

By email

Minister for Climate Change,
Welsh Government

24 February 2023

Dear Minister,

Dŵr Cymru Welsh Water –draft water resources management plan 2024 consultation response

Long-term water resources planning is a key business planning activity and essential for the efficient delivery of resilient water services for customers and protecting and enhancing the water environment. Ofwat has a key role to play in enabling this by funding through the 2024 price review (PR24). Therefore, it is vitally important that we consider whether water companies are identifying the best value approaches and delivering these, to ensure the best outcomes are achieved in terms of targeted investment to address challenges. The water resource management planning process is essential to helping Ofwat and water companies get this right. As a statutory consultee, we welcome the opportunity to comment on Dŵr Cymru Welsh Water's (Dŵr Cymru) draft water resource management plan (WRMP), which it published in November 2022. This letter should be read alongside our letter setting out the wider context of our review and the general approach to the assessment of companies' draft WRMPs.

Dŵr Cymru is the sixth largest water company in England and Wales, supplying water and wastewater services to just over three million people across Wales and a small area of western England. Its water resources are planned on the basis of 23 water resource zones (WRZ). The company predicts that four water resource zones will be in deficit in the future. Without additional action to reduce demand or provide additional supplies, there will be insufficient water to maintain supply to customers in some severe drought conditions. The scale of the challenge and complexity of the issues means that effective action is needed to meet the needs of customers and the environment.

Overall, there are some areas of Dŵr Cymru's plan that are in line with our expectations for this stage of a draft WRMP. In particular, it delivers on our expectations to:

- describe the water resource challenges and drivers of change it faces over its planning horizon, and how these impact WRZ-level supply demand balances;
- undertake comprehensive engagement with customers and describe how this has influenced the plan.

However, there are several material areas we have identified from our assessment where the plan does not yet provide sufficient and convincing evidence it delivers a best value, low regret plan in the interest of customers and the environment. The annex to this letter provides detail on the specific areas of the plan that we consider need further work and evidence. In particular, in its final WRMP Dŵr Cymru should:

- set out a company level supply demand balance to quantify the impact of the challenges the company describes. The company should also explain discrepancies in the supply demand balance, such as Clywd Coastal's small starting deficit, acknowledging the impact of WRMP19 delivery on the starting position, and sensitivity testing the impact of the covid-19 pandemic on the starting position;
- provide clarity around reaching the 1 in 500 year drought resilience ambition, including when and how the plan will achieve this, taking into account the different sensitivity tests completed. This will help understand the company's ambition and justify the investment required to achieve it;
- complete a water balance assessment to confirm whether the company is meeting its performance commitments then re-confirm its ambitions on water efficiency and leakage in the light of this work;
- provide sufficient and convincing evidence that the number and range of options available is appropriate given the scale of the challenge presented. While the feasible options available in the plan are sufficient to cover expected water needs a broad range of options is necessary to justify that the options selected are best value;
- improve how the core and most likely pathways are calculated and represented in the plan to better justify investment and allow more flexibility for future investment;
- provide robust and clear supporting evidence in its data tables. We are concerned about the level of detail and accuracy applied to the WRMP data tables accompanying the draft plan. The tables had missing, incomplete, and resubmitted data, limiting our ability to assess the plan.

We thank Dŵr Cymru for its hard work and effort in producing a detailed draft WRMP and responding to queries throughout the consultation process. Dŵr Cymru should now focus on delivering the expected outcomes of the current plan (WRMP19 funded via PR19) and consider all the responses to this draft consultation in its final plan. We look forward to continuing to work together as final WRMPs are prepared, to protect water resources now and in the future.

