



Water Resources Planning Guideline

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Section 1 - Planning for a secure, sustainable supply of water

This guideline is relevant to water companies in England and Wales. It is also relevant to those producing regional plans.

1.1. Your WRMP

If you are a water company in England or Wales, you must prepare and maintain a water resources management plan (WRMP). Your WRMP sets out how you intend to achieve a secure supply of water for your customers and a protected and enhanced environment. The duty to prepare and maintain a WRMP is set out in sections 37A-37D of the Water Industry Act 1991¹. You must prepare a plan at least every 5 years and review it annually.

In your plan you must forecast your supply and your demand over at least the statutory minimum period of 25 years. If you forecast a deficit you should consider supply-side options to increase the amount of water available to you and demand-side options which reduce the amount of water your customers require.

To determine your preferred programme you should identify and appraise a range of options and justify the selection of the options included in your preferred plan. If you do not have a deficit you should still produce a best value plan, which considers government policy and wider objectives such as increasing your surplus to facilitate water trading.

In producing a preferred plan, there are uncertainties and this is why we have recommended the use of adaptive planning. In this concept, when we refer to a preferred programme, this can also be referred to as representing the 'most likely' future (based on the uncertainties) and pathway through it i.e. the route through the adaptive planning you will most likely follow.

1.1.1 Outcome based planning

This guideline focusses on the legal requirements and technical approaches you should follow to develop a WRMP. You should consider this guideline in conjunction with any relevant government policy and outcome expectations.

¹ Please note that the Environment Bill may amend this legislation. The UK and Welsh Governments will notify you of any changes by amending this guidance if requirements change during the preparation of your plan

Your WRMP should efficiently deliver resilient, sustainable water resources for your customers and the environment, both now and in the long-term. This objective should be at the centre of all your planning methods and decisions.

You should be transparent in your methods, data, assumptions and decisions so that customers, stakeholders, regulators and government can understand and comment on your plan. Your methods should be proportional to the complexity of your problem.

1.2. This guideline

This guideline is designed to help you write a plan that complies with all the relevant statutory requirements and government policy. In this guideline we have used the word ‘must’ where the action is related to a statutory requirement. If you do not follow a ‘must’ there is a high risk you will produce a plan that is not legally compliant.

We have used the word ‘should,’ where we believe this action is needed to produce an adequate plan.

If you, or a regional group, decide to take a different approach you should clearly demonstrate how you are still fulfilling your obligations. You should discuss this approach with regulators. Regulators are fully supportive of new approaches but will need to work with you to understand and review these.

If the guidance for water companies wholly or mainly in England and Wales differs significantly, we have referred to these companies as follows:

- for companies wholly or mainly in England - ‘England’ or ‘water companies in England’
- for companies wholly or mainly in Wales - ‘Wales’ or ‘water companies in Wales’

There are elements of the guideline that are subject to specific legislative or regulatory requirements that align to the England or Wales geographic boundaries. The main areas that this relates to are as follows:

- setting your environmental destination
- considering the environment and society in your decision making
- complying with environmental legislation, Strategic Environmental Assessment (SEA) and Habitats Regulations Assessment (HRA)
- for plans affecting Wales, obligations in relation to Environment (Wales) Act 2016 and Well-being of Future Generations (Wales) Act 2015

1.3. Developing your WRMP

Your plan should take a long-term view, setting a planning period that is appropriate to the risks of your company and region, but which covers at least the statutory minimum period of 25 years. It may be appropriate, depending on the challenges and risks you face, and those in the relevant regional plan², for you to plan for the next 50 years or more. This is so your plan identifies appropriate solutions to meet future pressures. Your plan should contribute to a protected and enhanced environment.

Before you revise your WRMP you should review which parts of your previous WRMP are still relevant. Your previous WRMP (as an agreed long-term plan) should be a starting point to build your regional plan and WRMP. Your new plan should include a review of what has, and has not, changed since the last plan and why. This should include a review of whether your previous plan is still fit for purpose.

You must develop and publish a new plan no later than 5 years from the date when your plan was last published. You must also produce a WRMP if:

- you have been directed to do so by the Secretary of State for the Environment, Food and Rural Affairs (if wholly or mainly in England) or by the Welsh Ministers (if wholly or mainly in Wales)
- if there has been a material change in circumstances, for example identified through your annual review

In producing the plan you:

- must comply with your legal duties
- should follow the relevant government's policy expectations and any specified outcomes
- must demonstrate how you will ensure secure supplies while protecting and enhancing the environment.

² Regional plans are a requirement by Defra for five regional groups within England. Some parts of Wales may be included in a regional plan

- should produce a final WRMP with no deficits in any of your water resource zones over the final planning period
- should demonstrate how you will incorporate national planning (through the National Framework) and regional planning into your WRMP (where applicable)

1.4. Regulator roles and responsibilities

The Environment Agency, Natural Resources Wales and Ofwat are responsible for jointly writing this guideline. The following regulators have a significant role in the WRMP process.

1.4.1. Environment Agency

The Environment Agency is a statutory consultee for WRMPs. It leads on producing this guidance for you to use in compiling your WRMP. It has a statutory duty to secure the proper use of water resources in England. The Environment Agency will work with you as you prepare your plan and will provide a representation as part of your consultation.

At the statement of response stage, its role changes and it becomes a technical advisor to Defra and the Secretary of State.

1.4.2. Natural Resources Wales

Natural Resources Wales' purpose is to deliver the sustainable management of natural resources in the exercise of its functions, including embedding the sustainable development principle to contribute to the well-being goals for Wales.

Natural Resources Wales is a statutory consultee for WRMPs and the advisor to the Welsh Government for plans affecting Wales. It leads on producing guidance specific to Wales. Natural Resources Wales will work with you in your preparation of your plan and provide a representation as part of your consultation.

At the statement of response stage, its role changes and it becomes a technical advisor to Welsh Government and the Welsh Ministers.

1.4.3. Ofwat

Ofwat is a statutory consultee for WRMPs. Ofwat is a key stakeholder during the development of your plan and will provide a representation as part of your consultation. The WRMPs primarily inform the supply-demand balance part of your business plans that you then submit to Ofwat.

Ofwat determines the extent to, and conditions under which, you can recover the costs of investment through your charges to customers. It does this principally

(although not exclusively) through determinations and decisions under Condition B of water companies' Instruments of Appointment (licences). This provides the framework for your price controls, and, where necessary, the imposition of additional supporting licence conditions. Ofwat is required to carry out its statutory functions in accordance with its duties in Part I of the Water Industry Act 1991. Ofwat's primary statutory duties under section 2(2A) of the Water Industry Act 1991 require it in summary, to set price controls in the manner it considers best calculated to:

- further the consumer objective to protect the interests of consumers, wherever appropriate by promoting effective competition;
- secure that water companies properly carry out their functions;
- secure that the companies are able (in particular, by securing reasonable returns on their capital) to finance the proper carrying out of those functions
- further the resilience objective to secure the long-term resilience of companies' systems and to secure that they take steps to enable them, in the long term, to meet the need for water supplies and wastewater services.

1.4.4. Drinking Water Inspectorate (DWI)

The Drinking Water Inspectorate has responsibilities under the Water Industry Act 1991 relating to the sufficiency and quality of water supplies.

1.4.5. RAPID

RAPID will help accelerate the development of new strategic water infrastructure and inform future regulatory frameworks. It is made up of the three water regulators in England: Ofwat, Environment Agency and Drinking Water Inspectorate. It also works closely with Welsh Government and Natural Resources Wales. Find further information on [RAPID's website](#).

Some water companies received additional funding to investigate and develop strategic regional water resource options in the 2019 price review (PR19) final determination. These companies should account for progress made on these options through a gated process. RAPID will then make recommendations on the solutions and Ofwat will make decisions on funding. You must present the need for these schemes, their timings, and the justification for your decisions in your regional plan and WRMP.

1.5. Assurance

You should provide an assurance statement from your Board to Ofwat and Natural Resources Wales or the Environment Agency that you are satisfied that:

- you have met your obligations in developing your plan
- your plan reflects any relevant regional plan, which has been developed in accordance with the National Framework and relevant guidance and policy, or provides a clear justification for any differences.
- your plan is a best value plan for managing and developing your water resources so you are able to continue to meet your obligations to supply water and protect the environment and is based on sound and robust evidence including relating to costs (Chapter 9 defines a best value plan).

Your assurance statement should be accompanied by a supporting statement. This should detail how the Board has engaged, overseen and scrutinised all stages of development of your plan and the evidence it has considered in giving its assurance statement.

1.6. Links with other plans

Your WRMP is closely related to a number of other frameworks, plans and strategies. This includes important links to other tiers of water resources planning through the National Framework and regional plans, where applicable (see Section 2 – National, regional and local planning). You should also consider any relevant SEA and HRA that may affect your plan. You should also consider the following in your WRMP:

A. Government’s 25 Year Environment Plan (England only)

Your WRMP should reflect the ambitious nature of the Government’s 25 year Environment Plan. You should: set out your ambition for environmental sustainability and resilience, support nature recovery, use natural capital in decision-making, use a catchment approach and importantly deliver net gain for the environment.

B. Water Strategy for Wales (Wales only)

Your plan should reflect the long-term policy direction in relation to water.

C. Natural Resources Policy and Area Statement (Environment Wales Act 2016)

You should consider how your plan (where it affects Wales) contributes to the priorities set out within the [Natural Resources Policy](#) and any relevant [Area Statement](#). Area Statements are the place-based implementation of the Natural Resources Policy. You should consider the priorities, risks and opportunities highlighted within any Area Statement relevant to your plan and how collaborative actions linked to these could result in improved outcomes for people and the environment.

D. Business plans

Your business plan sets out your investment plans for the next asset management period. Your investment plans are the mechanism to achieve the planned outcomes set out in your WRMP and deliver wider water system resilience.

Your business plan should reflect Ofwat's price review methodology³ and is assessed through Ofwat's price review process. This results in a final determination which sets out how you will fund efficient expenditure from customer bills. This process is agreed on a 5 year cycle.

Ofwat's 'PR24 and Beyond: Long-term delivery strategies' provides an early steer to companies to ensure clear links are made between WRMPs and business plans, through the production of long-term delivery strategies. This includes, for example, the use of long-term adaptive planning across all water and wastewater activities, planning for common reference scenarios, linking new plans to delivery of previous ones, and using robust and consistent cost estimates.

E. Drought plans

Your WRMP is complemented by your water company drought plan. Your drought plan sets out the short-term operational steps you will take if the area you cover faces a drought in the next five years. It describes how you would enhance available supplies, manage customer demand and minimise environmental impacts as the drought progresses.

You should clearly explain how your drought plan and WRMP link in a way that your customers, regulators, government and interested stakeholders can understand. Your emergency plan will set out the actions you will take in a civil emergency. Your WRMP should set out your current and future levels of service and your justification for the order of actions you will take in a drought.

F. River basin management plans

Your WRMP and drought plan will contribute to the objectives set out in River Basin Management Plans by ensuring you:

- prevent deterioration and support achievement of protected area and water body status objectives
- have a secure and sustainable set of options to supply your customers

³ The next methodology for Ofwat's price review 2024 (PR24) is due to be finalised in 2022 (<https://www.ofwat.gov.uk/regulated-companies/price-review/2024-price-review>)

- are contributing to sustainable catchments by ensuring supplies are managed well in a drought
- are demonstrating how you will help your customers to use water wisely

You should identify integrated catchment-based solutions in your plan. These should deliver multiple benefits, for example reducing flood risk and improving resilience of the environment to droughts.

G. Drainage and Wastewater Management Plans

The publication of the first draft drainage and wastewater management plans is expected in 2022. If you are a water and sewerage company, you should ensure that your long-term planning for wastewater and water supply are aligned, where feasible, and highlight any linkages and/or interdependencies. You should consider alignment in your growth forecasts, climate change scenarios and timetable for delivering solutions. If you are a water-only company, you should ensure your WRMP and your sewerage provider’s plans are aligned.

H. Drinking Water Safety Plans (or risk assessments)

These provide a means of identifying hazards and hazardous events that could arise in the catchment area, from the source up to the customer’s tap. Your drinking water safety plans should be kept under continual review. Your WRMP should take account of these safety plans, where appropriate. Your WRMP should consider how you can mitigate any risks due to water quality which might impact your supply-demand balance or preferred options. Where these actions could improve the supply-demand balance, you should consider them as options in your plan.

I. Local Authority plans

Local authority plans set out future development, such as housing. Your WRMP should reflect local growth ambitions and plan to meet the additional needs of new businesses and households. (See Section 6.3)

J. Local Nature Recovery Strategies (England)

The Environment Act 2021 introduced Local Nature Recovery Strategies for areas in England. Public authorities will have duties in relation to Local Nature Recovery Strategies. Your WRMP should support recovery and enhancement of biodiversity according to opportunities and priorities identified in strategy areas.

K. Nature Recovery Action Plan (Wales)

The Nature Recovery Action Plan (NRAP) for Wales sets out the National Biodiversity Strategy and Action Plan for Wales. Your WRMP should show how you have considered the Biodiversity and resilience of ecosystems duty.

1.7. Further guidance

This guideline is supported by a number of manuals and technical guidance. These are referred to throughout the guideline and include manuals produced by UK Water Industry Research (UKWIR) and supplementary guidance notes produced by the Environment Agency and Natural Resources Wales. They are listed in the annex to this guideline, which also identifies whether they apply to companies in Wales and are available on request from the Environment Agency and Natural Resources Wales.

Section 2 – National, regional and local planning

When you develop your plan, you should consider how it will contribute to national and regional water resources needs where applicable, while delivering local benefits. Your plan should take account of the following three scales of planning:

National Framework (applicable to resource zones in England)

The [National Framework](#) sets out the indicative scale of challenge for water resources in England over the next generation.

You are expected to work in regional groups to meet the challenge and together develop a cohesive set of plans. Regional plans should identify the best options to meet the challenges we face, delivering best value for the environment and society.

Regional planning

Regional plans set out at a strategic level, how the supply of water for people, business, industry, navigation and agriculture will be managed in the region. The regional plan should aim for resilient water supplies for all users for 25 years or more, while protecting and enhancing the environment.

Regional plans will be developed with other large water-users, taking into account the demands of all sectors. This guideline contains the best practice technical methods for producing WRMPs and regional plans. Regional groups should follow this guidance or justify why this is not appropriate.

Additional [regional planning guidance](#) is included as an appendix of the National Framework and sets out what a regional plan must, should and could do. Regional groups and water companies should work with regulators and others to agree a long-term destination for environmental improvement and sustainable abstraction. The regional plan should show how the environmental destination will be achieved.

Regional plans are relevant to the following:

- **England** - if you are in England, your WRMP should reflect the relevant regional water resources plan. Regional plans are an expectation for companies in England and represent, at a national level, a fundamental change of approach for this round of planning.
- **Wales** - If you are a water company in Wales and have a resource zone within England, you should include it within the appropriate regional plan. Where you have a resource zone bordering England and Wales, which is important for cross-border shared supplies, you may also include these in the relevant regional plan. You should discuss which resource zones should be used to inform a regional plan with the regional group, regulators and Welsh Government. Your WRMP should reflect the regional plan in respect to these resource zones. In addition, you should refer to the Welsh Government guiding principles in respect to these resource zones. There is no current requirement from Welsh Government for regional plans to be produced in Wales.

Where relevant, your plan should reflect the regional plan unless there is clear justification for not doing so. Your WRMP should explain how you have reflected the regional plan and why you have selected your preferred programme.

It is likely that the regional groups will undertake their planning at varying levels of detail, in part due to the differing challenges faced by each regional group. For this reason, it is not possible for this guideline to prescribe exactly how a regional plan should inform your WRMP.

You should clearly explain how the regional plan has informed each stage of your development of your WRMP (where applicable). As you develop your regional and company plans in parallel, you should address any differences and inconsistencies throughout the process. You should describe the process for reconciling and refining your plans and you should describe the iterations needed.

There can be some legitimate reasons where your plan does not reflect the relevant regional plan. These reasons include but are not limited to:

- further detail or refinement at a WRMP level, which was not undertaken at a regional level given the strategic nature of the regional plan
- identifying a better option at WRMP level, which does not affect the delivery of a regional plan
- minor additions or variation

You should provide a clear justification for any differences between the preferred programme in the regional plan and your preferred programme in your WRMP so that they can be understood by Government, regulators, customers and stakeholders.

A best value programme may differ depending on the geographical scale e.g. resource zone, company level, and where applicable regional level. You should consider distributional impacts and how your solutions may differ (depending on the scale used) and explain your preferred plan programme in the context of these scales and impacted customers or companies.

Local planning

In compiling your plan you should also actively engage with customers and stakeholders at a local or catchment level. You should consider any local pressures and local solutions. For example, local housing growth, or local concern around a particular stretch of river. You should engage with River Basin Management Planning catchment groups and priority catchment groups.

In England you should consider opportunities and priorities set out in [Local Nature Recovery Strategies](#) (part 6 Environment Act 2021) which embed nature recovery into your planning processes.

In Wales you should refer to the [Nature Recovery Action Plan on the Welsh Government website](#), [State of Natural Resources Report](#), [Area Statements](#) and further details are available on the [Wales Biodiversity Partnership website](#).

Section 3 – How to form and maintain a WRMP

This section explains what steps you need to take to develop and publish your water resources management plan (WRMP or the plan). It starts from early engagement with regulators and customers, through to publishing your final plan. Once published, you must report on your plan annually.

3.1. Legal requirements

When you prepare and publish a WRMP, you must comply with the requirements of Water Industry Act 1991, sections 37A - 37D and any secondary legislation made. This includes the Water Resources Management Plan Regulations 2007 (2007 regulations), and any ministerial directions given under this legislation.

We expect future updates to the guideline, post WRMP 2024, to take account of the changes section 78 of the Environment Act 2021 will make to existing water resources management plan and drought plan legislation.

You must also take account of the following legislation as relevant to your plan (this is not an exhaustive list):

- Water Industry Act 1991
- Water Resources Act 1991
- Environment Act 1995
- Water Resources Management Plan Regulations 2007 (2007 regulations)
- Environmental Assessment of Plans and Programmes Regulations 2004
- Conservation of Habitats and Species Regulations 2017
- Water Environment (Water Framework Directive) (England and Wales) Regulations 2017, referred to in this guideline as 'WFD regulations'
- Water Supply (Water Quality) Regulations 2016
- Eels (England and Wales) Regulations 2009
- Wildlife and Countryside Act 1981
- Countryside and Rights of Way Act 2000
- Natural Environment and Rural Communities Act 2006
- Invasive Alien Species (Enforcement and Permitting) Order 2019

- Well-being and Future Generations (Wales) Act 2015
- Environment (Wales) Act 2016
- Marine and Coastal Access Act (2009)

You must consider whether you need to carry out a Strategic Environment Assessment (SEA) and Habitats Regulations Assessment (HRA) for your plan.

