
- At present it is hard to judge if Wales would benefit from supplying water to England as there remain uncertainties over the commercial and regulatory framework – such as how pricing and fair shares would apply. We think that the expected consultation from RAPID on the more precise guidance for the SRO regulatory and commercial framework will help provide clarity in this area. In the meantime, we think it would be helpful to indicate when this consultation might be expected to take place.

We do not consider any of the information in this response to be commercially confidential.