Yours sincerely



Aileen Armstrong
Senior Director, Company performance and price reviews

Aileen Armstrong, Senior Director, Company performance and price reviews

Annex

In this annex we outline further details on the points raised in our main letter, alongside more detailed comments on different areas of the draft plan. Our points reflect our assessment approach and focus on:

- **demand management ambition and outcomes:** alignment with government targets and statutory requirements for water demand;
- **assessment of water needs:** including key drivers for WRMP24 and the supply demand balance forecast and the need for enhancement investment;
- **options to meet water needs:** the approach taken to identifying and screening options for both supply and demand, review of demand management and supply side proposals including sensitivity testing for key areas, sufficiency of options and option utilisation under normal and peak scenarios, including scalability and modularity;
- **decision making and prioritisation:** best value decision making for customers and the environment, how the company has approached strategic planning frameworks and alignment with Ofwat's long-term delivery strategies and common reference scenarios;¹
- **long term best value programme:** cost efficiency, bill impact and affordability of the plan;
- **customer and stakeholder engagement:** the type and quality of interaction with customers and stakeholders and the impact this has had on the draft plan formulation and proposals;
- **board assurance:** company assurance and governance processes, including Board engagement and sign-off.

Demand management ambition and outcomes

One of the Welsh Government's strategic priorities for Ofwat² is resilience. Ofwat must challenge companies to anticipate, cope with, and recover from, disruption and maintain services for people and protect the natural environment, now and in the future. Reducing demand for water can relieve pressures on water supply and increase our resilience to extreme drought. Water companies must act to reduce demand for water in a way that represents value for money in the long-term. In line with the Welsh Government's Guiding

¹ Ofwat, '[PR24 and beyond: Final guidance on long-term delivery strategies](#)', April 2022.

² Welsh Government, '[Strategic Priorities and Objectives Statement for Ofwat \(SPS\)](#)', July 2022

principles for developing WRMPs³ and Ofwat's final PR24 methodology⁴, we expect all companies to use their WRMPs to show how they will meet long term water demand targets including:

- halving leakage across the industry by 2050, in comparison to 2017-18 levels;
- reducing per capita consumption (PCC) to 110 litres per head per day (l/h/d) by 2050

The Welsh Government's Guiding principles for developing WRMPs also sets an ambition to reduce demand as a whole. Welsh companies must set out strategies for reducing demand in the domestic and business sectors and to promote efficient water use. This includes considering a wide range of measures to help reduce demand for water including physical interventions.

We welcome Dŵr Cymru's intention to reduce leakage by 50% by 2050 from a 2017-18 baseline. We also welcome the fact that, in its draft WRMP narrative, the company states that it has set challenging targets to support its domestic customers to reduce their average use to 110 litres per person per day (l/h/d). However, the dry year annual average (DYAA) PCC values shown in the company's tables for 2049-50 is 113.5 l/h/d. In its final WRMP the company should clarify its plans for PCC to reach 110 by 2050 and it should demonstrate how much of the forecast PCC reduction relies on Government-led initiatives.

Dŵr Cymru has been reviewing its water balance methodology and is engaging with us to ensure its data is compliant with the guidance. This review may affect the data reported annually as part of the annual performance report (APR) process and is also likely to require the company to revise its WRMP forecasts. Once this review is complete the company will need to revisit its WRMP forecasts for leakage and PCC to see whether it still forecasts a leakage reduction of 50% (from a 2017-18 baseline) and a PCC of 110 l/h/d by 2050.

Demand reduction strategy

We are concerned that the company's draft WRMP provides insufficient evidence of demand reduction target testing and optimisation. The company should provide further explanation of its decision making and justification for the selected demand reductions in its final WRMP. In addition, the company should demonstrate that it has considered a sufficient number of demand management options as it appears to have only appraised four at a company level.

³ Welsh Government, [Guiding principles for developing water resource management plans](#), December 2021

⁴ Ofwat, [PR24 final methodology – Appendix 9: Setting expenditure allowances](#), December 2022
Aileen Armstrong, Senior Director, Company performance and price reviews

We expect the company to either assess more demand management options or provide sufficient and compelling evidence why it has not done so.

The company's draft WRMP provides few costs for water efficiency options, metering, leakage or business demand reduction options. The draft plan also does not provide disaggregated unit costs for demand management options such as domestic water efficiency or business demand options. We expect the company to provide these costs in its final WRMP.

Delivery of PR19 performance commitments and WRMP19 targets

The company has stated to us that it is committed to delivering its PR19 leakage performance commitment level and provided a revised profile of leakage reduction. We are concerned however that, based on the draft WRMP data tables, the company does not forecast to deliver its PR19 performance commitment levels for PCC by 2024–25.