3.2. Regional plan process

As set out in Section 2, where applicable, regional plans are a step change in compiling your WRMP.

The timeline for the regional groups can be found in the [regional planning appendix](#) of the National Framework. Regions are due to start the reconciliation process in September 2021 to ensure alignment and consult on their draft regional plans in early 2022. The table below sets out how regional plan and WRMP timetable fit together:

Regional Plans and WRMP timetables:

- **January 2022**
 - **Regional plans** - Informal consultation on regional plans
 - The regional plan consultation will inform you of stakeholder views on strategic options and policies ahead of your WRMP consultation
 - Pre-consultation with regulators on draft WRMPs
- **Autumn 2022**
 - **Regional plans** - Final draft regional plans published
 - **WRMP** - Submission of draft WRMPs followed by consultation
 - The WRMP consultation should link to the regional plan to help explain relevant policies, strategic options and collaborative working practices with customers.
- **September 2023**
 - **Regional plans** – Final regional plans published
 - **WRMP** - Final WRMP published (Sep 2023 onwards)
 - To ensure clear and joined up plans, the final regional plans will align with the WRMPs.

3.3. Pre-consultation

You should engage at an early stage with your Board, regulators, customers and interested parties, especially if your plan is likely to be complex or include significant change. This reduces the risk of issues being identified at a later stage. You should discuss your plan in the context of your previous WRMP and business plan, your progress with their delivery, and any expected variations.

The new regional planning process will provide an early opportunity to seek views and gain feedback for proposed solutions that you may adopt. You should actively engage with regulators through the regional planning process.

You should continue engagement through the development of your plan (including highlighting significant changes) until you submit your draft plan. There should be no surprises to regulators and stakeholders when you publish your plan. A good pre-consultation should lead to less challenge of a draft plan as it should help identify and resolve concerns early in the process. This should help avoid delays in the later stages of the process which can have implications for your business plan and assessment at the next price review.

Customer and stakeholder engagement on your plan should, where possible, align with customer engagement on your business plan. This should mean that customer preferences identified as part of the WRMP process are reflected in your business plan.

3.3.1. Statutory consultees

You must carry out pre-consultation discussions with the following statutory consultees:

- the Environment Agency and the Secretary of State if your plan will affect sites in England
- Natural Resources Wales and the Welsh Ministers if your plan will affect sites in Wales
- Ofwat
- any licensed water supplier that supplies water to premises in your area through your supply system
- Cadw (in relation to SEA in Wales)

You should also engage as early as possible with relevant Strategic Environmental Assessment and Habitats Regulations Assessment statutory consultees where appropriate.

If your possible options affect a designated site in England or Wales you must contact Natural England or Natural Resources Wales as applicable.

Designated sites include:

- special areas of conservation (SACs, including candidate areas)
- special protection areas (SPAs, including potential areas)
- Ramsar sites (including proposed sites)

- sites of special scientific interest (SSSIs)
- national nature reserves
- local nature reserves (contact local councils)
- local wildlife sites (contact local councils or wildlife trusts)
- marine conservation zones
- landscapes including World Heritage sites, European Landscape Convention, National Parks, Areas of Outstanding Natural Beauty

3.3.2. Non-statutory consultees

You should also carry out pre-consultation discussions with other consultees. These should include as a minimum:

- regional groups (where applicable)
- any water supplier affected by your supply system
- any water companies you have bulk supply or shared resource agreements with
- neighbouring water companies
- local catchment partnerships
- Wales Water Management Forum (Wales)
- any other groups your plan is likely to affect
- any potential water supplier, company or third party you may wish to trade with
- CCW (Formerly Consumer Council for Water)
- Public Services Boards (Wales) and other public service providers
- water retailers for business
- Drinking Water Inspectorate
- RAPID
- National Infrastructure Commission
- Forestry Commission (where applicable in England)
- Local Nature Partnerships (where applicable)

- Water Efficiency Groups

3.3.3 Consultation with regulators

You should undertake an enhanced pre-consultation with the Environment Agency and/or Natural Resources Wales and Ofwat. You should discuss your plan's ambition, methods and the approaches that you intend to take while developing your plan.

You should present the following information to the regulators, as a minimum. This should be completed by January 2022 at the latest:

- progress with your WRMP19 delivery, any significant changes you expect, and how these will affect your plan
- the resource zones on which your plan will be based
- problem characterisation assessment
- your planned approach to assessing climate change
- your indicative supply-demand balance at a resource zone level
- your approach to adaptive planning (where appropriate) your provisional preferred schemes
- the wider benefits and outcomes you plan to deliver beyond a least-cost plan
- how your plan will reflect the relevant regional plans (if applicable)
- any particular risks or issues you identify in your plan

Regulators will review this information and provide an initial view. They will highlight the areas they wish to work with you on as you compile your plan. Regulators will not sign off any parts of your approach in advance of the consultation. This is because they need to assess the plan as a whole and offer impartial advice to government.

3.4. Write a draft plan

You should use this guideline to write your draft plan, taking into account any feedback from your pre-consultation. Your WRMP should reflect any relevant regional plan as described in Section 2. You must also follow legislation including any directions you receive from the Secretary of State or the Welsh Ministers. They will issue directions ahead of you submitting your draft plan. They will include the date by which you must submit your draft plan and any other statutory requirements. You may receive further directions during the process.

Your plan should have an easy to read non-technical summary that clearly sets out your planning problem and how you propose to solve it. It should also highlight specific questions you would like responses to during the consultation. It should also summarise the progress since, and differences from, your previous plan. Your non-technical summary should show how your WRMP and other linked plans such as your drought plan, regional plan (if applicable) and your business plan fit together.

Your non-technical summary should sit alongside a more detailed, but still clearly understandable, technical document. Regulators and interested parties need to understand the options you have considered and the decisions you have made. You should provide supporting information in appendices and also complete the water resources planning tables. These should be published in full at the same time as your main WRMP. When writing your plan, you should also consider the reporting requirements for completing the stages (if applicable) of the Strategic Environmental Assessment and Habitats Regulations Assessment.

3.5. Send your draft plan

You must send your draft plan to the Secretary of State and/or the Welsh Ministers.

If your company area is wholly or mainly in:

- England - you must send your draft plan, statement of response to your consultation and final plan to the Secretary of State. If your plan also affects sites in Wales, you must send it to the Welsh Ministers in addition to the Secretary of State
- Wales - you must send your draft and final plan to the Welsh Ministers. If your plan also affects sites in England, you must send it to the Secretary of State in addition to the Welsh Ministers. You must ensure your submitted plan and statement of response complies with the requirements of the Welsh Language (Wales) Measure 2011

Defra will provide you with instructions about sending electronic copies of your plan via a secure transfer site. If your plan affects sites in Wales, the Welsh Government will provide instructions for submitting electronic copies of your plan.

When you submit your draft plan to the Secretary of State or the Welsh Ministers for agreement to publish it for consultation, you must submit a statement from your security manager. This must certify that the plan has been reviewed⁴ and that it does not contain any information that would compromise national security interests. You must highlight the information you propose to redact or edit out in

⁴ Clause 75 of the Environment Bill may alter this requirement

the published version, so that the Secretary of State or the Welsh Ministers may confirm whether it can be removed on grounds of national security.

In this statement you must also say whether the plan contains any information that may be commercially confidential. If you believe a draft plan should not be published because it contains commercially sensitive information, you should inform the Secretary of State or the Welsh Ministers as soon as possible.

You should also provide your assurance statement and supporting statement to the Secretary of State and the Welsh Ministers alongside your draft plan. Section 1.5 describes the requirements of your assurance statement.

3.6. Publish, distribute and consult on your draft plan

You must wait to hear from the Secretary of State or the Welsh Ministers before publishing your draft plan for consultation. Once you have been instructed to publish, you must adhere to Water Industry Act 1991, the 2007 regulations and directions with regards to the consultation and making draft plans available. You must share your draft plan with all consultees listed in the 2007 regulations. You should also share your draft plan with all other organisations involved in the pre-consultation discussions. You should publish your assurance statement and supporting statement alongside your draft plan.

You must also publish a statement with the draft plan that:

- specifies whether you have left out any commercially confidential information
- tells people that how they can make representations on the draft plan to the Secretary of State or the Welsh Ministers before the end of the consultation period

You should also consider:

- offering to explain the plan to established groups, known interested parties or companies within your area
- including an engaging summary of your plan which clearly sets out your proposals to your customers in plain language
- holding virtual events, road shows or exhibitions
- conducting questionnaires to gain views on your proposals, using phone or in person surveys or other recognised survey techniques
- using social media to highlight the consultation
- innovative web-based engagement

- joint communications with other companies

These are only suggestions and the approach you take will depend on your circumstances and the issues you are facing.

Where you are proposing joint schemes, you should ensure that your messages and narrative are consistent with the other proposers and consider holding joint stakeholder events.

You have 26 weeks (unless specified differently in any new direction) to consult on your draft plan and produce a statement of response. It is your responsibility to decide how long you will consult for. Previously, the consultation period has been around 12 weeks. However, this will depend on your situation. You should allow enough time:

- for consultees to make comments on the plan – allow more time for more complex draft plans
- to produce a statement of response based on the comments you receive

You must state in your consultation that all responses should be sent to the Secretary of State, if you are in England, or to the Welsh Ministers if you are in Wales, using the email or postal addresses below:

Defra

Water Resources Management Plan Water Services
Department for Environment, Food and Rural Affairs
Seacole 3rd Floor
2 Marsham Street
London, SW1P 4DF

Email: water.resources@defra.gov.uk

Welsh Government

Water Branch
Welsh Government
Cathays Park
Cardiff, CF10 3NQ

Email: water@gov.wales

The Secretary of State or the Welsh Ministers will send copies of all the responses on your plan to you.

Regulators expect to operate a query process during the draft plan consultation stage. This will be similar to Ofwat's approach during its price review process. If

you receive a query from a statutory consultee you should respond with supporting evidence where required within 3 working days of the request. A longer response time can be requested if you can justify this. Depending on commercial and security considerations, the query responses should be published on your website in support of the draft plan. You should also include the queries and responses as part of your statement of response.

3.7. Publish a statement of response

You must publish a statement of response after completing the public consultation. You must publish this within 26 weeks of publishing your draft plan for consultation (unless specified differently in any new ministerial direction).

Your statement of response must:

- show that you have considered the representations you have received
- set out the changes you have made to the draft plan as a result of the representations and your reasons for making them - either set as amended text or in a revised draft plan
- say if you have not made changes as a result of representations and explain why
- describe anything that has changed during the consultation period. For example, the conclusion of any projects you had undertaken or external influences such as new sustainability changes

You should decide whether the statement of response alone allows your customers and stakeholders to understand clearly and easily the changes you have made. If it does not, you must publish a revised draft plan alongside it.

You will need to assess whether any changes in the WRMP will require changes to other plans such as your drought plan, regional plan, or business plan.

You must publish the statement of response in line with the Water Industry Act 1991, the 2007 regulations and the directions. You must inform everyone who responded to your draft plan that you have published it.

Once completed, you must send your statement of response to the Secretary of State or the Welsh Ministers. If you have a revised draft WRMP or have been requested to provide further information, you should provide it alongside your statement of response. You must notify the Secretary of State or the Welsh Ministers of any further information that may be commercially confidential or which has been, or you consider should be, removed for reasons of national security.

The Secretary of State will send your statement of response and revised draft plan to the Environment Agency and Ofwat for review and the Welsh Ministers will send it to Natural Resources Wales and Ofwat for review.

3.8. Publish your final plan

The Secretary of State or the Welsh Ministers will review your draft plan, the representations made and your statement of response. They will also review technical advice from the regulators and decide whether your plan can be published. They may ask you to complete further work before you can publish your plan. If so, the Secretary of State or the Welsh Ministers will send you the necessary instructions.

If your plan has unresolved issues or significant public interest there may need to be a public hearing, inquiry or examination in public. The Secretary of State or the Welsh Ministers will decide if this step is needed and will inform you.

You must not publish your final plan until you have received permission from the Secretary of State or the Welsh Ministers. Before publishing your final plan you must:

- follow any directions from the Secretary of State or the Welsh Ministers
- undertake a final check of your plan to ensure it is ready to publish

You should ensure your plan still reflects any applicable regional plan, as described in Section 2. It should reflect any changes that have been made to the regional plan as a result of changes from other companies' draft plan consultations.

You must publish the final plan as set out in the Water Industry Act 1991 and the 2007 regulations and directions. This must be completed within the set timescales issued or you may face enforcement action.

You should notify everyone who responded to your consultation and bring it to the attention of anyone else that your plan is likely to affect.

3.9. Review and maintain your final plan

You must maintain your plan. You should treat it as a live document. You should implement your plan, monitor its progress, and take action if required. Your final plan should show how the interventions within it will be translated into delivery plans and monitored during the relevant asset management period. You must review your published plan every year and report to the Secretary of State or the Welsh Ministers. This should be on or before the anniversary of publication of the final WRMP. You should follow the latest Annual Review guidance.

If through the annual review you demonstrate or indicate a 'material change of circumstance' (as per Water Industry Act 1991 Section 37A (6)) you must prepare a revised draft. A new revised plan will be subject to the procedures in the Water Industry Act 1991 for preparing and publishing a plan set out in Section 37B 'Water resources management plans: publication and representations'

A material change of circumstances is not defined as it will relate to the final plan. The following lists possible examples but this should not be considered definitive:

- a significant change in level of service from what was in the published plan
- new or significant changes to the measures that were identified in the published plan and are likely to have significant public or environmental interest
- a significant change in the costs
- a change that could cause significant adverse effects on the environment

As a first step you should consult with the Environment Agency and, or Natural Resources Wales on any substantial changes that you wish

to make to your plan. You will need to inform Defra or the Welsh Government if there is a material change of circumstances, within 6 months.

Section 4 – Basis of planning

A WRMP must set out how you intend to maintain the balance between supply and demand for water during the planning period. The planning period should be appropriate to the risks your company faces, but must cover at least the statutory minimum of 25 years. It may be appropriate, depending on the challenges and risks in the relevant regional plans⁵, for you to plan for the next 50 years. This is to ensure your plan identifies the right solutions to meet future pressures. WRMPs must show how you will manage and develop water resources so that you meet your obligations in relation to supplying water and the environment.

Your plan should deliver value for money for your customers. It should reflect wider societal values and Government expectations.

4.1. Developing your plan

When producing your WRMP, you should transparently:

- consider the continuity of your plan with your previous WRMP and business plan. Where no changes are required you should use the relevant 5 year period from previous long-term plans. Where there are differences between previous plans you should highlight them and explain the reasons. You should include a section in your plan that explains how your backwards look (including previous planned interventions and delivery) has influenced your plan
- forecast how much water, on a sustainable basis, you have available to supply your customers each year over your chosen planning period, for a minimum of 25 years (see Section 5)
- forecast how much demand there will be for water each year over the same period (see Section 6)
- allow for uncertainty in your calculations and forecasts (see Section 7)
- compare supply with demand (including uncertainty) and see if there is a surplus (more supply than demand) or a deficit (less supply than demand). If there is a deficit you must identify options to increase supply or reduce demand so that you achieve an environmentally sustainable secure supply of water (see Section 8).

⁵ Regional plans are a requirement by Defra for five regional groups within England.

- if you do not have a deficit consider whether you can identify options to supply other water companies or regional groups, other sectors and to ensure efficient use of water (see Section 8)
- consider the risks to the supply-demand balance that you face and future uncertainties across the planning period. The risks that you identify in your plan, and where appropriate mitigate, should be set in the context of your overall company resilience and risk register
- produce a best value plan (See Sections 9 and 10)
- provide all of this information at a water resource zone level and summarise it at a water company level

Your plan should demonstrate that you have:

- complied with any statutory requirements and had regard to the government policy
- an efficient, environmentally sustainable, secure supply of water, with no final planning deficits, for each water resource zone over your chosen planning period, which must be a minimum of 25 years. Where there are significant challenges a longer timescale should be considered

4.1.1. High-level considerations

You should take account of these high-level considerations in your plan. You should:

In England and Wales

- include your destination for improving the environment, suitably evidenced and which reflects the relevant regional plan. In addition you can plan for a local improvement that it is not relevant at a regional scale. You should present evidence for your plan where this is the case. This should be in addition to any approaches or sustainability changes set out by the Environment Agency, Natural England or Natural Resources Wales
- fulfil your Water Framework Directive regulations obligations. You should ensure your plan supports the achievement of environmental objectives for water resources in the River Basin Management Plans by preventing deterioration and supporting achievement of protected area and water body status objectives, as well as not preventing a water body from reaching 'Good' or 'Good potential' status in the future.
- carry out a Habitats Regulations Assessment (HRA), including an appropriate assessment, as set out in the Conservation of Habitats and Species Regulations 2017 (as amended), if your preferred plan would be likely to have a significant effect on a European site (either alone or in combination with other plans or projects).

- ensure that any previous HRA of options included in your preferred plan remains current and covers any material changes in circumstance. Any HRA needs to be available for review and assessment by Natural England and/or Natural Resources Wales and other relevant parties. You should explain how you have considered advice from these bodies.
- screen for a Strategic Environment Assessment (SEA) and carry out a full SEA if required
- consider how your primary duty to supply wholesome water is related to your WRMP, especially in relation to resilience and contingency planning. This should include the requirement that drinking water quality is not allowed to deteriorate over time.
- show the impact of your plan on bills, and any potential affordability concerns resulting from these bill impacts (and any others likely for PR24), including any measures to mitigate these
- consider intergenerational and distributional impacts⁶ in your plan.
- consider how your plan is compatible with Defra's or Welsh Government's long-term ambitions for the environment and sustainable management of natural resources
- ensure that you consider a twin-track approach which considers demand management options alongside any supply options
- reflect the regional plan, where applicable, unless there is clear justification for not doing so (see Section 2)
- consider how your plan contributes to solving the challenges set out in the National Framework for England, published in March 2020
- ensure your plan contributes to the conservation and enhancement of biodiversity, delivers net biodiversity gain where appropriate, delivers environmental gain and uses a proportionate natural capital approach. See Supplementary Guidance – Environment and society in decision-making (England)
- if you are in surplus, or have additional sources available, you should provide evidence that you have worked with your neighbouring water companies and regional groups to identify whether this water is available for trading. You should also consider if you have options to further facilitate inter-company trading

⁶ Distributional impacts relate to cost and performance impacts on different customer types at company level and different companies at regional plan level.

