



PR24 draft methodology consultation response
Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Sent by email to: PR24@Ofwat.gov.uk

7th September 2022

Dear Sir/Madam,

PR24 draft methodology consultation

Thank you for the opportunity to respond to the consultation on the proposed methodology for the 2024 Price Review (PR24). Our response is of a strategic nature but probably most relevant to Q2.1 and Q3.6c in your consultation document.

As you know, WRE is one of the five regional groups tasked under the National Framework for Water Resources to produce a multi-sector, long-term regional water resources plan. Our regional plan for Eastern England, due to be published in draft this November, provides the strategic assessment of need for both demand and supply-side water resources investment set out within company-level Water Resource Management Plans (WRMPs), five-year Business Plans, and also the water resource needs of other sectors and users. Regional Plans also underpin the business case for Strategic Resource Options (SROs) being taken forward to an accelerated timetable under the RAPID process.

It was therefore surprising that the draft methodology does not place more weight on the importance of the regional water resources planning process in informing decisions at PR24, including by taking a more integrated approach within and between company regions. There is also the question of adequate funding for regional groups to compile plans in accordance with the requirements set by the National Framework. The absence of funding for regional water resource planning at PR19 has left all regional groups' budgets at the discretion of our water company members, who within a tight settlement also have statutory WRMPs to complete.

I therefore consider that the final PR24 Methodology should:

- Confirm regional water resource planning as a key element of the long-term planning framework for water companies: informing their long-term delivery strategies and business plans as well as WRMPs and the Water Industry National Environment Programme.

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- Commit Ofwat to support a second round of regional water resource planning to be conducted in time to inform PR29. These plans need to take full account of the water resource needs of the environment and other sectors as well as to achieve net zero.
- Recognition that while there has been some scope for efficiency in the production of regional plans in parallel with company-level WRMPs, there is also an additional layer of modelling, analysis, stakeholder engagement and reporting needed to compile regional plans that is not currently funded within company business plans.

I would like to see Ofwat encouraging water companies and regional groups to assess and review the lessons in a timely manner, including costs and benefits, of regional planning once our draft Regional Plans are published in November this year. That would allow companies to include appropriate costs in their PR24 submissions for a second round of regional planning.

There is also a case to allow water companies access to Transition Funding to make sure the regional groups do not lose momentum as the first round of planning comes to a close in 2023. Without such support, the regional groups may struggle to retain the skills and capacity they have built up over time. Once the first round of Regional Plans are finalised, water companies' resources will otherwise naturally focus on gaining a successful outcome from the PR24 process, at least until the next National Framework is published.

I would be pleased to discuss this response with you in more detail if that would be helpful.

Yours sincerely



Dr Paul Leinster CBE
Independent Chair

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