We expect the company to deliver its PR19 and WRMP19 targets. Dŵr Cymru should not expect additional customer funding to address deficits resulting from under delivery in the current or previous periods. We expect the company to review its proposals in these areas for its final WRMP.

Business demand

The company's draft WRMP presents a 2029–30 business demand level that is 3% higher than the 2019–20 baseline level.⁵ We have previously highlighted the opportunity for companies to deliver business demand reductions and our expectations for WRMP24 are that companies deliver significantly improved levels of water efficiency in the business sector.⁶ We expect the company to set out and clearly justify an ambitious strategy for non-household demand reduction in its final WRMP to inform its PR24 business plan. We also expect the company to explain how the revisions it intends to make to its non-household consumption trend have impacted the optimisation and best value option selection in its preferred plan.

In addition, the company does not provide any costs for the work it intends to do in order to reduce non-household consumption and it should do so in its final plan.

Per capita consumption (PCC)

⁵ Combining measured and unmeasured non-household consumption figures, business demand is expressed as a three year average. The average of the reporting year and the two previous years.

⁶ Ofwat, Environment Agency, '[Delivering greater water efficiency in the business sector](#)', March 2020 and '[Delivering greater water efficiency in the business sector](#)', February 2021.

The draft WRMP data provided by the company to date indicates that it is proposing a three-year average PCC reduction over the 2025–30 period that will deliver a level of PCC 9.1% below the 2019–20 baseline by 2029–30. This represents a further reduction of only 2.8% beyond the company's 2024–25 performance commitment level of 6.3%. As the company further develops its forecast PCC performance trend from draft WRMP to final WRMP it should include the reasons for changes and explain the impact of any revisions on the optimisation and best value option selection in its preferred plan. We expect the company to provide sufficient and convincing evidence in its final WRMP to justify why its selected targets for demand reduction represent the best value approach to meeting a supply–demand balance or delivering long-term strategic outcomes. In addition, for its final plan the company should clearly explain why its dry year annual average (DYAA) forecast for PCC is lower than its normal year annual average (NYAA) forecast from 2029–30 onwards. This is unusual because we expect PCC to be higher in dry years than in normal years.

As referred to above, the company is undertaking a review of its water balance methodology. This work is ongoing, and the company has told us that it expects to complete the review in April/May 2023. This review will affect not only data reported annually as part of the annual review process, but it is likely to require the company to revise its WRMP forecasts accordingly. The company should reflect the outcome of its review into leakage and PCC methodology in its final WRMP and it should consider whether this has a material impact on the Water Resources West (WRW) regional plan.

Leakage

We welcome the ambition of the company to achieve a 50% reduction in leakage from 2017–18 levels by 2050 but, as mentioned above, we note that this is subject to the company's ongoing review of its water balance methodology. This review is likely to affect its leakage and PCC data. The company should reflect the outcome of this review in its final WRMP, and it should also consider whether this has a material impact on the WRW regional plan.

The company has not discussed its policy with regards to customer supply pipe leakage. We are encouraging companies to evaluate the benefits of a common industry approach to addressing leakage on customers own pipes. We expect companies to provide a view on the benefits of a common industry approach in their statements of response and final WRMPs. We will support companies in the development of a common approach but expect the industry to lead on the development. The Water UK leakage route map to 2050 committed to an informed debate on customer supply pipe strategy by December 2022.⁷

⁷ Water UK, 'A Leakage Routemap To 2050', March 2022.

Metering

The company explains that it intends to use a policy of progressive meter installation that, by 2030, will see the penetration of meters increase from 50% to 75% with the number of household customers receiving a metered charge increasing from 50% to 65%. The company plans to use automated meter read (AMR) meters initially instead of advanced metering technology (AMI) meters and proposes bringing in compulsory metering from 2040-41 onwards.