- consider your duty to conserve biodiversity under Section 40 of the NERC Act (2006)⁷ and the list of species and habitats of principal importance set out in Section 41 of the Act (England)
- take a catchment based approach, including engagement across sectors to develop options that provide broader benefits to society
- consider how your plan will contribute to Nature Recovery and the establishment of Nature Recovery Networks incorporating opportunities and priorities identified in Local Nature Recovery Strategy areas (England)
- consider what your company can do in its WRMP to address the climate emergency. In particular how your plan will contribute to the achievement of net zero in line with your sector, company, and government specific commitments.

In Wales

- if your plan affects Wales, ensure your plan delivers biodiversity and environmental requirements and uses a proportionate natural capital approach. See Supplementary Guidance – ‘Environment and society in decision-making (Wales)’ and ‘Environmental Destination for Wales.’
- if you are in surplus, you should take into account Welsh Government’s Guiding Principles regarding water trading and commence early consultation with Natural Resources Wales, the Welsh Ministers and other relevant stakeholders in Wales
- plan for the worst drought in your historic record, as a minimum. You should consider contingencies for more challenging but plausible droughts. For example, those you identify through the drought vulnerability framework or equivalent approach. You should identify whether you require solutions for additional resilience
- consider local multi-sector needs and include within your supply-demand balance if you are directly supplying them or if they have the ability to switch your supply during peak periods. You should consider your policies for supporting other water users, such as those who are not connected to your water supply network (for example private water supplies) in circumstances where they are seeking ‘alternative water supplies’ such as in a drought.

⁷ The Environment Bill is expected to strengthen this obligation to one of conserve and enhance biodiversity. It will also require ‘Public Authorities’ to determine policies and specific objectives as appropriate to further the biodiversity objective and identify actions they can properly take.

- consider how your plan could contribute to the Well-being of Future Generations (Wales) Act 2015, if you supply customers in Wales or your plan affects sites in Wales
- work with the Welsh Government and Natural Resources Wales to understand the implications of the Environment (Wales) Act and sustainable management of natural resources principles for the development of WRMPs, if you supply customers in Wales or your plan affects sites in Wales
- consider the Biodiversity and resilience of ecosystems duty, the Section 7 Biodiversity lists and duty under the Environment (Wales) Act and Nature Recovery Action Plan for Wales if you supply customers in Wales or your plan affects sites in Wales

4.2. New appointments and variations

If you are a new appointments and variation⁸ (NAV) you should produce a WRMP that demonstrates that all the statutory requirements have been met. The level of detail within your plan may be relative to the size of your customer base and on how you obtain your water supplies. If you operate under bulk supply agreements with other water undertakers, some parts of your plan (supply) may be proportionate to reflect this. You should set out how you will:

- engage with the supplier and your customers to continue to maintain water supplies
- feed into the development of your suppliers' planned levels of service
- take account of donor/neighbouring undertaker's data and information when preparing your plan.

You should clearly present and explain any differences in planned drought actions in your plan. You should discuss the requirements for your plan with the Environment Agency or Natural Resources Wales at an early stage in the process. Where other water companies are operating in your supply area, you should consider any water supply management arrangements you will have with them in your draft plan.

4.3. Water supply and sewerage licences

⁸ NAV appointments are made under the Water Industry Act 1991 (Sections 7 and 8) and enable Ofwat to replace the existing water supply and/or sewerage undertaker for another for a specific area. NAVs undertake much of the same duties and responsibilities as the previous statutory company, including the requirement to produce WRMPs.

Retailers with water supply and sewerage licences (WSSLs) can supply non-household customers using public water supply networks. Retailers with a WSSL are not required to prepare their own plans. However, if they are operating in your area, under terms of their special licence conditions, they must provide you with any relevant information you request to inform your plans. You should work with any retailers operating in your area to plan and implement any demand management proposals relevant to non-household customers in your preferred programme.

In Wales

Retailers with WSSLs can only apply for a restricted retail authorisation that authorises the holder to use the supply system of an appointed water company to supply the eligible premises of its customers only. Those retailers eligible to supply non-household customers under restricted retail authorisation must also provide you with any relevant information for your plans. They should also work with you to deliver any demand management proposals relevant to these eligible customers.

4.4. Defining a water resource zone

Your plan should be built up of assessments undertaken at a water resource zone level. A water resource zone describes an area within which the sources of water and distribution of water to meet demand, is largely self-contained (with the exception of agreed bulk transfers). You may divide your supply area into one or more water resource zones.

In England, you should define your water resource zones using the Environment Agency’s assessment methods (Water Resource Zone Integrity, 2016)⁹. If you are in Wales, you should discuss the assessment of your resource zone integrity with Natural Resources Wales.

Your customers in a resource zone should face the same risk of supply failure and the same level of service for demand restrictions. There will be limitations to achieving this due to the specific characteristics of a distribution network. Water within a water resource zone should be useable throughout your network and for your customers, in terms of water quality and hardness.

You should review whether future changes to your planned supply or demand would cause sub-zonal issues. If this is the case you should consider subdividing the resource zone or justify maintaining the current zonal area.

You should provide your planned resource zone configuration and reasoning to the Environment Agency and/or Natural Resources Wales, Ofwat and the DWI

⁹This is available on request from the contact details set out in Section 1.

during pre-consultation. If you need to combine or divide a resource zone during your planning period, you should discuss your approach with the Environment Agency or Natural Resources Wales.

4.5. Problem characterisation

You should understand the scale and complexity of your planning problem so you can select appropriate methods. You should use the problem characterisation step of UKWIR's [Decision Making Process Guidance](#) to identify the scale and complexity of your planning problem and your vulnerability to various strategic issues, risks and uncertainties. You should use this information and UKWIR's [Risk Based Planning Method](#) to inform your choice of methods so they are proportional in terms of the effort, complexity and costs.

4.6. Drought vulnerability assessment

England

You should use the drought vulnerability framework, or an equivalent approach, to assess the resilience of your current supply system to a range of droughts of differing severity and duration.

You can use the drought vulnerability framework as a screening step to help you understand what droughts you are vulnerable to. In your plan you should present two response surfaces for each resource zone. Your response surfaces should use different ending months to reflect the risks that you might face. You should assume you can use whatever supply options and drought measures are in your plan for the base year. You should present the main sources of uncertainty as recommended by the [UKWIR Drought Vulnerability Assessment](#) manual.

You should use the results:

- to highlight any specific types of droughts your system is vulnerable to
- to consider how you can improve your resilience to droughts through your plan

You can consider including further drought response surfaces in your plan, to show the future resilience of your final plan.

Wales

You should base your supply forecast on a design drought. As a minimum, you should assess your plan against the worst drought on record. You should consider contingencies for more challenging, but plausible, droughts for a water resource zone where you have identified a vulnerability to these. You should discuss your justification, for setting your design drought (levels of resilience) for

each resource zone with Natural Resources Wales or Environment Agency. You should include this justification and supporting evidence within your plan.

You should follow UKWIR's [Risk Based Planning](#) guidance to inform your assessment of drought vulnerability (risk) and to decide on a design drought. You can use one of the following techniques from the UKWIR guidance:

- conventional plan (risk composition 1 – based on the worst drought on record)
- resilience tested plan (risk composition 2 – consider a more challenging but plausible range of droughts)
- fully risk based plan (risk composition 3 – based on probability analysis of drought events not seen in the historic record)

You should include a drought vulnerability statement in your plan to reflect the hydrological risks that drought imposes on your supply system. Whatever design event you select, you should still test your plan against a more challenging, but plausible range of drought events. You should clearly justify your risk composition choice, particularly if you choose risk composition 1. You should outline the risks and uncertainty involved, for example, in your behavioural modelling and source output analysis.

You may also choose to use the drought vulnerability framework assessments from your drought plan to complement your approach. You should do this for those resource zones that are most likely to be vulnerable to a range of droughts. You should engage early with Natural Resources Wales to discuss its expectations for using the drought vulnerability framework for your resource zones within Wales.

4.7. Levels of resilience

The point of failure is defined as: implementing exceptional demand restrictions on customers, associated with emergency drought orders, such as standpipes. Your plan must set out your planned level of service for this failure, as well as your actual level of service. Your plan should explain how your company defines this level of failure. Where companies share a water source that is managed through a formal agreement you should develop a shared user understanding of the system's resilience, including rule curves and failure point. You should discuss with regulators (as relevant) your assumptions for resilience of the shared source and clarify any differences from other companies who share that source.

Your plan must also set your planned level of service for other customer restrictions over the planning period. You should explain the frequency that you plan to restrict water supplies for your household and non-household customers

using temporary use bans and non-essential use bans. These should be consistent with your drought plan and the assumptions in the regional plan, where relevant.

You should describe how you have engaged your customers and stakeholders, and how you have taken account of their views and requirements in developing your level of service.

If you are a NAV entirely supplied by bulk supplies you should reflect your incumbent's levels of service.

For companies in England

You should plan so that your system is resilient to a 0.2% annual chance¹⁰ of failure caused by drought, where failure is defined as implementing an emergency drought order. This is described as '1 in 500 year' level of resilience in this guideline. You should aim to achieve this level of resilience by 2039 (See section 4 'Pathway to resilience' of the supplementary guidance 'Planning to be resilient to a 1 in 500 drought').

You should determine an optimum timing for achieving this through the regional groups, considering the costs and benefits of alternative approaches. Your preferred timescale should consider a balance of customer and environmental resilience, the affordability of the programme (along with distributional impacts) and deliverability. In delivering this level of resilience, you should consider how you can use innovative technology, such as smart networks, and planned operational interventions, to avoid the risk of developing large infrastructure which is used infrequently.

Some flexibility in the timescales for achieving a resilience of '1 in 500 year' is possible, where costs are exceptionally high locally in comparison to benefits. For example, at a water resource zone level. Where more flexibility is considered appropriate, you should present meeting a '1 in 500 year' by 2050 scenario. You should clearly identify the changes to your preferred programme and the level of service during this time. You should have a robust drought plan in place to protect those customers where this is the case.

In the short term, you could consider the increased use of drought management options to achieve the expected level of final plan resilience and/or consider reducing your level of service in the interim.

Your increased resilience in the medium and longer-term should not rely on the increased use of drought measures to boost supplies. For example, by allowing additional abstraction during drought, where this is environmentally damaging.

¹⁰ Also referred to as '1 in 500 year'

You should plan, where appropriate, to use drought permits and orders less frequently in future, particularly in sensitive areas. You should use your understanding of the environmental risks associated with each permit and order to inform your planned frequency of use. You should also indicate, through the relevant tables, the likely order and frequency of use of your drought permits and drought orders. The assumptions should be consistent with your drought plan.

The Supplementary Guidance: Planning to be resilient to a 1 in 500 drought provides further guidance on planning for this level of resilience.

For companies in Wales

You should set out the levels of service you plan to provide for your customers over the planning period. You should describe the frequency that you plan to restrict water supplies for your household and non-household customers using temporary use bans, non-essential use bans and emergency drought orders. Your level of service should be supported by the use of appropriate and evidence based assumptions and methodologies and be consistent with your drought plan.

You should describe how you have engaged your customers and stakeholders and taken account of their views when developing your level of service. You should consider the costs and benefits of changing your level of service. When considering how to communicate resilience with your customers, you should consider UKWIR’s [Risk Based Planning](#) report and developing resilience metrics.

If you are a Welsh company planning a new transfer with an English company, you should plan to be resilient to any drought of an approximate return period of once in 500 years (0.2% per annum failure probability) by the implementation of the transfer, for those zones affected by those trading options. The principle should be that a new transfer from Wales should only be considered, if the level of service in the Welsh resource zone (and any other zones in Wales affected by this) is equivalent or higher than the recipient resource zone.

4.8. Planning assumptions

Your plan should be based on a baseline scenario which considers the supply-demand balance when your supplies are low and your demand is high. This is your design scenario.

You should assess your need to include in your plan, a Dry Year Critical Period scenario, or scenarios, to show how you will plan for a period of peak strain on your system. For example, high seasonal demand such as during a heatwave (for example 2018 and 2020), winter leakage, or when holiday-makers increase demand significantly during the summer. You could consider a critical period which includes a combination of pressures.

Where these types of peak strain have a much shorter duration or localised impact than is considered in a WRMP, you should address them as part of your business plan.

Your baseline water resources planning scenarios should include the following assumptions:

- leakage remaining static from the first year of your plan (2025/26) throughout your whole planning period (unless otherwise agreed by regulators).¹¹
- your forecast of customer consumption without any further water company intervention. You should assume you end your water efficiency programmes and metering programmes after what you have been funded to deliver in AMP7
- existing transfers to the extent of the agreed bulk supply agreements or other arrangements
- include sustainability reductions (see Section 5.5 for further details)
- the benefits of non-supply-demand balance solutions such as capital maintenance
- risks to groundwater and surface water sources due to declining water quality. These should be captured in your baseline so that the measures to address them can be properly explored and set out in your plan. If there is significant uncertainty you can include this risk in headroom.
- should not include the contributions from any demand or supply drought measures¹².
- benefits of schemes that have met one and, or more of the following conditions:
 - have planning permission to go ahead;
 - a funding allowance made by Ofwat in a business plan for delivery of the scheme; or

¹¹ This approach is used for simplicity for calculating the supply-demand balance in the baseline scenario. This is unrelated to any funding decisions that Ofwat may take for the price review in 2024 (PR24).

¹² Supply drought measures are those that increase available supplies during a drought, for example drought permits, drought orders and re-commissioning sources. Demand-side measures would include temporary use bans and non-essential use bans.

- other necessary permissions such as abstraction licences or environmental permits

You should include forecasts for non-potable water demand and supply as additional lines in the water resources planning tables where relevant.

England

If you are in England your design scenario should be based on:

- supply forecast – your estimate of supplies which are available in a drought-caused failure¹³ of a likelihood of once in 500 years or 0.2% in any one year. See Section 5 and the Supplementary Guidance: Planning to be resilient to a 1 in 500 drought for further details
- demand forecast – your forecast dry year annual average demand, when demand for water is at its highest before temporary use bans are imposed. If you have evidence that suggests that demand in a 1 in 500 year drought with drought measures in place, is higher than your dry year annual average demand you can consider using this as an alternative. You should present your evidence and discuss this approach with regulators. If agreed, you will also need to report an unrestricted dry year per capita consumption and a dry year annual average supply balance

You should report data at a water resource zone level using the water resources planning tables. Your preferred plan should address any deficits in your dry year annual average and critical period scenarios.

You should also present your assessment, for each resource zone, of the demand you might expect during a 1 in 500 year drought event.

Wales

Your design scenario baseline planning scenario should include:

- a baseline supply forecast including your assessment of water available for use from current sources. You should base this on supplies that can be maintained through a design drought considered appropriate for your resource zone/company area. The dry year annual average demand and the design droughts should link with your drought plan and consider government expectations
- where you are planning a new transfer to England, you should reflect your assumptions for your baseline supply and demand forecasts for the affected zones with the relevant regional plan

¹³ The point of failure is defined as using exceptional demand restrictions associated with Emergency Drought Orders, such as standpipes.

- a baseline demand forecast covering what people and businesses need, what you expect to lose through leakage and what you may use in operating your system. You should base this on forecast dry year annual average demand, when demand for water is at its highest before water use restrictions are imposed
- an allowance for uncertainty relating to your supply and demand forecasts depending on your chosen methods.

You should discuss what scenarios should be presented in your plan with Natural Resources Wales.

Section 5 – Developing your supply forecast

In your WRMP you should set out how much water you have in your base year and how you forecast this will change throughout the planning period. You should demonstrate that you understand how your sources respond to droughts, the current constraints and potential future changes to your sources of water.

5.1. How to develop your supply forecast

You should assess how much water is available to supply your customers in each of your water resource zones. For companies in England, your baseline supplies should be available in a 0.2% annual chance of failure caused by drought.

The water available in each resource zone will be dependent on the water available from each source and how you will use those sources in conjunction. For companies in England, and for Wales in relevant resource zones,¹⁴ you should use a system response deployable output¹⁵.

You should discuss your approach to developing your supply forecast with the Environment Agency or Natural Resources Wales (as appropriate) as early as possible.

When developing your supply forecast, you should account for the impact of the following pressures on your sources:

- changes to your abstraction licences to ensure sustainability and meet your long-term environmental destination (See Sections 5.4 and 5.5)
- the impact of the changing climate (See Section 5.6)
- issues arising from pollution or contamination of sources
- issues arising from development and new infrastructure
- changes in contractual or other arrangements, for example, with transfers of water between companies

If you are in England (and Wales where relevant) you should consider Supplementary Guidance: Planning to be resilient to a 1 in 500 drought. This

¹⁴ Relevant is where there is a new planned transfer from Wales to England or where you have justified the need to plan for a level of 1 in 500 year drought within a zone

¹⁵ For further information on the system response deployable output see the Supplementary Guidance: Planning to be resilient to a 1 in 500 drought

explains how you should define a '1 in 500 year' planning scenario and the assumptions you should use.

5.2. What to include in your baseline supply forecast

You should base your baseline supply forecast on the response of your system. Using your system response is preferable to rainfall or effective rainfall. This is because of the problems in presenting duration, rainfall patterns and start and finish months when evaluating the return period. Using a system response means that your supply forecast will adequately capture your system constraints, conjunctive use capability and operational response.

If you abstract water in your water resource zone, you should produce a breakdown of your supply forecast that includes:

- the deployable output for each source (or group of sources)
- future changes to deployable output from sustainability changes, including your long-term environmental destination, a changing climate and any other changes you expect
- existing transfers and schemes where planning permission is already in place
- an allowance for short term losses of supply and source vulnerability known as outage
- any operational use of water or loss of water through the abstraction-treatment process
- a supply forecast that combines all the above elements into Water Available For Use (WAFU)

The water resources planning table instructions define the individual components of your supply forecast and how you should define them.

If you require a critical period scenario or scenarios you should provide supply-demand forecasts for them in addition to the baseline scenario.

If your water resource zone receives all of its water via transfers or third parties, your supply forecast should only reflect your contractual arrangements. However, you should confirm that the supplier company has made the necessary assessments to meet the statutory and policy obligations, for example climate change assessments. You should also confirm that it will be able to supply you with water during your design scenario and that you can meet your level of service. Your level of service should reflect the incumbent's level of service.

5.3. What to cover in your deployable output assessment

If your source of water is not solely provided by a transfer, you should assess and report your deployable output. For companies in England you should determine using a system response deployable output so that your system is resilient to a 0.2% annual chance of failure caused by a drought. Deployable output is the yield of a commissioned source, or group of sources constrained by:

- hydrological yield
- licensed quantities
- environment (represented through licence constraints)
- pumping plant and well/aquifer properties
- raw water mains and aqueducts
- transfer and output main
- treatment
- water quality, including any risks to your groundwater and surface water sources due to declining water quality or saline intrusion

You should consider the risks of non-renewal for time-limited licences that are due to expire during the period covered by the plan. You should review whether these licences are sustainable and that their use does not cause environmental deterioration. If there are risks with renewal you should describe how you will manage these in your plan.

Your deployable output should not include the contributions from any demand or supply drought measures¹⁶ such as drought permits or orders.

You should clearly explain in your plan which factors constrain deployable output. To calculate your deployable output, you should use:

- UKWIR (2014) [Handbook of Source Yield Methodologies](#)
- UKWIR (2016) [WRMP19 Methods - Risk Based Planning](#)

Given the complex nature of deployable output calculations in the context of stochastically generated droughts, you should talk to the Environment Agency

¹⁶ Supply drought measures are those that increase available supplies during a drought, for example drought permits, drought orders and re-commissioning sources.

and/or Natural Resources Wales when developing your plan. You should also refer to the Supplementary Guidance: Planning to be resilient to a 1 in 500 drought (England) and to the Supplementary Guidance: Stochastics.

5.4. Your role in achieving sustainable abstraction

Sustainable abstraction is essential to support healthy ecology and the natural resilience of our rivers, wetlands and aquifers. Your plan should protect and improve the environment, considering both current and future challenges. This might mean, for example, tighter environmental protection for some sensitive habitats and vulnerable rivers, such as chalk rivers. This is to enable these rivers, wetlands and aquifers to meet environmental objectives in the future. Your plan should demonstrate that your abstraction is sustainable now and over the long-term.

Companies in England or affecting England should refer to the supplementary guidance 'actions required to prevent deterioration- England'. The supplementary guidance sets out how the Environment Agency will change abstraction licences to prevent deterioration. You must plan for these changes and take action to ensure that your abstractions do not cause deterioration. If your existing abstractions are within or affecting sites in Wales, you should consult Natural Resources Wales.

Your plan:

- must deliver the regulatory actions required to avoid deterioration and meet targets for Protected Areas
- must deliver actions required to meet the Abstraction Plan for 2027 (where applicable) and those required to achieve Water Framework Directive objectives, as defined in River Basin Management Plans
- should take account of government and regulators' objectives for the environment
- should include the measures included in the Water Industry National Environment Programme (WINEP) and/or the National Environment Programme (NEP)
- should include your long-term environmental destination, clearly setting out the actions you will take in the short, medium and long-term to achieve it. You should distinguish between actions that are required to meet current regulatory requirements and those that form part of your longer-term destination. If the actions to achieve the long-term environmental destination are not known at this stage, you should identify what further work is needed to understand the actions that are required to deliver your environmental destination

- should fully reflect and support the achievement of the regional long-term environmental destination (where one applies) and the achievement of your WRMP environmental destination.

5.4.1. Current statutory requirements and regulatory expectations

You have a duty to have regard to River Basin Management Plans (RBMPs) when exercising your functions. You must assess all your current and future predicted abstractions to ensure they comply with and support the achievement of Water Framework Directive (WFD) regulation requirements and objectives set out in the RBMPs. This includes protected area objectives.

You must also consider any other environmental obligations, including obligations towards Sites of Special Scientific Interest covered by the Wildlife and Countryside Act 1981, sites designated under the Conservation of Habitats and Species Regulations 2017 and any other international agreements. If you are a water company within or affecting Wales you must also consider the habitats and species listed under Section 7 of the Environment (Wales) Act 2016.

You should also determine any changes needed to your abstractions to protect or improve locally important sites (undesigned sites), including those supporting priority habitats and species.

The Environment Agency and Natural Resources Wales set out measures in the WINEP or NEP for you to investigate or deliver. You should include any sustainability changes identified in your WINEP or NEP in the regional plan and in your WRMP.

The Environment Agency or Natural Resources Wales will also identify other measures in the WINEP and NEP. This could include: those to protect eels under the Eels (England and Wales) Regulations; improving fish passage under the Salmon and Freshwater Fisheries Act and the Water Framework Directive; and protecting raw drinking water supplies. You should assess the effect that these and other measures will have on your supply forecast.

You should not retain unused water on your licences that poses a risk of deterioration and is not justified by your water resources management plan. If you have any licences that fall in this category, you should plan to give them up. For companies in England or affecting England, see the supplementary guidance 'actions required to prevent deterioration- England' for further information. Where companies have any licences within Wales, you should consult Natural Resources Wales.

Your plan should set out how you will manage the risk of deterioration caused by your abstractions. Along with assessing any options that would be required to maintain the security of your supply-demand balance if the risk is significant.

Where licence change is necessary to prevent deterioration in England, licences will either be capped at recent actual average abstraction or at the maximum peak volume of water abstracted in any one year of a representative abstraction period, depending on the risk that deterioration will occur. Where licences are capped at maximum peak abstraction, this will give you some flexibility to meet short-term peaks in demand. However, you must not plan to service future growth in demand through unsustainable increases in abstraction under licences that fall into this category. Demand management measures, nature-based solutions, hydro-morphological rehabilitation and the Catchment Based Approach may also have a role to play in mitigating potential deterioration in advance of making changes to licences.

5.4.2. Developing your long-term environmental destination

To deliver long-term sustainability and environmental resilience, you should develop a proposed long-term environmental destination. Your environmental destination should describe how you will achieve and maintain sustainable abstraction to 2050 (and beyond), taking into account climate change impacts and future demand. This expectation is in addition to those described in Section 5.4.1. Water companies and regional groups should use the following guidance to define and justify the environmental destination:

- If you are a company in England or affecting England, you should refer to the Environment Agency's 'Long-term water resources environmental destination: Guidance for regional groups and water companies'. This document has been provided to regional groups and water companies and is available on request from the contact details provided in Section 1.
- If you are a company within or affecting Wales, you should refer to Natural Resources Wales' document 'Setting an environmental destination for water resources: Enhancing ecosystems in Wales'. This document has been provided to regional groups and water companies and is available on request from the contact details provided in Section 1.

For England, regional groups will identify catchments where there are issues to address. The regional plan will develop a proposed long-term environmental destination and the actions to achieve it. In developing the long-term environmental destination the regional group, and where applicable the water company, should:

- be ambitious
- deliver improved protection for the environment, in order to meet, and continue to meet, environmental objectives both now and the future
- not be constrained by previous decisions, although you will need to understand their context
- consider the timing of achieving your environmental improvements. For example, how the programme changes if the timetable for implementation

is adjusted. You should also consider how your programmes affect the wider environment (such as carbon impact) and affordability for your customers

- support nature recovery and achieve sustainable abstraction across the planning period
- consider if implementing an adaptive planning approach can better manage long-term uncertainty

In England, you should use the regional long-term environmental destination as the base for your long-term environmental destination for your WRMP. The regional long-term environmental destination may not address all the abstraction related issues related to your abstractions because of the strategic nature of the regional plan. You therefore may need to build on the long-term environmental destination set out in the regional plan to address local concerns in your area or where improvements required relate solely to your abstractions.

In Wales, where applicable, you should use the regional long-term environmental destination as the base for your long-term environmental destination for your WRMP. For other resource zones that are not affected by a regional plan, you should consider how you could enhance ecosystems within them and set environmental destination within your plan.

You should test your proposed WRMP long-term environmental destination with regulators and agree abstraction changes (if applicable) that will need to be included in plans.

You will need to use an appropriate level of evidence to justify your decisions and your level of ambition. This should include evidence of customer and stakeholder support for your destination and the ambitions of the 25 Year Environment Plan (England) or the Water Strategy for Wales and its objectives. In doing so you should embrace the catchment approach, working with natural processes to develop new ways of managing water, supporting nature-recovery and contributing to natural capital where possible.

You should work with regulators and other regional and local partners as you develop your environmental destination. Doing this will allow you to identify the best ways to manage water resources over the long-term, delivering better outcomes and better value for society as a whole.

The Environment Agency or Natural Resources Wales will support and help shape your environmental destination by sharing information and local knowledge to feed into your discussions as you develop it.

You should clearly set out in your plan the abstraction changes and consequent licence changes that are needed to achieve your environmental destination (where applicable). These should be included in your baseline supply forecast.

You should also set out any short, medium and long-term investigations and actions other than abstraction reductions that you intend to take to achieve your environmental destination. For example, in Wales this may include investigations and actions for achieving SMNR and delivery of the wellbeing goals.

Your plan should show that these proposed actions:

- are cost-effective and affordable
- provide overall environmental improvement
- provide good value to the environment and your customers.

5.5. How to include changes to your abstraction licences in your plan

You should incorporate the implications of the following into your forecast supply:-

- the impact of any confirmed and likely sustainability changes as identified in the PR24 WINEP in England and NEP in Wales, for implementation in AMP8. The Environment Agency or Natural Resources Wales will formally notify water companies and Ofwat of the confirmed, likely and unconfirmed sustainability changes required in AMP8 to meet environmental obligations, through the PR24 WINEP and the Welsh NEP
- the impact of other licence changes required across the planning period as set out in your long-term environmental destination, and any consequent reduction in deployable output from future changes to abstraction licences

You should present these two types of sustainability reduction separately in your water resources planning tables. However, both should be included within your baseline.

For each sustainability reduction you should provide:

- a description of the change being made, including the licence and deployable output changes
- the timing of the reduction
- the location
- the reason for the reduction

You should discuss appropriate timescales to implement these sustainability changes with the Environment Agency or Natural Resources Wales. This is to ensure you achieve an efficient, sustainable and secure supply of water that protects the environment effectively. You should consider and plan for permanent

licence changes needed to address any remaining seriously damaging abstractions early in the planning period. If sustainability changes mean the source and or blend of water supplied to customers changes in composition, you should discuss with DWI at an early stage, before sustainability changes take effect.

You should also consider scenarios in your plan to show the impact of:

- unconfirmed sustainability changes that may be required in the short term
- different levels of long-term environmental ambition, including tighter levels of protection for the environment to achieve and maintain sustainable abstraction

You should consider whether there are implications to your resource zone integrity as a result of sustainability reductions.

You should not include any uncertainty in target headroom for sustainability changes within your plan. You can consider any uncertainty through scenario testing and potentially adaptive planning.

You should assess whether any increase in flows or groundwater from sustainability reductions will benefit other abstractions, for example, increasing the deployable output of a downstream source, or may have adverse impacts such as flooding. You should liaise with neighbouring companies where appropriate.

5.6. Climate change

Our climate has changed and will continue to change. Your plan should assess the risk and possible impact of climate change and report the likely implications for deployable output of current and future sources of water.

You should consider the findings set out in [Updated projections of future water availability for the third UK climate change risk assessment](#).

When deciding on your preferred approach you should use the Supplementary Guidance: Climate change. Water companies in Wales should also refer to the 'Addendum on UKCP18 scenarios for use in WRMP 24 (Wales)'.

You should discuss your preferred approach with the Environment Agency and/or Natural Resources Wales and regional planning groups (if appropriate) at an early stage of developing your plan. You should do this before you analyse the impact of climate change on water availability. Your plan should:

- clearly state the vulnerability to climate change for each water resource zone

- describe the risk and vulnerability to the range of climate change impacts on your sources
- state why you have chosen your method and assumptions when presenting the results including, if appropriate, links to regional plans
- explain which scaling method you have used to factor in any climate change that has already happened
- clearly explain how climate change uncertainty has been included in the plan

5.7. Water transfers

You should clearly describe all your existing raw and potable water imports and exports; both internally between water resource zones and externally between you and neighbouring companies. You should include details in the relevant sections of the water resources planning tables. The volumes and timings should be consistent between your plan and any donor or recipient companies. You should provide information on the:

- agreed limits between supplier and recipient companies and ensure consistent reporting in the relevant plans. This should be described for both normal operation and your design event i.e. for England in a '1 in 500 year' drought.
- total volume available for each year of your plan (excluding any water that cannot be transferred due to operational or infrastructure constraints)
- variations related to contractual or other arrangements such as decreases in transfers due to drought, responding to operational incidents or pain-share agreements.
- direction of flow and whether it is uni- or bi-directional
- (if it is a new or increased transfer, or if the source of the water is changing) the chemical quality of water being transferred and the impacts on the receiving area water quality (even within a water resource zone)

5.8. Outage

You should include an allowance to cover the risk of temporary or short-term losses of supply. This is called your outage allowance. The allowance should include both unplanned and appropriate planned outage as defined in the Supplementary Guidance: Outage.

When determining your outage allowance, you should use the following guidance:

- UKWIR (1995) [Outage Allowances for Water Resources Planning](#)
- UKWIR (2016) [WRMP19 methods – Risk based planning](#)
- EA (2020) Supplementary Guidance: Outage

You should describe in your plan:

- how you selected your outage method
- how you estimated your outage allowance
- the sensitivity of the assessment

If you report a forecast of zero outage, you should clearly explain how you will achieve this.

You should consider options to reduce your outage, particularly where your outage allowance contributes to a potential deficit in the planning period.

You should also assess whether you need to improve your data collation, assessment and estimation of outage.

5.9. Losses from processing and treatment

You are expected to operate your network efficiently and should look to reduce losses where possible. For example, catchment options to reduce your treatment works losses, while still complying with drinking water regulations. You should identify these types of options in your feasible options list and appraise them through your decision-making.

You should provide the values for: raw water losses, raw water operational use, treatment works losses and treatment works operational uses in your plan. Your plan should consider whether your operations could be more efficient and whether these losses could be reduced. You can consider these opportunities as options in your plan. If you are unable to accurately estimate these, you should look to install meters at the inlets of treatment works.

5.10. Water available for use

In your plan, you should clearly state the total water available for use in each water resource zone taking account of any changes to deployable output, transfers, operational use and outage.

5.11. Drinking water protected areas

You must show how your plan will support the objectives for drinking water protected areas. Supporting these objectives may have benefits of maintaining or increasing deployable output. Your plan should consider:

- protecting drinking water protected areas so that your treated drinking water meets the standards of the Water Supply (Water Quality) Regulations 2016 or Water Supply (Water Quality) Regulations
- the necessary protection is in place to prevent deterioration in the water quality in the protected area, with a view to reducing the level of treatment required

In your plan you should:

- describe treatment works losses and operational use in each resource zone and show how these have been calculated
- where requested by regulators in pre-consultation, provide diagrams and other supporting evidence for complex major works
- consider options to reduce losses where there is a supply-demand balance deficit or where it make sense to do so
- consider catchment options to reduce the treatment process while still complying with the requirements of any drinking water regulations
- consider measures to protect your supply against long-term risks of pollution
- ensure all groundwater sources identified in your plan and drought plan have delineated source protection zones, and where appropriate, Safeguard Zones. The Environment Agency and Natural Resources Wales can work with you in the delineation of these zones
- ensure you have been consistent in your approach across all your water resource zones

5.12. Drinking water quality

The regulatory framework for drinking water quality and sufficiency of supplies is established in the Water Industry Act 1991. You must ensure that your plan takes account of:

- Section 86 which relates to the appointment and delegated powers of the Chief Inspector of Drinking Water. It includes reference to “...*such other powers and duties in relation to the quality and sufficiency of water supplied...*”. This is particularly relevant to powers and duties relating to the protection of public health, and to resilience and contingency planning.

- Section 68 of the Act, the duty to supply wholesome water.¹⁷ This Section states: “... It shall be the duty of a water undertaker..... so far as reasonably practicable, to ensure, in relation to each source or combination of sources from which water is so supplied , that there is, in general, no deterioration in the quality of the water which is supplied from time to time from that source or combination of sources. ...”. This primary duty may have implications for how you develop your plans, especially in relation to resilience and contingency planning.

You must review these duties when you include any transfers of water for supply (raw or treated) or in the development of new sources. Further guidance is provided in the guidance note: [Long-term planning for the quality of drinking water supplies – Water Resources and Sufficiency of Supplies](#)

5.13. Environmental Permitting Regulations

In 2023, English and Welsh governments plan to move the abstraction and impoundment licensing regime into the Environmental Permitting Regulations. This will bring it in line with our other permitting regimes, and lead to a more modern and consistent regulatory framework.

It is not expected that this will impact water company licences. However if you believe it will, you should discuss any concerns with the Environment Agency or Natural Resources Wales.

In England, a formal consultation was launched by Defra in September 2021, running for 12 weeks ending the 22nd December 2021. You can provide feedback on the proposed approaches and view the consultation on the [Defra consultation hub](#).

In Wales, Natural Resources Wales has been working closely with Welsh Government on moving abstraction and impoundment licensing into the Environmental Permitting Regulations. They are likely to consult in 2022 and to implement the proposed changes in 2023.

5.14. Invasive non-native species

Aquatic and riparian invasive non-native species (INNS) have significant adverse social, economic and environmental impacts. They can cause the ecological status of Water Framework Directive waterbodies to deteriorate or fail to achieve their ecological objectives. You must review whether your current abstraction operations and future solutions will risk spreading INNS or create pathways

¹⁷ Wholesomeness requirements are set out in the Water Supply (Water Quality) Regulations 2016 (as amended) (in England) and the Water Supply (Water Quality) Regulations 2018 (in Wales), and associated amendments.

which increase the risk of spreading INNS. Where there is increased risk you must propose measures to manage that risk in your plan.

You may need to contact the Environment Agency or Natural Resources Wales to discuss these issues on a case-by-case basis. For more details on INNS and their impacts, visit the [non-native species secretariat website](#).