In its final WRMP the company should present the cost benefit of both technology types to provide confidence that the proposed metering programme is optimal. The company needs to provide sufficient and convincing evidence that the initial AMR rollout, with a move to AMI in future years, is efficient and provides a best value strategy for customers. It should also provide more unit costs and, for example, more granular information on the cost and benefit forecast from each AMR and AMI meter.

For the final WRMP, the company should provide further detail of its decision-making framework, as well as sufficient and convincing evidence to justify why the preferred metering option is best value from a technology and timing of investment perspective. This should clearly refer to any relevant factors that are unique to Wales.

Assessment of water needs

A robust assessment of current and future water needs is critical as it drives the gap between supply and demand and therefore drives the scale of investment required for the 2025-30 period and beyond.

We provided detailed feedback on Dŵr Cymru's assessment of water needs in our pre-consultation feedback in 2022. Some of our feedback has not been appropriately or fully addressed in the draft WRMP, and has been raised again in amongst points in this section. Dŵr Cymru should provide sufficient and convincing evidence that the feedback has been addressed in the final WRMP.

The company's supply demand balance starting point for the draft WRMP24 is lower than its forecast for the same point in the final WRMP19. The company has provided limited high-level information regarding the reasons and appropriateness of the changes to components of the supply-demand balance. This means that there are some concerns that the overall outcome of the WRMP19 as funded at PR19 has not been delivered in the round. The company should fully quantify and justify the reasoning for changes between WRMP19 and the starting point for WRMP24 at a supply-demand balance component level with sufficient and convincing evidence. Where a step change in supply-demand balance between WRMP19 and WRMP24 is not sufficiently justified as being due to changes to scenarios or planning assumptions, and

may instead be as a result of non-delivery or underperformance, this will be taken into account at PR24 in the assessment of enhancement funding.⁸

Dŵr Cymru has used a 25 year planning horizon, which meets the minimum requirements set out in the water resources planning guideline⁹. The company should explain more clearly in its final WRMP the rationale for the chosen planning horizon, including linking back to challenges identified in its problem characterisation as to why there has been no benefit to planning further ahead.

The key drivers to the planning problem are described in the draft WRMP. However, an explanation of the supply demand balance and quantifying the impacts of the drivers at a company level has not been set out in the draft WRMP itself. Without this, a final WRMP would not clearly justify the levels of investments in the company business plan.

The company's headroom allowance is high compared to most other companies, at a scale of over 11% of the company distribution input during 2025–30. Therefore, this planning assumption contributes significantly to the company supply–demand balance and proposal for investment. The company needs to present sufficient and convincing evidence that the headroom allowance is appropriate in both the short and long term, is not driving unnecessary and high regret investment, and that it has properly accounted for interactions with adaptive planning.

Improved resilience is stated to be a key driver of investment for this plan, with the intention to meet a 1 in 500 year resilience target by 2040 at the latest, which exceeds minimum resilience targets for Dŵr Cymru and aligns with targets for companies in England. However, the 1 in 500 year resilience is not incorporated into the preferred plan, and is instead considered in scenario testing. We therefore view Dŵr Cymru 's resilience target as ambiguous, and it is not clear if or when the plan would move to meet this resilience target, dependant on how different sensitivity scenarios played out. Dŵr Cymru should clearly set out its ambition on drought resilience levels of service in its final plan. This should include when the plan will move to a higher resilience target. Elsewhere, Dŵr Cymru has stated its levels of service for temporary use bans (TUBs) and non-essential use bans (NEUBs).

The draft WRMP states Natural Resources Wales (NRW), through a more holistic catchment-based outcomes approach, have not proposed specific abstraction reductions for this WRMP. However, the draft WRMP also states that significant longer term uncertainty exists for

⁸ Ofwat, '[Creating tomorrow, together: Our final methodology for PR24, Appendix 9 – Setting expenditure allowances](#)', December 2022, pp. 86–87.

⁹ EA, NRW, Ofwat, '[Water resources planning guideline](#)', July 2022

sustainability reductions needed to meet the Environment (Wales) Act 2016¹⁰. Whilst the plan explains AMP8 work is scheduled to provide greater certainty, it is not clearly set out how the plan would change to accommodate this, other than generally risking not achieving higher resilience levels or altering demand strategies. This should be better set out in the company's final WRMP.