England

If you are considering transfers of raw water between catchments in England you should refer to the position statement (December 2021). The statement sets out the Environment Agency’s position regarding managing the risk of the spreading INNS through raw water transfers. The position statement is supported by a short risk assessment guidance note and a map which states which catchments are considered isolated.¹⁸

If you propose a new scheme that creates a hydrological connection between locations not already connected, you will be required to have mitigation measures in place to ensure INNS cannot be spread by the new transfer. If you propose a new scheme that will create a hydrological connection between locations that have an existing hydrological link, you will need to undertake an assessment of the increased risk that their scheme poses.

The Environment Agency will decide whether mitigation will be necessary for schemes on a case-by-case basis to ensure they do not significantly increase the risk of INNS transfers.

The Environment Agency has developed an INNS risk assessment tool. The tool provides a consistent approach to assessing INNS risks across water supply options and is available for use to assess INNS risks for Strategic Resource Options and other WRMP options.

Wales

You should carry out an assessment of the risk of spreading INNS between catchments in Wales, and discuss this with Natural Resources Wales.

¹⁸ The documents mentioned in this paragraph are available on request from the contact details set out in Section 1.

Section 6 - Developing your demand forecast

Your plan should demonstrate the demand for water in your base year and your forecast across your planning period. Your demand includes all the water which is required beyond the treatment works. It therefore includes leakage from your supply pipes, customers' supply pipes and the consumption of water by the people and businesses you supply.

Government and regulators expect that all parts of demand are managed and, where possible reduced, while acknowledging that your demand is also influenced by your customers' behaviour.

You should reflect the forecasts of the regional plans for the customers you supply, where applicable. You should demonstrate how you have collaborated at a regional level with neighbouring water companies and non-public water supply abstractors to generate your forecasts. You should show how you made use of best available data and information.

6.1. How to develop your demand forecast

You should produce a baseline and final plan demand forecast for your entire planning period. These forecasts should include your estimates of demand from:

- household customers
- non-household customers
- water that leaks from your network of pipes and that of your customers
- any other losses or uses of water such as water taken unbilled

You should use the following guidance to develop your dry year annual average and critical period forecasts:

- UKWIR (2016) [WRMP19 Methods – Household Consumption Forecasting](#)
- UKWIR (2016) [Population, Household Property and Occupancy Forecasting](#)
- UKWIR (2006) [Peak Water Demand Forecasting Methodology](#)

You should also refer to other relevant reports such as:

- the water industry project on 'Water Demand Insights from 2018 (Artesia 2020)'
- the collaborative research report "The impact of COVID-19 on water consumption during February to October 2020" (Artesia 2021)

- the joint study “Understanding changes in domestic water consumption associated with COVID-19 in England and Wales” (Artesia 2020)

When developing your demand forecast, you should consider any relevant influences including:

- housing development and population changes, including changes in occupancy
- the impact of prolonged high demand and the strain this can put on your network.
- changes in water use behaviour and distribution of demand (in both household and non-household users). You should consider the impact of the coronavirus on your demand from the start of the planning period. For example, changing working patterns and the impact this might have on household and non-household demand. You should also consider how your customers’ water use is affected by hot dry weather such as the heat waves experienced in 2018 and 2020.
- metering and smart metering
- changes in government policy and expectations, for example water efficiency standards in new homes and water labelling
- changing water efficiency and sustainable water use practices
- changing design standards of devices that use water such as more efficient washing machines
- changes in technology and practices for leakage detection and repair
- a changing climate
- weather patterns
- potential changes in demand from the energy sector as it moves to low carbon technology

You should clearly demonstrate and justify any assumptions you have made in your plan.

6.2. Baseline demand forecast

Your baseline demand forecast should include:

- baseline dry year annual average – From 2025/26 your baseline customer demand should take account of customer demand without any further water efficiency or metering intervention from yourselves, forecast population growth, change in household size, changes in property

numbers and the impact of climate change on customers' behaviour. From 2025/26 leakage in your baseline should remain static from the start of your plan to the end of the planning period. If there is significant growth planned in a resource zone you should discuss and agree your approach with regulators

- baseline critical period or periods (if applicable – see Section 4.5)
- a normal year demand forecast which reflects the demand in an average year. In this scenario you should provide distribution input, household and non-household demand, leakage and per capita consumption. You should provide this for the first five years of your plan (to align with the business planning period) and then at 5 year intervals until the end of your planning period. You should present the data alongside your dry year forecast so that a clear comparison can be made. Regulators will use this information when considering your plan alongside your business plan submissions and annual reviews

You should clearly describe the assumptions and supporting information you have used to develop your plan. You are encouraged to discuss these with the Environment Agency or Natural Resources Wales as early as possible. As a minimum you should:

- use the UKWIR's [Consistency of Reporting Performance Measures](#) and Ofwat's [Reporting guidance – Leakage](#)
- explain how your current best estimates of demand have been reconciled with other parts of the water balance
- estimate future demand, describe the method you have used and shown you understand what is driving any changes
- use dry year annual average unrestricted demand in developing your demand forecast. If you believe an alternative is appropriate you should discuss and agree this with regulators. You will still need to provide an unrestricted dry year annual average demand
- clearly state which data you have used as the base for your forecasts. You should base your base year on your actual data as far as possible, adjusted to dry year if appropriate. If you need to extrapolate, you should use the data you think is most appropriate and justify why. If your position is significantly different from your previous plan forecasts you should discuss and agree your approach with regulators. Regulators will expect you to achieve your WRMP19 commitments¹⁹. If you are using regional

¹⁹ These commitments should be reflected in the baseline up until 2024/25. Beyond this you should assume static leakage. Your final plan however should assume or exceed your WRMP19 leakage commitments. See Section 9.3.1 for further details about the expectations for your final plan level of leakage.

planning data, you should ensure that there have been no significant changes since it was produced. If there are, you should update your plan accordingly

- ensure your forecasts are aligned, where appropriate, with neighbouring companies, regional water resources groups and regional plans and provide a comparison with other demand forecasts, including the population forecast and scenarios developed at a regional level where this is relevant

England

For companies in England, the National Framework provided information on the demands of other sectors, which the regional groups will have developed further. Regional plans consider multi-sector needs. Your plan should take into account regional and local multi-sector demand when it is relevant to your supply-demand balance. For example, customers you supply directly or indirectly or options you are building jointly with other sectors.

Wales

You should consider local multi-sector needs and include within your supply-demand balance if you are directly supplying them. You should also consider within your forecasts those customers, such as agriculture, who have the ability to switch to your supply during peak periods.

You should consider your policies for supporting other water users, who are not connected to your water supply systems (for example private water supplies) in circumstances where they are seeking 'alternative water supplies', such as droughts. This should include your ability to supply other water users.

When formulating your policies, you should consider whether they overlap with any of work carried out by government, regulators or other stakeholders, to understand any mutually beneficial solutions. You should discuss your approach for your plan with Natural Resources Wales.

If you have resource zones in England, you should consider any information on the demands of other sectors provided by regional groups and the National Framework.

6.3. Forecast population, properties and occupancy

England

Your planned property and population forecasts, and resulting supply, must not constrain planned growth. For companies supplying customers in England you should base your forecast population and property figures on local plans published by the local council or unitary authority. Local authorities will be at different stages of publication of their local plans. You can find the latest list of [local plans](#) on GOV.UK.

Local plans are likely to cover the first 10 to 15 years of the planning period. You will need to check the duration of, and timescale for, producing plans with your local council. In some cases you may need to use your own property forecasts.

If your local council has:

- a published adopted plan that is not being revised – you should take account of the planned property forecast. You will need to ensure your planned property forecast, and resulting supply, does not constrain the planned growth by local councils and strategic housing developments. If you adjust the planned property forecast and select a higher or lower number you will need to justify why you have selected a higher forecast and provide evidence
- published a draft plan, but it has not yet been adopted – you should take account of and use this as the base for your forecast. You should discuss with your local council whether it expects to make changes to the forecast for the adopted plan
- not started or published a draft plan – you should use alternative methods such as household projections from the Office of National Statistics or derive your own analysis using methodologies outlined in the [UKWIR \(2016\) report Population, Household Property and Occupancy Forecasting](#)

Where your area includes major strategic housing and growth developments such as the Oxcam Arc or Garden Communities, you should include an estimate of the planned growth in the baseline. You should contact the relevant local authorities to obtain data on planned property and population numbers.

Where relevant, you should also work with your regional water resources groups to assess and test the impact of these developments and possible scenarios on your plans. You should consider the uncertainty around these forecasts in scenarios. An adaptive plan might be useful to manage significant uncertainty.

Local authorities in England are now required to use local housing need calculations to inform their local plans as they are revised and updated. This assessment may indicate that the number of properties could be higher or lower than the forecasts in current adopted local plans. If there is a significant difference between the local plan and the local housing needs numbers you should contact the relevant authority to discuss the implications of this for future plans.

The Office of National Statistics (ONS) also produces [population projections](#) and [household projections](#). Population projections provide an indication of the future size and age structure of the population based on mid-year population estimates and a set of assumptions of future fertility, mortality and migration. However, it is worth noting that these projection have limitations as they are based on recent trends in data that can be influenced by recent economic, political and natural

situations. Therefore, it is appropriate to test the impact of alternative population and household growth scenarios on your plan. You should consider an adaptive plan where there is a significant difference in projections, particularly where this might affect your investment decisions in the first half of your plan. You should ensure your plan does not lead to over-investment or constrain planned growth.

You should set out how you have developed and used alternative scenarios in your plan and the impact they have had on your plan.

You should work with regional groups and neighbouring companies to make sure you develop consistent planning scenarios where relevant. This includes regional groups adjacent to your own.

Wales

For companies supplying customers in Wales, you will need to base your forecast population and property figures on the latest local authority population and property projections published by the Welsh Government. The projections are trend based and use the Office of National Statistics (ONS) population estimates. You will need to explain the methods you have used to forecast population and property figures beyond the period covered by the projections published by the Welsh Government. You can find the Welsh Government’s latest local authority population and property projections at:

- [population projections](#)
- [household projections](#)

When looking at the projected population of Wales as a whole, the [national population projection](#) for Wales produced by ONS should be used instead of adding up the local authority population projections. You should also engage with the local planning authorities in Wales to consider the local development plans in your supply area to inform your analysis of the uncertainties in your forecast population and property figures.

England and Wales

In your plan you should:

- clearly describe the assumptions and supporting information used to develop population, property and occupancy forecasts. You should demonstrate how you have incorporated local authority information (particularly in relation to their published adopted local plans), neighbourhood plans and housing need in England.
- explain the methods you have used to forecast property figures after the planning period used by local councils (for example from years 15 to 25 in the planning period)

- demonstrate how you have included other information sources and amended your forecast accordingly
- clearly describe any limitations in your forecasts
- demonstrate that you understand the uncertainty associated with your forecasts and how you will manage it
- clearly describe how you have worked with regional groups (where applicable), neighbouring companies and those involved with strategic water resource solutions to align your forecasts
- explain the assumptions about how you have derived any population that is not accounted for in the sources you have used to estimate population
- describe how you have allocated populations to water resource zones, such as using neighbourhood plans or census data to further subdivide the populations
- use improved and updated population and household data in your final WRMP if it is available and describe how you will do this in your draft plan. This should be consistent with that used in your business plan
- clearly explain the assumptions, risks and uncertainties associated with the results

If you are using a planning period beyond 25 years and are basing decisions on this forecast, you should explain the range of uncertainties this long-range forecast will have. You should explain in your plan how you will manage this uncertainty.

6.4. Forecasting your customers' demand for water

You should select baseline demand forecasting methods appropriate to the data available and the supply-demand situation in individual water resource zones. You should consider using the problem characterisation as described in the [UKWIR report Decision Making Process Guidance](#). You should develop your forecasts with neighbouring companies and, where relevant, your regional group. This is ensure you understand and can explain any significant differences in demand and use patterns such as per capita consumption. Your forecasts should also reflect the improvements in your understanding of water consumption as a result of metering programmes and recent research.

You should produce a forecast demand for a dry year annual average scenario, normal year and critical period or periods (if required) scenarios. You should present this data in the corresponding water resources planning tables at a resource zone level and a break-down into micro-components at a company

level. You will find information on how to do this in the instructions for the water resources planning tables.

Your plan should show your normal year per capita consumption (PCC) for the first 5 years of your plan (to align with the business planning and price review period) and every 5 years until the end of the planning period. You should present the data alongside your dry year forecast so that a clear comparison can be made.

Your demand forecast should include your estimate of any changes in water use behaviour and distribution of demand during the planning period as a result of the coronavirus. For example, from changing working patterns. Given the uncertainty in these estimates, you may wish to explore different scenarios in your plan.

6.4.1. Data and methodologies

You should collect good quality, recent data about your customers' water use to produce your baseline demand forecast. To help determine future forecasts you should understand current behaviours and attitudes to water use and report this through use of micro-components in the water resources planning tables. You should provide micro-components at a company level, unless you are aware of significant differences between your resource zones which makes reporting separately appropriate.

Guidance on demand forecasting is available here:

- UKWIR (2016) [WRMP19 Methods – Household Demand Forecasting](#)
- UKWIR (2016) [WRMP19 methods – Risk Based Planning](#)
- UKWIR (2016) [Integration of Behavioural Change into Demand Forecasting and Water Efficiency Practices](#)
- UKWIR (2012) [Customer Behaviour and Water Use - A Good Practice Manual and Roadmap for Household Consumption Forecasting](#)

You should state: why you have chosen a particular method, the assumptions you have made, and the uncertainty associated with your demand forecasts. You should also show how you have allowed for the uncertainty in your plan.

Your demand forecast should consider the impacts of prolonged dry weather and droughts and the resulting high demand where it affects the supply-demand balance. You should consider whether there are alternative methods to define dry year demand. You should do this in a way that takes account of your specific situation and lessons learned from the high demands experienced in recent hot dry weather.

Your plan should also consider the results of water industry project on ‘Water Demand Insights from 2018’ (Artesia 2020). You should consider, for example, how prolonged dry weather could affect your customers’ demand and whether your planning scenario adequately considers short and long term peaks in demand that you have experienced and the impact on your networks.

If your plan includes a critical period of high demand, it should be informed by recent peak demand years, including 2018 and 2020. It should include: weather dependent demand, seasonal population changes and other factors as appropriate. You could also consider:

- the combined effects of hot dry weather and coronavirus on demand, including the distribution and the duration of the peak
- whether high demand could be as a result of other extreme weather such as a significant freeze-thaw event

It is important that you are able to maintain supply during peaks of demand, without the need to abstract outside the conditions of your licences.

6.4.2. Base year customer demand forecast

You should clearly state which data you have used as the base for your forecasts and whether you have used reported actual data or your planned position as set out in your 2019 plan. You should base the base year on your actual data as far as possible, adjusted to dry year where appropriate. If you need to extrapolate, you should use the data you think is most appropriate and justify why. For example, allowing for the impacts of coronavirus and the dry weather in 2020.

If you are using regional planning data, you should ensure there have been no significant changes since the forecasts were produced. If there are, you should update your plan accordingly.

If your position is significantly different from your previous plan forecast you should discuss and agree your approach with regulators. Regulators expect you to achieve your previous WRMP commitments. If your approach to calculating base year and forecast PCC leads to significant uncertainty or changes in your base year or projected consumption compared to your previous plan, such as may be caused by the impacts of coronavirus, you should:

- assess the impacts on the water balance (such as and non-household use)
- describe how this affects the options you have considered in your plan and consider scenario testing or adaptive planning (See Section 10)
- explain the reasons for the change

- explain any uncertainty in PCC levels
- describe how this affects your ability to meet any relevant planning assumptions in the National Framework, regional plans and government aspirations to reduce PCC over the planning period
- use improved and updated PCC data if it is available in your final WRMP, and describe how you will do this in your draft plan. This should be consistent with that used in your business plan (PR24)
- set out how you will review your forecasts during the planning period to monitor any short-or long-term changes and the impacts this could have on your plan.

6.4.3. Baseline customer demand forecast

Your baseline forecast should reflect your forecast of customer consumption without any further water efficiency or metering activity from you from the start of the planning period. The baseline should still include an assessment of how many of your customers will opt for a meter, without any encouragement from you.

6.5. Forecasting your non-household consumption

You should produce a forecast of your non-household demand. This is the demand for water being used by non-household premises (such as businesses and industrial premises) and for the population living in communal establishments (for instance hospitals, prisons and educational establishments).

Your forecasts of non-household use should be based on principal use. This should be in line with Ofwat's guidance:

- [eligibility guidance](#) on whether non-household customers in England and Wales are eligible to switch their retailer
- supplementary [guidance](#) on assessing whether non-household customers in England and Wales are eligible to switch their water and wastewater retailer.

You should explain if following Ofwat's guidance leads to significant change in your projections of household or non-household water use, in relation to previous plans.

You should also work with non-household customers to improve water efficiency where you believe there are savings to be made. It is, however, your role to engage with the retailer and the retailer's role to engage with their customers. If there is any engagement with non-household customers, it should be with the agreement of the retailer(s) to avoid confusion. You should engage with the retailers early on in the process.

In Wales you should engage with retailers for those non-household customers eligible under restricted retail authorisation.

You should provide evidence of your engagement with retailers in your plan. You should also explain the implications of your chosen drought management actions (such as non-essential use bans) on non-household customers.

Your forecasts should reflect the outputs of regional plans (if appropriate) for the customers you supply.

Your forecasts should include an assessment of the demand for water from new customers switching to public water supplies, from other sources of abstraction such as agriculture in a significant drought. This allowance can be on top of your dry year annual average demand for non-household customers. You should include it as a separate line in the water resources planning tables to differentiate it from the dry year forecast.

You should also consider whether there are any implications from private water supplies failing and therefore calling on you as a supplier of last resort. If so, you could consider an allowance for this demand in your non-household demand. If you do this, you should explain how you have assessed this demand and the evidence you have used.

England

For companies in England, a [joint regulators letter](#) was issued to retailers and wholesalers in March 2020. It sets out what you and retailers should be doing to meet your water efficiency obligations²⁰. This letter asked retailers and wholesalers to submit a joint action plan by September 2020 outlining the actions that both wholesalers and retailers need to complete to increase water efficiency. The action plan comprises five key headline actions and supporting actions designed to identify and tackle barriers to improved water efficiency in the sector, together with a timetable for achieving progress. This includes measures to understand non-household demand and water efficiency potential.

6.5.1. Retailers

In England, all eligible business customers and public sector, charitable and not-for-profit organisations are able to choose their water supplier (retailer).

In Wales, only non-household customers who meet the 50 megalitres per annum threshold requirement are able to choose a different supplier for water retail

²⁰ Available on request from the contact details set out in Section 1.

services. Non-households under this threshold are direct customers of the incumbent water company.