There is limited evidence provided that the benefits of funded PR19 activities have been appropriately factored in to the draft WRMP24 baseline supply-demand balance. Dŵr Cymru has given some commentary on individual WRZs and what has changed since WRMP19, including schemes and their subsequent impact on supply demand balance. However, the company should provide granular details of the benefits of funded schemes and how and when these have benefitted the baseline supply-demand balance. Where a step change in supply-demand balance between WRMP19 and WRMP24 is not sufficiently justified by scenario drivers, and may instead be as a result of non-delivery or underperformance, considerations will be made at PR24 in the assessment of enhancement funding.¹¹

Dŵr Cymru should ensure that it is on track with WRMP19 supply and demand-side options delivery, making substantial efforts where necessary to meet PR19 commitments ahead of WRMP24.

Clywd Coastal WRZ still experiences a small deficit at the start of the planning period and Dŵr Cymru will need to demonstrate what additional measures it will need to take in this zone during this period.

Dŵr Cymru has provided an explanation of the impacts of the covid-19 pandemic, including the 'staycation' effect, and demand returning to normal by the start of AMP8. Undertaking sensitivity analysis on these assumptions for the final WRMP would better evidence and justify the starting position of the WRMP24 supply demand balance.

Options to meet water needs

Table 4 of the draft plan sets out a total of 170 supply and demand management unconstrained options, with 123 screened through to the feasible, and 98 selected in the preferred plan. This includes larger scale supply and demand options over 10 Ml/d, 12 catchment management options, and a third party option (Aberthaw power station).

¹⁰ Welsh Government, [Environment \(Wales\) Act 2016](#)

¹¹ Ofwat, [PR24 final methodology: Appendix 9 – Setting expenditure allowances](#), December 2022, pp86-87.

The capacity of the feasible options could cover the forecast water needs comfortably. However, all feasible demand options are selected in the final plan, and only 23 feasible supply options are not selected for the preferred plan. We are therefore concerned that Dŵr Cymru has not considered a sufficient number and range of feasible supply and demand options in relation to the problem it faces. Identifying an appropriate number and range of options to meet water needs is essential to ensure that customers and stakeholders have confidence that the preferred programmes are optimal. The number of feasible supply options is particularly concerning when broken down by individual water resource zones in which the company forecasts deficits: Hereford (1 feasible option), Tywi Gower (5 feasible options), Mid and South Ceredigion (6 feasible options), and South East Wales Conjunctive Use System (SEWCUS) (16 feasible options). The number and range of feasible options is important to undertake a meaningful best value assessment that justifies the options selected in the preferred plan as best value. Dŵr Cymru should address this in its final plan by providing a greater number, range and scale of options to its decision-making process, or by providing robust evidence why there are no feasible options that provide better value to the wider set of metrics compared to the options that are selected for the least cost plan.

The preferred plan sets out a twin track approach of supply and demand options. Approximately 82% of the additional gained WAFU in the preferred plan is attributed to demand options, with the remaining from supply options focused on the four WRZs that are forecast to fall into deficit along the planning horizon. In these four water resource zones, 81% of the forecast deficit is addressed by six supply options, covering 3 types of supply options (upgraded pumping stations, water treatment works capacity increase and surface water enhancement). As these relate to upgrades to current assets Dŵr Cymru should provide sufficient and convincing evidence that the additional abstraction will be available from these sources in drought conditions, how its inability to currently fully utilise is not a result of poor maintenance of the sites, and that future base maintenance savings of any upgraded assets at these locations have been accounted for in programme costs.

Options information in the WRMP tables is lacking with missing Water Available For Use and Total Net Present Costs data. For the final plan WRMP, and to carry through to PR24, we expect all options to be worked to the same level of detail, in order to allow the decision-making tool to select an unbiased preferred best value plan, option portfolio. This is particularly important to carry through to business plans, to justify level of investment is appropriate to the challenge and for customers.