You (the incumbent water supplier or wholesaler) are still responsible for delivering the water to the customer, and should continue to plan for non-household customer demand in your area. You should ensure there is no double-counting in your plan between this forecast and any bulk supply to an incumbent. The general duty to promote the efficient use of water under section 93A of the Water Industry Act 1991 applies to both the wholesaler and the retailer.

When you prepare your plan you can work closely with any applicable retailers through the national retailer and wholesalers WRMP24 working group, which will be set up as part of the joint action plan. This will allow retailers to provide information and data in a timely manner as you prepare or revise your plan. You should continue to work with the retailers, including through the process of completing the action plan, to ensure the promotion of water efficiency and demand management with all customers. You should outline details of this joint planned work in your plan as a discreet section.

We recommend that you refer to and use the [‘Supplementary guidance on retailer involvement in water resources planning’](#) that has been produced by the retail and wholesale water efficiency subgroup to aid working together with retailers on the production of your WRMP.

6.5.2. Information you should provide in your plan

You should work with retailers and through regional groups (where applicable) to share appropriate information, data and expertise to ensure your forecasts and solutions are robust. You should make sure that:

- your plan contains an estimated demand forecast for non-households
- you describe how you have derived the figures and assumptions you have made
- you make use of the MOSL²¹ system that stores retail company data as needed
- you describe the make-up of non-household demand in different sectors either by using the service and non-service split (identifying the main sectors), or by using Standard Industrial Classification (SIC) categories published by the Office for National Statistics. MOSL is working with non-household trading parties to produce a proposed plan for non-household

²¹ MOSL is the market operator of the non-household water market

industry segmentation based on SIC categories but down to division level. You should use this when it is available.

- you clearly explain the existing water efficiency initiatives planned by both the wholesaler and retailer(s). Your baseline should reflect non-household demand without any further intervention. Your final planning scenario should include any forecast savings from water efficiency programmes
- you consider non household water efficiency as an option to manage the supply-demand balance and meet government policy or targets on water consumption
- you consider any uncertainty associated with reducing demand and show how you will monitor the water efficiency programme and how the plan can be adapted if required
- you have collaborated at a regional level, and engaged with non-public water supply abstractors or relevant organisations to produce your forecasts
- the planned level of service provided to customers is clear and you set out if you will give a different level of service to particular non-household customers
- you have considered the potential demand for other sources such as agriculture and those on private water supply in a significant drought.
- you deliver the relevant actions in the wholesaler/retailer action plan.

6.6. Forecasting leakage

Reducing leakage is an essential part of reducing the demand for water. Not least because many customers are more responsive to reducing their own water use if water companies reduce their leakage.

Reducing leakage is important for the efficient use of resources, improving resilience and reducing the environmental impact. Leaking water costs you as you pump, abstract and treat the water. You should therefore show leadership by making sure you keep leakage under control. You should follow government policy and regulators and customers' expectations to continue to reduce water loss through leaks.

You should demonstrate how your leakage proposals build on your work to manage leakage to date and form part of a long-term approach to demand management.

You should determine your leakage using the approach outlined in [Leakage reporting guidance \(Ofwat and Water UK, March 2018\)](#).

Companies in England should take account of the Supplementary Guidance: Leakage.

6.6.1. Base year leakage

You should clearly state which data you based your base year forecasts on. You should state whether you have used reported actual data or your planned leakage from your 2019 WRMP or the Price Review 2019 final determination. Your base year should be based on your actual data as far as possible, adjusted to dry year if appropriate. If you need to extrapolate, you should use the data you think is most appropriate and justify why. If your forecast first year of plan (2025/26) leakage is significantly different from your previous plan forecast you should discuss and agree your approach with regulators.

If your approach to calculating base year and forecast leakage has significant uncertainty around it, or is significantly different from your previous plan, you should use scenarios to:

- assess the impacts on the water balance (such as PCC and non-household use)
- describe how this affects the options you have considered in your plan
- explain the reasons for the change
- explain any uncertainty in leakage levels

You should also:

- describe how this uncertainty affects your ability to meet planning assumptions as set out in the your previous plan, the National Framework, regional plans and government aspirations to reduce leakage over the planning period
- use improved and updated leakage data in your final WRMP and describe how you will do this in your draft plan. This should be consistent with that used in your business plan
- clearly state your policy for repairing customer supply pipes in your plan
- discuss the changes that result from the revised approach to calculating leakage and the impacts with regulators
- set out how you will address any performance issues experienced undertaking planned leakage programme during the 2020-25 period.

6.6.2. Baseline leakage forecast

Your baseline leakage forecast should remain static from the first year of your planning period. If you have significant growth in a resource zone you should discuss and agree your approach with regulators.

6.7. Other components of demand

You should describe how other components of demand (such as water taken unbilled) have been assessed in your plan. You should demonstrate what assumptions you have made when assessing them and what data sources you have based your assessment on.

6.8. Impacts of climate change on demand

The impact of a changing climate on water consumption is uncertain. You can make an allowance for the impact of climate change on the demand for water. In most cases the expected impact is likely to be no more than 1% over the planning period and should not be more than 3% unless you can clearly demonstrate an exception. You should provide details of the allowance and the assumptions you make. You should refer to:

- UKWIR (2009) [Assessment of the Significance to Water Resource Management Plans of the UK Climate Projections 2009](#)
- UKWIR (2013) [Impact of Climate Change on Water Demand](#)

Section 7 - Allowing for uncertainty

You should use the most up-to-date and appropriate tools, methods and data available to produce your supply and demand forecasts. Given there is uncertainty in all forecasts you should include an uncertainty allowance relating to your supply and demand forecasts depending on your chosen methods.

You should analyse the sources of uncertainty around the components of your supply-demand balance and the range of uncertainty around these variables. The following documents set out different approaches to assessing uncertainty:

- UKWIR (2016) [Risk Based Planning](#)
- UKWIR (2016) [Decision Making Process Guidance](#)
- UKWIR (2002) [An Improved Methodology for Assessing Headroom](#)

If you use risk-based planning tools or a decision-making tool to assess uncertainty and variability you may not need to calculate target headroom. Alternatively you may need to exclude some target headroom components. If so, you will need to explain the methods and assumptions you have used and demonstrate that you have not double counted or omitted uncertainties. It is recommended however, that you provide a headroom value which represents uncertainty. This is so that the uncertainties in your plan are explicit, even if you are using more advanced methodologies.

You should consider the appropriate level of risk for your plan. If target headroom is too large it may drive unnecessary expenditure. If it is too small, you may not be able to meet your planned level of service. You should accept a higher level of risk further into the future. This is because as time progresses the uncertainties will reduce and you have time to adapt to any changes.

You should provide a clear justification of the assumptions and the information you use to assess your uncertainties. You should assess the relative contributions of uncertainty, showing which uncertainties have the biggest impact in each water resource zone. You should communicate this clearly so that regulators, customers and interested parties can understand it easily. You should also consider whether there are any steps you could take to reduce uncertainty during the planning period.

You should ensure your plans can adequately adapt to over- or under-achievement of demand management activity. You should use scenario testing to examine the potential uncertainty of any future demand forecasts.

You should not include uncertainty related to non-replacement of time-limited licences on current terms. If there are risks to supply because your licences may

not be renewed, you should address this uncertainty directly in your plan through investigations and planning alternative supplies as necessary.

You should work with the Environment Agency or Natural Resources Wales, and regional groups (where applicable) to discuss how to consider possible future sustainability changes. Longer term potential sustainability changes can be explored through the environment destination work carried out locally and at a regional level. You should not include any allowance for uncertainty related to sustainability changes to permanent licences, as the Environment Agency or Natural Resources Wales will work with you to ensure that these do not impact your security of supply.

Your final plan headroom should reflect the preferred options in your final plan.

If you have significant uncertainty you should consider whether an adaptive planning approach would be beneficial. For further details see Section 10 of this guideline and the Supplementary Guidance: Adaptive planning. When you use adaptive planning, you should consider what implications this will have for your management of uncertainty, for example target headroom.

If you are a company in Wales you should discuss your adaptive planning approach with Natural Resource Wales.

Section 8 – Identifying possible options

You should identify possible options in your regional plan (if applicable) and WRMP for one or more of the following reasons:

- you have a deficit in your supply-demand balance
- to supply potential regional or national needs, or supply other sectors
- to address Government expectations, concerns of your customers or local stakeholders
- to ensure the efficient use of water

You should produce your list of options to appraise by:

1. identifying an unconstrained list of all possible options (Section 8.1)
2. developing a feasible list (Section 8.2). Section 8.3 lists the information you should provide for your feasible options.

You should consider a wide range of options (both at the unconstrained and feasible list stages). Your range of options should:

- demonstrate that real choices are possible in the selection of your preferred programme
- enable you to meet your identified objectives for your plan
- provide confidence to regulators, stakeholders and customers that your preferred programme represents best value

You must assess whether your plan and the options in your plan are subject to a Strategic Environmental Assessment and Habitats Regulations Assessment. You must also ensure that you have complied with any other statutory requirements and legal directions. You may wish to refer to:

- UKWIR (2012) [Strategic Environmental Assessment and Habitats Regulations Assessment – Guidance for Water resources Management Plans and Drought plans](#) (Currently being revised and expected early 2021)
- Office of the Deputy Prime Minister (2005) [A Practical Guide to the Strategic Environmental Assessment Directive](#)
- Welsh Government, [Strategic Environmental Assessment in Wales](#)

If you have options within or that affect sites in Wales, you must also consider the requirements of the [Environment \(Wales\) Act](#) and [Wellbeing of Future Generations Act](#).

8.1. Unconstrained list

You should compile a list of all possible options that could reasonably be used in your plan. This unconstrained list should be developed from a generic list of option types. The [UKWIR report Water Resources Planning Tools 2012: Summary Project](#) produced a comprehensive list of water management option types which you can consider. You are encouraged to use this list as a base from which you can add or subtract. As a minimum, the unconstrained list should include all the options considered in the previous planning round, as well as any options that have been identified since. You should include supply-side and demand-side options, as well as making efficiencies in your network such as removing network constraints where they contribute to the supply-demand balance. In forming your list of options, you should explore those presented by regional groups, including regionally scaled and joint-company options (see Section 2). For England, you should also identify other potential transfers from neighbouring water companies and consider third party options (See section 8.1.1).

An unconstrained option may not be completely free from restrictions, such as environmental or planning issues, but should be technically feasible. You should provide an indicative deployable output or range for your unconstrained options.

8.1.1 Third party options

England

You should identify whether third parties could provide viable options or if there are opportunities for collaboration to develop supply or demand options. You should consider third party options in the widest sense, for example:

- a transfer of water between water companies - including development of options to support transfers
- a water efficiency scheme provided by a third party
- a water trade with a third party
- provision by a third party of reclaimed water.

You should identify these opportunities through your regional group (if applicable), and/or before your pre-consultation. Your regional group may have identified options delivered partly, or wholly, by third parties. You should appraise these options against the same criteria as you use for assessment of your own

options. Options for identifying and inviting third parties include (but are not limited to): contacting neighbouring water companies and/or other abstractors, or advertising. It is up to you to determine the most appropriate method for your circumstances.

You should actively engage with third parties who could provide options to you at a lower cost, or provide additional benefits than your own options. The information that you publish on your website to meet Ofwat’s water resources market information requirements will aid third parties in developing bids by making water resource data more accessible. Bids could include services such as the provision of water, leakage detection and demand management options. You should support third parties in their provision of information and analysis as part of the development of third party options.

In your plan you should show evidence that;

- third parties have been able to propose options for appraisal
- you have used a set of screening criteria for third party options which is consistent with those applied to your own options
- you have appraised third party options in line with your published bid assessment framework

Wales

You are encouraged to engage with third parties who could provide solutions to you at a better value than your own options. These options should not reduce the scope for you to provide innovative solutions, especially if they deliver wider benefits, such as green infrastructure. In determining value, your consideration of costs and benefits should take into account environmental, economic and wellbeing being costs as well as financial costs, including natural accounting principles.

The information that you publish on your website to meet Ofwat’s water resources market information requirements will aid third parties in developing bids by making water resource data more accessible

If you include an option to transfer water from a water resource zone of a Welsh water company, you should discuss these options with the Welsh Ministers and Natural Resources Wales.

8.2. Feasible list

You should develop your feasible list of options from your unconstrained list of options. The feasible list is a set of options that you consider to be suitable to assess for inclusion in your preferred programme of options. As such, it should

not include options with unalterable constraints that make them unsuitable for promotion. For example, unacceptable environmental impacts that cannot be overcome or options which have a high risk of failure. For example, Water Framework Directive and Habitats Regulations constraints.

You should discuss your feasible options with the Environment Agency or Natural Resources Wales as early as possible. You should also discuss feasible options with relevant non-statutory consultees as early as possible, for example engaging Forestry Commission in England where options may affect woodland.

You have the flexibility to decide on the most appropriate screening method for your situation. You should clearly show the criteria you have used to select feasible options. You should clearly state the reasons for rejecting any options.

You should consider and justify schemes that are 'non-drought resilience only' (they do not contribute to the supply-demand balance) through your business plan. These could include system resilience to other hazards or asset reliability and redundancy. However you can describe these options in your WRMP. To be considered in your WRMP a scheme should have some benefit to one or more components of the supply-demand balance. For example, through providing deployable output or reducing outage.

England

Your feasible list should also include any demand-side options such as changes to temporary use bans and non-essential use bans as well as drought permits and orders. This is so they can be clearly appraised alongside other options. Your options list should include any impact of drought measures which you removed from deployable output.

Wales

Your feasible list should include demand side options. You can include drought permits and options in your feasible list that supply events that are of a severity of more than 1 in 200.

You can use your understanding of your drought plan to assess any environmental risks for drought permit or orders. However, this information, can only be used where;

- no material information has emerged that means it is out of date
- the underpinning analysis is sufficiently rigorous and robust

8.2.1. Further screening

If you have a large feasible list, you can consider further screening to produce a more manageable number of options to assess for inclusion in your preferred plan. Your refined feasible list should still contain sufficient options to allow real choices when assessing the preferred programme. This is in terms of both

numbers, type and size of options. You should ensure that the process for further screening does not contain any undue bias. You should discuss your approach with regulators.

8.2.2. Assessing environmental constraints

A. River Basin Management Plan and Water Framework Directive

River Basin Management Plans (RBMP) and Water Framework Directive (WFD) environmental objectives are a constraint on your options. You should screen out any options that have unacceptable environmental impacts that cannot be overcome.

You should ensure that there is no risk of deterioration from a potential new abstraction or from increased abstraction at an existing source before you consider it as a feasible option. Alternatively if investigations are yet to be completed, you should set out what your alternative options would be should those investigations demonstrate that there will be an unacceptable environmental impact.

You should also assess new supply options against the RBMP measures and objectives for each water body and meet your obligations to avoid future deterioration. You should ensure that your feasible options do not compromise the achievement of RBMP objectives.

You should talk to the Environment Agency or Natural Resources Wales about any intended actions that may:

- cause deterioration of status (or potential)
- prevent the achievement of the water body status objectives in River Basin Management Plans
- prevent the achievement of water body status (or potential) for new modifications

You should do this as soon as possible before developing your plan. You should make a clear statement in your plan about any potential impacts.

B. Habitats Regulations (Conservation of Habitats and Species Regulations, 2017)

Your plan, including any options within it, should support the achievement of favourable conservation status of habitats and species identified by the Regulations. They should also not prevent the achievement of favourable condition of sites designated under the Regulations. You should assess if there are any likely significant effects on designated sites from any of your options (such as a potential new abstraction or from increased abstraction at an existing

source) before you consider them as feasible options. Where you cannot conclude 'no likely significant effects', an 'appropriate assessment' is required to establish if the option can be delivered without having an adverse effect on the integrity of a designated site.

You should talk to Natural England or Natural Resources Wales about any intended actions that may cause adverse effects to designated sites within England and Wales, respectively. You should do this as soon as possible before developing your plan, and you should make a clear statement in your plan about any potential impacts. You should refer to the information on the Habitats Regulations Assessment (HRA) provided in Section 9.

The need to do a HRA should not be a reason on its own to screen out an option. This is because a HRA screening may conclude that there are 'no likely significant effects'. Alternatively an appropriate assessment may conclude 'no adverse effects on integrity.' Either of which may allow the option to be retained within the plan.

8.2.3 Climate change adaptation

Your plan should take a proactive approach to mitigating (see 8.3.2) and adapting to climate change. Adaptation to future challenges is fundamental to WRMPs and many options will aid climate adaptation, for example, demand reduction that leaves more water for nature during low flows, or development of new sources that increase resilience to drought. Opportunities to make nature more resilient to climate change should be embraced in feasible options. For companies in England or affecting England, you could use Natural England's 'Climate Change Adaptation Manual' (second volume) to help plan for biodiversity enhancements.

8.3. Information you should provide for each option

You should provide the information set out in this section for each of your feasible options (or refined feasible list), including third party and partnership options.

You should clearly set out the evidence that has informed the assumed benefits of your supply and demand options.

If you have developed a refined feasible list you should discuss with regulators how much information you should provide for feasible options which are not on the refined feasible list.

You should provide:

For supply and transfer options, you should include in your plan a description of the option including an appropriate schematic map and/or conceptual diagram showing:

- the source of supply
- the main operational features
- the areas over which the option is to be implemented
- any links or dependencies to other options

For demand management options, you should include in your plan a description of how the option being described differs from baseline activities.

For all options:

- a profile of the deployable output, contribution to the supply-demand balance or demand saving (based on the capacity of the option) or water saved over 80 years. For a supply option, the deployable output should be based on the same assumptions as your baseline options. The yield of a demand side option should be based on a dry year. (See Section 4.6)
- an estimate of the lead-in time needed to investigate and implement the option, including the earliest date the option could put water into supply or reduce demand
- an assessment of the risks and uncertainty associated with the option, including the likelihood and impact on yield of climate change, environmental constraints or customer behaviour (for demand options). You should include an assessment of invasive non-native species (where relevant)
- a drinking water safety plan assessing the risks to drinking water quality. If there is a risk to wholesomeness, (e.g. discolouration, nitrates, pesticides) or a risk of deterioration in the quality of supply, the option will not be permitted until steps to mitigate those risks are in place. (See [DWI Guidance](#)).
- an explanation of whether the option depends on an existing scheme or a proposed option, or is mutually exclusive with another option
- any constraints specific to the option
- an assessment of your customers' support for the option
- an assessment of the flexibility of the option to adapt to future uncertainty
- a description of how the option will be utilised and the impact on operating costs and carbon costs. You should describe the expected utilisation in both an average year (assumed long term utilisation scenario) and a theoretical annual maximum utilisation scenario.

- an assessment of the environmental and social impacts of the option, including any Strategic Environmental Assessment (SEA) at an option level, an evaluation of the impacts on RBMP objectives, Nature Recovery objectives (England), Ecosystem Resilience Biodiversity Duty (Wales) and Well-being Goals (Wales)
- a Habitats Regulations Assessment (HRA), if the option could affect any designated Habitats site
- (for supply and transfer options) a natural capital assessment including an assessment of the predicted impact of the option on natural assets and service flows²²
- (England only) an assessment of the contribution of the option to the conservation and enhancement of biodiversity and a high-level assessment of biodiversity net gain (if the option requires planning permission) ²³
- cost information (see Section 8.3.1 below).
- greenhouse gas emissions (See section 8.3.2 below)
- other information relating to metrics developed to inform selection of your preferred programme (see Section 10).

8.3.1. Cost information

The cost of an option should represent the cost of a deliverable solution which includes any mitigation or design changes for environmental or drinking water quality issues. The cost of an option should be the full cost to realise the gain in WAFU or demand reduction; for example, including associated treatment process, pumping or pipework connection costs.

Your cost information should be set out in the water resources planning tables and you should follow the water resources planning table instructions. You should provide the following cost information, where necessary for each option:

- (a) Option costs should be split into total pre-benefit costs and post-delivery annual costs (including operational, maintenance, replacement) with both costs being reported in terms of totex.
- (b) The total net present cost and net present benefits. You should calculate the net present costs and benefits using the Treasury standard declining long-

²² See Supplementary Guidance – Environment and society in decision-making for further details (English and Welsh versions).

²³ See Supplementary Guidance – Environment and society in decision-making for further details (English and Welsh versions).

term discount rate as set out in the HM Treasury ‘Green Book (HM Treasury 2020)’. The appraisal period should at least cover the lifetime of the longest lasting asset under consideration. Your appraisal period should be consistent within your regional group, where applicable. You should calculate finance costs as a stream of annual costs over the life of the option, where the annual cost is the cost of financing the net book value of assets that contribute to the Regulatory Capital Value, adjusted for straight line depreciation, using the assumed average cost of capital (the wholesale weighted cost of capital in PR19 final determinations)

- (c) The average incremental cost (AIC) of the option based on the NPV of its costs and outputs. Note: you no longer need to provide average incremental social cost (AISC).
- (d) Environmental and social monetised cost impacts (presented against natural capital services) where possible.
- (e) Total carbon cost impacts (see section 8.3.2)

The detailed calculations used to derive the total net present costs are not expected to be presented for all options. However, the assumptions used to calculate net present costs, net present benefits, and AIC should be clearly identified. Worked examples for preferred demand-side and supply-side (where selected) options should be presented showing the profile of annual costs. Although not needed to be presented as part of your draft plan these calculations for other preferred options may be requested by regulators.

The costs you use in your planning should be robust and efficient, with evidence to support this, and you should provide evidence for how the costs are calculated. You should benchmark key activities. The costing approach and calculations you use should be a fundamental component of the evidence that your Board considers in giving its assurance statement. We expect the approach to costing resultant option costs, assured by your Board, to not vary significantly between WRMP and business plan submissions. Where variances occur we expect them to be well evidenced and the impact of the variance on the optimisation of the plan to have been re-assessed.

8.3.2. Accounting for and reducing greenhouse gas emissions

The environment and society is facing a climate emergency. The water sector in conjunction with the usage of the product and services it provides is a significant contributor to greenhouse gas emissions. Government has committed to reducing greenhouse gas emissions to net zero by 2050. The water sector, through Water UK, has committed to net zero operational carbon by 2030. You should therefore consider carbon through your options appraisal, but also

consider how your plan can contribute to the sector, company, and government commitments to net zero. We expect a whole life carbon approach to be taken.

Wales has statutory targets to reduce greenhouse gases. Proposals should therefore include an assessment of their carbon impact in Wales from the outset. Enquiries should be addressed to decarbonisationmailbox.gov.wales

You should consider the environmental impact of other greenhouse gases across the whole life cycle of an asset; including operation, and give due consideration to the six main greenhouse gases.

We expect companies to be clear on plans to monitor and evaluate the outcome of their decisions on carbon with a view to ensuring actions can be altered to ensure predictions of carbon emissions become increasingly accurate.

Your plan should contain evidence of policies, frameworks and approaches you are following to drive down whole life carbon in option choices and within solution design. Options should embrace innovative designs and opportunities to generate or be powered by renewable energy and/or sequester carbon.

The level of uncertainty associated with the option carbon assessments will be expected to reduce as options are developed and mature.

In your plan, you should assess the carbon cost of both the construction and operation of your options, along with the impact of land use change on carbon sequestration.

You should use the carbon costs as per the [latest government guidance](#) and present these costs together with your options cost. You should use the central series of values for modelling and undertake sensitivity analysis using the high and low series. You should also present the tonnes of carbon you will emit from the construction and operation of your preferred options.

When you assess the carbon impacts of your options, you should take into account any mitigation. For example using renewable energy or carbon off-setting. Carbon off-setting can contribute to wider environmental benefits such as tree planting or upland and peatland restoration, if there is no alternative to reducing emissions.

For options where land use change is relevant you should use a natural capital approach as described in Supplementary Guidance: Environment and society in decision-making. This provides a methodology for how you should consider the value of the carbon associated with a change of land use.

You should consider the following guidance:

- [UKWIR report Framework for Accounting for Embodied Carbon in Water Industry Assets](#) (UKWIR, 2012) (12/CL/01/15).

- For carbon costs associated with the projected emissions you should use the latest government guidance on the cost of carbon. Further information can be found on [GOV.UK](#). In particular you should consider the [Green Book Supplementary Guidance](#).
- [The Carbon Accounting \(Wales\) Regulations 2018](#)
- [Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance'](#)
- [PAS 2080: Carbon Management in Infrastructure](#)
- [HM treasury Infrastructure Carbon Review](#)
- [Towards a Science Based Approach to Climate Neutrality in the Corporate Sector](#)

Section 9 – Aspects to consider in compiling a best value plan

This section explains: what a best value plan is, (Section 9.1) and the factors that should be taken into account in compiling your best value plan (Section 9.2). It sets out government and regulator policy that you will need to take into account in developing your plan (Section 9.3). It also provides an overview of how you should ensure environment and society are properly considered in your decision-making (Section 9.4).

Section 10 sets out how you should compile your best value plan.

9.1. What is a best value plan?

The aim of a regional plan and your WRMP is to present a best value plan, both in the short-term and the long-term. Your WRMP must ensure a secure supply of wholesome drinking water for your customers and protect and enhance the environment.

A best value plan is one that considers factors alongside economic cost and seeks to achieve an outcome that increases the overall benefit to customers, the wider environment and overall society²⁴.

A best value plan should be efficient and affordable to deliver, legally compliant and account for the range of legislation that applies to it.

9.2. What you should consider in compiling your best value plan

In compiling your best value plan, you should consider all the most appropriate options for your system (regionally and nationally where appropriate) taking into account the following factors:

- government policy and regulator expectations (See Section 9.3)
- regional plans (See Section 2)
- customers' preferences
- protecting and meeting the needs of vulnerable customers
- environmental improvements
- biodiversity

²⁴ The outcome of increased benefits will be typically measured relative to the 'least cost' programme that delivers the minimum requirements to meet supply duties

- costs
- benefits (both monetary and non-monetary) for customers, environment and society (such as public health, well-being, and recreation) and how these are distributed spatially and over time
- natural capital
- both short and long-term risks and benefits, including delivery risk
- the flexibility and adaptability of your options to meet future uncertainties
- the resilience of your network and supplies (See Section 9.5)
- the regional and national need and the needs of other sectors
- the impact of your preferred programme on the affordability of your customers' bills
- the level of uncertainty and sensitivity of your assessment of best value
- non-drought resilience such as water supply system resilience
- economic factors such as affordability, distributional impacts, local regeneration and economic growth
- achieving net zero and the climate emergency
- (England) your objectives to further biodiversity and enhance the natural environment by providing opportunities for biodiversity net gain where planning permission will be needed and other measures to conserve and enhance biodiversity consistent with actions you can properly take
- (Wales) the Biodiversity and resilience of ecosystems duty and Well-being Goals

A best value plan should be efficient and affordable with distributional impacts, societal equity and intergenerational equity considerations transparently discussed. It should be clear that the additional benefits identified could not be delivered more efficiently through other means.

9.3. Government and regulator policy

Your best value plan should be shaped by government and regulator policies and ambitions. You should account for future demand reduction planning assumptions and targets set out in the National Framework (England only) or set through government policy including the recently passed Environment Act 2021.

You should consider which policy aims and aspirations should be set as minimum criteria for your plan, and which will be balanced against other objectives.

You should consider at what point in time you will achieve your policy objectives. You should consider a suitable range of scenarios around the policy objectives to enable you to produce an optimised plan²⁵. You should consider how your application of policy expectations affects costs, affordability, deliverability and intergenerational equity.

9.3.1. Your planned level of leakage

In your final plan forecast you should consider current government policy and assess all options to reduce leakage further, alongside other feasible options. You should consider the value that your customers place on reducing leakage and the benefits this will bring to your customers’ willingness to participate in demand management, as well as other benefits to the environment.

Previously, companies have used the sustainable economic level of leakage method to determine levels of leakage. However, this is no longer acceptable for use in WRMPs and you should consider instead government’s, regulators’ and customers’ views when deciding on your planned level of leakage.

You should explore the use of innovative approaches to achieve leakage reductions in line with leading companies.

When selecting your final plan leakage forecast, you should clearly explain the different activities that contribute to this level, including the costs and volumetric benefits that contribute to the supply-demand balance.

Government and regulators expect you to achieve the leakage reductions in your preferred programme, particularly in the short term. You should consider and manage the uncertainty around your leakage programme and the implications for security of supply if your planned level is not met.

Regulators will expect you to deliver the leakage commitments set out in your WRMP. Any changes to your final plan WRMP leakage programme may be considered as a material change in circumstance and you may be directed to re-consult on your plan. You should therefore, set out ambitious, but realistic plans for leakage within your WRMP. Unrealistic ambitions may cause confusion with your customers and you may be required to make a public statement if you fail to achieve your planned leakage.

²⁵ For example, if a leakage reduction of 20% was required by 2030, then level of leakage reduction should be a plan metric, with a minimum of 20% by 2030 set as an optimisation criteria and suitable range of leakage options with varying benefits and lead times considered in producing an optimal plan. When considering other metrics it may be best value or indeed lowest cost to deliver a 25% reduction by 2030. This would be missed if reduction by 20% by 2030 was pre-selected as an option.

You should (as a minimum), plan to meet Water UK’s commitment, on behalf of the industry, to reduce leakage by 50% by 2050 (from actual 2017 levels). In addition you should plan to meet any leakage targets set out in Ofwat’s price review methodology or by government. You may wish to consider setting more challenging targets for reducing leakage than these, if you can demonstrate you have support from your customers.

In the medium to longer term, it is recognised that reducing leakage by 50% will require innovation and you may not know how you are going to achieve these levels. If this is the case, you should demonstrate that you are actively investigating how to achieve your ambitions. Your leakage forecasts should be consistent with the data you include in the business plan you provide to Ofwat as part of its price review process.

See also the Supplementary Guidance: Leakage.

9.3.2. Your planned level of metering

England

You should follow the requirements set out in the current legislation for the provision of information and appraisal of household metering and report it in the relevant water resources planning tables. You should clearly state in your plan your current and future metering policy and how you will protect vulnerable customers.

Your plan should evaluate charging by volume based on universal metering for areas determined to be in areas of serious water stress or if compulsory metering would be one of your preferred options. You should also consider smart metering, metering on change of occupier and metering street-by-street with comparative billing as options in your plan.

You should fully consider the benefits of increasing meter penetration, including the installation of smart meters. You should consider a range of scenarios as part of your decision-making, including one that assumes roll-out as fast as possible. You should consider the multiple benefits of metering (and smart metering) which include reducing leakage in your network and on customers’ own properties such as supply pipes. You should also consider the additional costs and deliverability and uncertainty of achieving the assumed benefits.

You should learn from the good practice of some companies that have achieved high levels of meter penetration. For example, some companies have used enhanced or progressive approaches to install meters and have encouraged their customers to switch to being charged according to the volume they use. You should evaluate these enhanced approaches in your options appraisal. You should also consider the option of selective metering where there is high discretionary use. Your assessment should include the wider benefits of these options, including understanding and managing the demand for water, improving customer engagement, protecting vulnerable customers, and reducing leakage.

Wales

Your final plan forecast should follow the government policy and assess options for further metering beyond the baseline. You should provide details in the relevant sections of the water resources planning tables.

9.3.3. Your planned programme of water efficiency

You have a duty to promote the efficient use of water to your customers. Your WRMP should set out how you will meet this obligation.

Your plan should demonstrate your approach to home and business visits, and customer engagement, to help reduce demand. As a minimum you should consider visits to vulnerable customers, the biggest water users and where the biggest water and financial savings can be made.

You should work with retailers to ensure non-household customers receive the best advice for improving their water efficiency. Water companies in Wales will need to work directly with customers unless they are supplied by a retailer.

You should consider how appropriate the use of different tariffs and incentives is to your company, and you should assess this as part of any options appraisal.

9.3.4. Your planned per capita consumption

Your preferred programme per capita consumption should take into account any relevant future demand reduction planning assumptions set out in the National Framework, regional plans and targets set by government or regulators. It should also allow for ambitions that may be set through government policy in future.

Your forecasts of per capita consumption should be consistent with the data you include in the business plan (PR24) that you provide to Ofwat as part of its price review process. You should refer to [Ofwat's consistent reporting guidance](#) when producing your forecasts. If the level of per capita consumption and demand reduction set out in your WRMP is greater than that allowed for in your business plan or final determination, you should still meet your commitments in your WRMP.

9.3.5. Drought permits and orders

England

You should plan, where appropriate, to use drought permits and orders less frequently in future, particularly in sensitive areas. You should use your understanding of the environmental risks associated with each permit, to inform your planned use of drought permits and orders.

Wales

You should only consider supply drought measures as options where they have no significant environmental impacts associated with them.

9.4 Environment and Society

It is important the environment and society are properly considered in your decision-making. Your plan should deliver a protected and improved environment and provide benefit to society. You should demonstrate that your plan provides overall positive environmental benefit. For example, you should ensure that the options you are putting in place have less impact on the environment than the any environmental problems you are trying to solve.

There are a number of ways in which the environment and society can be considered in decision-making. In England, you should use your Strategic Environmental Assessment, biodiversity net gain and natural capital assessments to inform your decision-making. If you are a water company within or affecting England, the Supplementary Guidance: Environment and society in decision-making sets out how you might consider these approaches. You can also consider alternative approaches if you believe them to be more appropriate. If so, you should discuss your approach with the relevant regulator.

If you are a company within or affecting Wales, the Supplementary Guidance: Environment and society in decision-making (Wales) sets out how you might consider these approaches. You can also use alternative approaches if you consider them to be more appropriate. If so, you should discuss your approach with Natural Resources Wales.

9.4.1. Natural capital

Natural capital is defined in the 25 year Environment Plan (England) as 'the elements of nature that either directly or indirectly provide value to people'. You should use a natural capital approach as part of your decision-making.

As a new and emerging approach, natural capital incorporates methodologies and approaches (such as ecosystem services) to understand the value that the natural assets provide. For the water industry, these can be substantial. Some water companies have begun to make decisions on smaller scales using various different natural capital approaches.

The Supplementary guidance - Environment and society in decision-making (England and Welsh versions) sets out the services you should consider and the data sources available.

In Wales, the [Water Strategy](#) outlines how the Welsh Government wants people to value and identify with water, and take responsibility for the supporting the management of natural capital. You should discuss your approach to natural capital with Natural Resources Wales.

9.4.2. Strategic Environmental Assessment

The Environmental Assessment of Plans and Programmes Regulations 2004 require a formal environmental assessment of certain categories of plans and programmes which are likely to have significant effects on the environment. You will need to assess whether your plan, or options in your plan, are subject to Strategic Environmental Assessment (SEA). You may wish to refer to:

- [UKWIR \(2012\) Strategic Environmental Assessment and Habitats Regulations Assessment – Guidance for Water Resources Management Plans and Drought plans](#) (Currently being updated – new version due early 2021)
- [Office of the Deputy Prime Minister \(2005\) A Practical Guide to the Strategic Environmental Assessment Directive](#)
- The Welsh Government has transposed the Directive into appropriate Regulations: [The Environmental Assessment of Plans and Programmes \(Wales\) Regulations 2004](#).

The stages in the SEA process are:

1. screening to determine if SEA required
2. setting the context and objectives, establishing the baseline and deciding the scope (and consulting on it)
3. developing and refining alternatives and assessing effects;
4. preparing the SEA environmental report
5. consulting on the draft plan or programme and the environmental report
6. monitoring the significant impacts of implementing the plans or programmes on the environment

All the stages of SEA are likely to be required where your environmental assessment indicates that the plan is likely to result in significant impacts on the environment.

You must consult with Natural Resources Wales and Cadw if the SEA affects Wales. You must consult with the Environment Agency and Natural England if your plan affects England. You must also consult any other statutory consultees.

9.4.3. Habitats Regulations

You must ensure that your WRMP meets the requirements of the Conservation of Habitats and Species Regulations 2017 (the Habitats Regulations), and must undertake a Habitats Regulations Assessment (HRA). You must assess the effects of the plan or project alone, or in combination with, other plans or projects, for example, the effects of supply options on European sites.