Dŵr Cymru has not provided sufficient information regarding option utilisation in its draft plan. Extra information was provided to Ofwat on utilisation after querying. We require more robust evidence on utilisation in the WRMP, in line with feedback in our pre-consultation feedback letters to fully explain and justify the utilisation rates given and to provide evidence that modularity and scalability in optioneering has been fully considered and explored to manage low utilisation situations. We would like to see more evidence in the final plan that

operational interventions have been considered and will be implemented where appropriate if this is the best value solution.

Decision making and prioritisation

Dŵr Cymru's draft plan meets requirements on decision making in some areas, however there are weaknesses that should be addressed to provide evidence that all aspects of decision making are robust and in line with the Water Resources Planning Guideline (WRPG). The plan provides line of sight from best value metrics to plan objectives, however the final plan should provide clearer explanation of how it aligns with the Water Resources West regional plan where relevant. An explanation of the approach to uncertainty is provided, including the decision to not adopt adaptive planning. However, we do not consider the draft plan provides a sufficient justification for this decision, and therefore hold concerns that adaptive planning has not been adopted.

The draft plan explains the optimisation process used to derive the preferred programme, including used of advanced decision support tools. While the best value decision tool is described, there is little narrative around company level programme appraisal and decision making. We would like the final plan to provide more narrative of the approach taken to selecting the preferred programme.

The draft plan provides some sensitivity testing around the policy/decision making constraints. The preferred plan has been tested against a range of future scenarios and this is presented for each WRZ. Scenario sensitivity testing has not, however, been presented for alternative programmes. Sensitivity tests have been carried out to test the impact of different scenarios on the year in which the WRZs meet the 1-in-500 year level of drought resilience. However, sensitivity tests have not been carried out to explore the impact of changing the year of meeting the 1 in 500 year resilience target on costs and cost savings, or any other hard deadlines.

In the best value analysis, the draft plan has fully considered the carbon impact, natural capital and other benefits that the options can deliver. The draft plan addresses some known issues and future uncertainties tested against a suitable range of scenarios, particularly in relation to climate change.

Dŵr Cymru has not referred to Ofwat's public value principles. We would like Dŵr Cymru to use Ofwat's public value principles, and to reflect expectations set out in the PR24 final methodology, within its best value planning process in its final plan, and to explain how these have been used to inform best value decision making. The plan notes that there are some uncertainties and scenario testing that remain outstanding for future work.

The draft WRMP does not clearly present the benefits of the least cost plan against its preferred plan and any other plans. The draft plan, therefore, does not clearly present the evidence that the proposed solution represents best value for customers, the environment and society in the long term. The company has not presented the costs and benefits of the proposed solution against best value metrics. The plan does not provide a clear comparison and justification of the cost difference between the least cost and best value programmes. The difference in expenditure is not clearly stated and cost drivers are not fully explained. These point should be resolved in the final plan.

Dŵr Cymru has not presented an adaptive plan, as it states that its preferred plan continues to deliver outcomes in a wide range of scenarios. Even if it concludes that alternative pathways are not required, the company needs to demonstrate that scenario testing, including the common reference scenarios, has been used to identify low-regret investment that is required in all or most plausible futures.

Dŵr Cymru states that it has tested its plan against the common reference scenarios and appears to be planning to test further scenarios to inform its final plan. The company should clearly explain in its final plan how or whether these scenarios impact on the allowance requested at PR24. The company should also clearly set out the impact of the Ofwat common reference scenarios compared to the 'most likely' scenarios on which the preferred plan is based. This should include quantifying the impact on demand of the low and high scenarios for climate change and demand across the planning period. The company should also quantify the estimated impact on the expenditure requirement of:

- 1) planning based on the high scenarios for climate change and demand, and the slower scenario for technology; and
- 2) planning based on the low scenarios for climate change and demand, and the faster scenario for technology.

This will allow for improved understanding of the drivers of investment, the sensitivity of the plan to future scenarios and confidence in the investments being proposed. The company should use the results of this testing to identify and justify, with sufficient and convincing evidence, low regret investments, rather than just those that meet both high and low planning needs in a non-adaptive way.