HRA refers to the assessment of the likely or potential effects of a plan or project on one or more European sites;

- namely designated Special Areas of Conservation (SACs) and Special Protected Areas (SPAs)
- candidate SACs (those submitted formally but not yet adopted or designated)
- proposed SPAs and SACs (sites subject to consultation on whether they should be designated)
- proposed and designated Ramsar sites, which are not designated under the Habitats Regulations but under Government policy should have the same level of protection as SACs and SPAs

Find more information on designated sites in [England](#) and [Wales](#)

A plan or project cannot normally be enacted or adopted unless it can be shown that it would not have a likely significant effect on or an adverse effect on the integrity of a European site, alone or in-combination with other plans or projects. In exceptional cases, a plan or project can be authorised or adopted despite having an adverse effect on the integrity of a European site, but only when the following apply:

1. there are no alternative solutions to delivering the objectives of the plan or project
2. there are Imperative Reasons of Overriding Public Interest (IROPI)
3. compensatory measures are secured to maintain the overall coherence of the National Site network

Therefore, it is important that your HRA is started as early as possible during preparation of your plan. This will give the HRA the greatest opportunity to influence the plan and therefore avoid or minimise impacts on European sites. HRA should be seen as an iterative process throughout the plan's development. When impacts are identified you should consider how you can change your plan and projects, before re-assessing them. You should not screen out a potential option just because you need to undertake a HRA.

The main stages in the HRA process are:

1. screening stage, including the test of likely significant effect
2. appropriate assessment stage, including deciding the scope and method used for this assessment
3. consultation and assessment of effects on integrity of the sites

You must take account of the effects of the plan or project alone or in combination with other plans or projects.

Natural Resources Wales and/or Natural England are statutory consultees for the HRA process and you should consult them at an early stage and particularly during the screening stage. It is a legal duty to have regard to their advice at the appropriate assessment stage. You should also consult the Environment Agency.

9.4.4 Biodiversity gain (England)

The Government’s 25 Year Environment Plan places great importance on enhancing biodiversity. Your plan should look to contribute to, and enhance, the natural environment by providing opportunities for biodiversity gain and enhancement.

You should consider what actions you can take in your plan to conserve and enhance biodiversity. You should set objectives to further biodiversity and these should influence your decision-making. You should clearly set out in your plan how your WRMP is contributing to enhancing biodiversity and how you are leaving the natural environment in a measurably better state than it is currently. If you conclude that you cannot take any actions to enhance biodiversity you should justify this in your plan.

For schemes that require planning permission, it is likely that you will need to legally provide biodiversity net gain²⁶. You should consider your obligations in the future Environment Act 2021. You should consider going beyond what might be required by the future Environment Act 2021 to provide an ambitious level of measurable biodiversity net gain. You should incorporate biodiversity gain into the design of your supply and transfer options where reasonable. If this is not possible, you are likely to be obliged to provide this equivalent off-site.

If significant biodiversity gain could be achieved, but at significant additional cost, this can be included as a separate option. You can then consider it in your options appraisal as part of your best value plan.

9.4.5. Water Framework Directive

You must take account of the requirements of the WFD regulations when considering your preferred plan. This includes the legally binding environmental objectives in the RBMPs.

Drinking Water Protected areas are defined by the WFD regulations with the aim of avoiding deterioration in the quality of raw water sources. This is to reduce the level of purification treatment required in the production of drinking water. Water companies should work with others to reduce the level of purification treatment and deliver these requirements in a cost-effective way.

Your plans should include targeted and cost-effective implementation of restoration measures required at the catchment scale, either working solely or in

²⁶ See Supplementary Guidance – Environment and society in decision-making for further details (English and Welsh versions).

partnership with other catchment based organisations. Given the uncertainty over the level of confidence you should consider the principles of adaptive management, with associated pre- and post-project monitoring.

9.4.6. Well-being of Future Generations (Wales) Act 2015

If your plan is within or affects Wales you will need to consider your contribution to the Well-being goals under the Wellbeing of Future Generations Act. The Well-being Act embeds the sustainable development principle into Welsh legislation. Sustainable development is defined as the process of improving the economic, social, environmental and cultural well-being of Wales. This needs to be done by taking action in accordance with the sustainable development principle so that the well-being goals are achieved. You should apply the ways of working as set out within the sustainable development principle in order to maximise your contribution to the well-being goals. The Well-being of Future Generations (Wales) Act (2015) includes a goal to develop a more resilient Wales, which is described as:

“a nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example climate change).”

9.4.7. Environment (Wales) Act 2016

If your plan is within or affects Wales, you must have regard to the Environment (Wales) Act 2016 in your assessment of the environment.

- **Principles of Sustainable Management of Natural Resources (SMNR):** You should embed the principles of SMNR within your plan with the objective of maintaining and enhancing ecosystems. Doing this will also contribute to the well-being goals. You should clearly show that these principles have been truly embedded within your thinking and decision-making.
- **Section 6 – Biodiversity and resilience of ecosystems duty:** You must seek to maintain and enhance biodiversity so far as is consistent with the proper exercise of your functions and in so doing promote the resilience of ecosystems.
- **Section 7 – Biodiversity lists:** You must ensure that you take all reasonable steps to maintain and enhance the species and habitats included within the Section 7 Biodiversity lists and should consider the Nature Recovery Action Plan for Wales.
- **Area Statements and Natural Resources Policy:** You should consider how your plan (where it affects Wales) contributes to the priorities set out in the Natural Resources Policy (NRP). Area Statements are the place-based implementation of the NRP. You should consider the priorities, risks and opportunities highlighted within any Area Statement relevant to your plan and how collaborative actions linked to these could result in improved outcomes for people and the environment.

- **Carbon reduction:** Your plan (where it affects Wales) should support a policy of reducing the carbon footprint associated with the abstraction, storage, treatment and provision of water. Your plan should support the reduction in greenhouse gas emissions at least in line with the latest Welsh Government carbon budget

The State of Natural Resources Report (SoNaRR) highlights the extent and condition of the natural resources in Wales and the challenges they face. It provides more information and examples of its use to assess ecosystem resilience, and opportunities to build resilience in Wales. SoNaRR also includes water efficiency measures.

Other locally designated sites (such as local nature reserves) may be considered lower risk, but you may need to give specific consideration to particular features.

9.4.8. Other considerations

You should seek to ensure any development delivers wider environmental gains relevant to the local area, such as reduced flood risk, improvements to air or water quality, or increased access to natural greenspace.

9.5. Resilience

Your final plan should improve the resilience of your supplies, particularly where your drought vulnerability assessment indicated that you were vulnerable to droughts of a particular severity and/or magnitude. You should also ensure that the options you select are resilient to droughts and other hazards such as weather extremes. You could use drought vulnerability framework or equivalent approach to do this.

If your preferred programme provides wider resilience benefits, you should clearly set out what risks you are addressing and how the options will reduce these risks. You should explain the how the risks you are addressing in your plan sit within the wider risk faced by your company and region.

Your preferred plan should not include any final planning deficits. Achieving resilience to a 1 in 500 year drought (where applicable) could leave you with some initial deficits at the beginning of the planning period while you implement your preferred best-value solutions. If this is the case you should show the additional drought measures you would use to reach this level of resilience in the interim. Alternatively you should demonstrate your reduced level of service, as a selected option, for this interim period and present this in your planning tables.

If you have large strategic schemes, you can use the drought vulnerability framework to assess their contribution to your resilience. Alternatively you could use the drought vulnerability assessment to demonstrate the improved resilience of your final plan.

10. How to compile your best value plan

This section describes how you should compile your best value plan. The following terminology is used in this chapter:

- Outcome – achieving a best value plan as described within this document
- Objectives – high level deliverables such as ‘increasing resilience’
- Metrics – measurable indices for best value which relate to the objectives

You should undertake the following as you develop your best value plan, with reference to the considerations set out in Section 9:

- set clear objectives for your plan (Section 10.2)
- identify and consider best value metrics (Section 10.3)
- identify your least-cost plan to provide a benchmark for your other programmes (Section 10.4)
- develop a decision-making approach (Section 10.5)
- appraise and compare different programmes (Section 10.6)
- undertake effective engagement (Section 10.7)
- consider whether an adaptive plan is appropriate (Section 10.8)
- test your plan (Section 10.9)
- present and justify your preferred plan clearly (Section 10.10)

10.1. Methodologies

You should consider the following methodologies in your decision-making:

- UKWIR (2002) [Economics of Balancing Supply and Demand \(EBSD\)](#).
- UKWIR (2016) [WRMP 2019 Methods – Decision Making Process Guidance](#).
- UKWIR (2020) [Deriving a Best Value Water Resources Management Plan](#)

Your problem characterisation assessment should inform your decision-making method. Any specific complexities can be examined through the UKWIR guidance on [Risk Based Planning](#) (2016) and through appropriate sensitivity analysis.

You should refer to the UKWIR [Economics of Balancing Supply and Demand \(EBSB\)](#) when you produce a least cost plan as a benchmark to appraise your other programmes against.

The UKWIR [Decision Making Process](#) guidance describes decision-making tools and supporting methods available to you as an alternative to EBSD. You should also consider whether an adaptive plan would be appropriate.

You may find the UKWIR [Deriving a Best Value Water Resources Management Plan](#) helpful in developing your best value planning approach but you do not have to use it. The guidance in this chapter sets out the expectations of regulators.

You should also consider the following supplementary guidance:

- Supplementary guidance - Adaptive planning (see also Section 10.6)
- Supplementary guidance - Environment and society in decision-making (England)
- Supplementary guidance - Environment and society in decision-making (Wales)

10.2. Set clear objectives for your plan

Your plan should clearly set out the objectives you aim to achieve in your best value WRMP or the regional plan. You should discuss these objectives with regulators and stakeholders during the pre-consultation of your plan. These objectives should be defined at the start of the planning process and be used consistently throughout the programme appraisal. You should explain your reasons for selecting your objectives. Your objectives should be informed by Government and regulator policy and the aspirations of your company, customers and stakeholders. Your objectives may also be informed by the regional plan objectives, where applicable.

You can refine and update your objectives during the process of preparing your plan, but should clearly explain your reason for any changes and the subsequent impact on the preferred programme.

Your plan should explain how your preferred programme delivers the outcome and meets your objectives.

10.3. Metrics

You should consider a broad range of best value metrics for use in your decision-making, informed by your objectives. You can consider the list of factors in Section 9.2 when compiling your metrics, although this list is not exhaustive and you can consider others.

Your metrics should be determined prior to beginning assessment of feasible options. You should consider the level at which it is appropriate to apply these metrics, for example at the individual option or programme level.

If your plan is affected by a regional plan which has specific metrics, you should use the same metrics in your WRMP, for transparency. You should consider whether any additional metrics are required in your WRMP. Using the same metrics is only relevant to those parts of your plan directly affected by a regional plan.

You are encouraged to consider a wide a range of metrics, risks and values, which should be supported by robust data and analysis. This will ensure that the delivery of long-term outcomes and objectives for regional and company plans can be measured over time. These objectives may be used to monitor your performance against the plan, where appropriate.

Your selected metrics should inform a programme that can deliver net benefits or value beyond meeting the minimum supply duty requirements in a least cost manner. You should develop your portfolio of metrics over several planning cycles as better information becomes available.

In the selection and application of your best value metrics you should clearly identify where there is potential risk of double counting of benefits and how you have accounted for this in your plan development. If you apply weightings to your best value metrics you should provide appropriate justification for the approach used to determine these. You should apply additional scrutiny to any metrics that you assess using a subjective approach to ensure they are robust and do not introduce any bias. The accuracy, uncertainty and sensitivity of the costs and metrics used should be clearly outlined. You should re-optimize the preferred programme if changes are made to the objectives or metrics.

Not all elements of decision-making can be adequately captured through metrics. Where this is the case you should ensure you should set out how you will appraise these and capture them in your decision-making. You should also clearly set out any uncertainty or assumptions related to your chosen metrics. You could consider sensitivity analysis around your metrics when they are uncertain or subjective.

10.4. Least Cost Programme

You should produce a least cost programme as a benchmark to appraise your other programmes against.

The least cost plan should meet your statutory requirements and be informed by your Strategic Environmental Assessment and Habitats Regulations Assessment. The least cost plan should include policy expectations around demand management.

10.5. Your decision-making approach

You should develop a decision making approach to appraise and select options for inclusion in the preferred programme in your best value plan.

Your decision-making approach should be clear and transparent and set out in your plan and should take account of the aspects of best value set out in Section 9.

Your plan should present clearly, robustly and transparently how your best value metrics have been considered and applied in the selection of the preferred programme to deliver your set objectives.

You should demonstrate your decision-making approach is consistent with other areas of your business planning to ensure that all long-term decision making takes place through a consistent approach. Customers, interested parties and regulators should be able to understand how and why you have decided on your preferred programme and why you have discounted other solutions.

Whichever decision-making method you choose, your final set of options should be justified economically, socially and environmentally. You should clearly describe how the decision on a preferred programme has been reached and how you engaged the Board with the process. You should consider the aspects of the best value plan set out in Section 9.

10.6. Programme appraisal

You should undertake an appraisal of alternative programmes to justify your chosen preferred programme. You should carefully compile and consider a range of programmes that demonstrate real differences in focus, but which still deliver your objectives.

You should undertake sensitivity testing and/or scenario testing of your programmes to understand any tipping points which might affect your decision-making and programme content. It is important you undertake a thorough programme appraisal and clearly own and justify own decisions regarding your preferred programme.

In your programme appraisal, you should consider the least-cost programme (Section 10.4) and a 'best environment and society' programme as alternative programmes as a minimum. The 'best environment and society' programme should be one that is formed using the relevant Environment and Society supplementary guidance and therefore takes into account the Strategic Environmental Assessment, Habitats Regulations Assessment, Biodiversity Net Gain and Natural capital where appropriate. The number of alternative programmes you should consider will depend on the complexity of your problem and the options available to solve it.

You should consider the following when undertaking your programme appraisal:

- review your programmes against your objectives, your best value metrics, Government policy and ambitions and other considerations set out in Chapter 9
- describe the impacts of programmes and clearly set out the costs and benefits of each programme. This should include the following:
 - a list of the options selected in the programme
 - monetised, quantitative and qualitative descriptions of the impacts of the programme
 - analysis and description of the significance of impacts
 - a total delivery cost of each programme including a profile of costs against time
- detail of the programmes including all costs and benefits. If you have used metrics to help you define programmes, you should look at the supporting

data that informed these metrics. For example if you have an environmental and social metric, you should consider the actual environmental and social costs and benefits of each programme, not just the metric in your programme appraisal. A carbon cost impact should be provided for each programme.

You should provide a summary table of the programmes you have considered which includes the cost and the result of assessing the options and programmes against each best value metric you have applied in your decision-making. This summary of programmes should be accessible for customers, stakeholders and regulators and enable them to understand your decision-making process.

The costs and benefits of your best value plan, least-cost programme and the other programmes you appraise, should be clearly identified and comparable. Where you are considering multiple benefits, you should be clear in your best value plan that these additional benefits identified could not be delivered more efficiently through other means.

10.7. Effective engagement

Your plan should demonstrate effective engagement with regulators, stakeholders and customers at key stages throughout the development of the plan. Your proposed approach to best value planning should be part of the information you present at the pre-consultation phase. You should continue your engagement through the development of your plan.

The costs and benefits of the preferred programme and alternatives, including comparison to the least cost programme benchmark must be clearly presented to regulators, stakeholders and customers. It should be clear how this engagement has informed the decisions made within the plan.

10.8. Adaptive planning

An adaptive plan is a framework which allows you to consider multiple preferred programmes or options. The adaptive plan should set out how you will make decisions within this framework.

You should consider an adaptive plan if you have:

- significant uncertainty at any stage in the planning period, particularly in the first 5-10 years of your plan
- a strategic decision in the plan's medium term, which has a long lead-in time
- large long term uncertainty which might lead you to consider different preferred options

If you use an adaptive plan you should clearly set out at what point each decision will be taken, how each decision will be made and how you will monitor your plan. You should consider how your adaptive plan will affect your headroom allowance and ensure that you are not double-counting uncertainty. The costs, benefits and

solution choice differences between your adaptive pathways should be clear. The plan should identify the key scenarios (including any scenarios required for PR24) that you have tested (see section 10.9) and how the pathways best adapt to these. This includes:

- presenting a single pathway in detail which is aligned to the most likely scenario or set of scenarios (your preferred plan). Adaptive pathways are then those changes in futures that move away from this most likely scenario linked to clear triggers
- a core pathway including activities to meet low but likely scenarios, that show low-regret investment to meet future uncertainties, as

described by Ofwat (including delivery of additional option value, to allow further flexibility in the future). This should be in sufficient detail to understand the needs, triggers and investments that make up this pathway. The differences between the most likely and core pathways should be described and differences in selected options identified. This will assist with PR24 requirements.

You should clearly identify how customers and the environment will benefit from your adaptive plan. You should also set out how you will inform your customers and stakeholders of a trigger being met and a subsequent change in the pathway you follow and, or your preferred plan.

The Supplementary Guidance: Adaptive planning provides further information on compiling an adaptive plan.

10.9. Testing your plan

While your preferred plan should set out the decisions you will take based on your best understanding of the future; the future is uncertain. Therefore you should also clearly describe the biggest areas of uncertainty and define which could have the biggest influence on your plan. You should undertake scenario testing to demonstrate:

- the resilience of your plan to a range of risks including known risks to option yield and deliverability
- that you have considered these risks in developing your plan and the possible timings of these impacts, including possible future sustainability changes
- the plan is resilient to minor changes to supply and demand forecasts in the near future and moderate changes as the plan progresses

You should, as a minimum, test the sensitivity of your plan to changes in:

- population growth
- climate change

- sustainability changes
- resilience
- risk profile
- delivery of your preferred programme – both demand management and supply options

You should use scenario testing to help validate your preferred programme or to assess whether alternative programmes would be more appropriate. It could also inform whether an adaptive plan might be appropriate. Scenario testing could help to:

- justify a flexible or fixed approach
- justify an adaptive plan
- demonstrate when important decisions should be made
- identify what you should monitor to manage risk
- identify alternatives or how the plan may change in the future in response to new evidence

10.10. Presenting and justifying your plan

Your preferred best value programme should be robustly and transparently justified. You should clearly describe how the decision on a preferred programme has been reached, how you have reflected the regional plan (if applicable), and how you engaged the Board with the process.

You should provide evidence that you have accounted for the impact of uncertainty and undertaken sensitivity analysis. You should consider ways to present information clearly so that regulators, stakeholders and customers can understand how the programmes compare.

Your plan should be efficient and affordable with distributional impacts, societal equity and intergenerational equity considerations transparently discussed.

You should provide a separate assessment of the costs and benefits/impacts of your long-term environmental destination. You should discuss this with regulators through the regional plan development (where applicable) and you should consult on it with stakeholders before it is presented in your WRMP.