The company identifies several future uncertainties in the plan, such as the impact of climate change on the timing of demand side interventions, the impact of potential abstraction reductions in AMP9 and beyond, and the need for an internal transfer in the Clywd zone. We expect the company to consider accounting for these uncertainties through alternative pathways.

Dŵr Cymru does not propose any difference between its core and most likely pathways. It states that its core pathway 'outlines the necessary investment to meet the company's long-term strategic objectives if there are no changes to operating environments in the future', and that it is based on a low climate change scenario, with its preferred pathway based on a medium scenario. However, the core pathway should not be based on an assumption that low scenarios will come to pass. It should set out low-regret investments that will be required across a wide range of plausible future scenarios, including those required to keep future options open. In its final plan, we expect the company to present a core pathway in line with the WRPG definition, which includes low-regret investment to meet future uncertainties and additional option value to allow further flexibility in the future.

The company clearly describes the biggest uncertainties around achieving its long-term objectives, but it is not clear how one of these, namely potential abstraction reductions from AMP9, has been taken into account in the plan.

We welcome that third-party technical assurance of the best value optimisation process has been carried out.

Long term best value programme

While we recognise that plans will develop over time and that costs and benefits may be refined, we are concerned that the company is not demonstrating sufficient evidence that it has a confident and accurate understanding of the efficient costs and benefits associated with the delivery of its plan. If costs and benefits of options are to change significantly then this will impact the decision-making process and the justification for the optimised preferred programme consulted upon in the draft WRMP. For its final WRMP, we expect the company to clearly explain any changes to costs and benefits presented for the preferred plan from those presented in its draft WRMP. The company should provide sufficient and convincing evidence on the reasons for changes and explain how these have impacted the decision-making and optimisation process that produced its final WRMP preferred programme.

The company has identified £148 million of enhancement expenditure relating to delivery of its draft WRMP in the 2025–30 period. Over the 2025–50 period the company has identified a requirement for over £439 million of enhancement expenditure. For this investment, Dŵr Cymru plans to deliver 112 Ml/d of supply demand benefit (excluding interconnectors) in 2025–30. Overall, the company proposes to deliver benefits at a lower cost in comparison to other companies¹². We would expect Dŵr Cymru to clearly set out the specific wider reasons

¹² Based on the data submitted by companies in their draft plans and comparison against the industry median

for projects are being selected as preferred, in cases where unit costs are high and other similar projects appear to present better value.

The company should ensure that its costs are sufficiently evidenced in its final WRMP and provide convincing evidence that the preferred options being selected, across all areas of its plan, are best value in its final WRMP24 and ensure costs are reliable, efficient and appropriately allocated.

Customer and stakeholder engagement

We welcome that stakeholder and customer engagement has been undertaken and presented in the draft WRMP. Customer engagement produced insights to customer preferences which have been used in best value decision making to form the plan. Customer views on leakage, drought, supply options and demand management were sought as part of customer engagement activities. Extensive customer engagement has been undertaken to inform customers of the options available for Dwr Cymru's company area. Best value planning has considered customer preferences in option selection and phasing. Bill impact was included in engagement, although not quantified in the form of estimates.

Engagement with the WRW regional group included a discussion session focused on issues concerning Wales and how they might be addressed through the WRMP. Regular engagement with WRW members and neighbouring water companies has been undertaken to align strategies as part of the draft WRMP planning and pre-consultation process. Adequate engagement with regulators has been undertaken and has been used to refine the draft WRMP.

There has been limited engagement with retailers ahead of developing the draft WRMP. Dwr Cymru should provide evidence in its final plan to demonstrate how the views of retailers have been considered.

No details of opportunities to enable co-funding or co-delivery have been identified. Further investigation of partnership opportunities for co-funding and co-delivery with stakeholders should be undertaken and set out in the final WRMP as well as exploring commercial models.

Board assurance

A Board Assurance Statement and supporting statement have been provided, detailing how the Board were engaged and stating their satisfaction with the plan. The Board Assurance Statement is not signed and should be for the final plan.

There is a brief description of the lines of assurance for identifying risks, however no information on the governance and decision making structure used to form the plan and should be included in the final plan.