



Ref 1.2

PR19 Stakeholder Engagement Report

September 2018

Contents

1. INTRODUCTION	2
2. OUR REGULATORS	3
3. STAKEHOLDER FORUMS	5

1. Introduction

As providers of an essential public service, virtually all organisations in Wales (and the neighbouring parts of England that we serve) have a vested interest in our plans for the future. There are a number of key organisations which are particularly closely involved in aspects of our service, and as such we work closely with them on an ongoing basis, and particularly on the development of our plans.

We believe that regular engagement with our stakeholders, who can provide expert input from differing perspectives, is an essential part of developing plans that strike the right balance between service and affordability, while meeting our statutory obligations and supporting broader 'Wales-specific' policies and agendas. This is why we initiated a process of dialogue and discussion with stakeholders early in the process, both bilaterally and through various stakeholder forums.

A wide range of partners and stakeholders are also part of the delivery of excellent services to customers and the environment, both now and, in particular, during AMP7 during which we will be relying to a significant extent on developing new collaborative ways of working to deliver common objectives.

This document summarises the roles of our key regulators and other stakeholders, and how we have worked with them in developing our PR19 plans. Our primary stakeholder is, of course, our customers. Our process of engaging with customers is set out in a separate document, 1.1 PR19 Customer Engagement Report.

2. Our regulators

We meet with all our key regulators regularly on a bilateral basis, and also as part of the various stakeholder groups (see below). We summarise below how we have engaged with the regulators that have a particular role in PR19 – other regulators such as the Health and Safety Executive are not covered in this document.

2.1. Welsh Government

The Welsh Government now has devolved authority over most matters pertaining to the regulation of the water industry, for companies based ‘wholly or mainly’ in Wales. Its high-level objectives for the management of water resources are set out in the Water Strategy for Wales (2015).

Section 24 of the Water Act 2014 provides for the Welsh Government to “publish a statement setting out strategic priorities and objectives for the Authority [Ofwat] in carrying out relevant functions relating wholly or mainly to Wales.” We have had regard to this ‘SPS’ statement in developing our PR19 business plans.

As explained further in Supporting Document 1.3 Supporting Government policy and long-term agendas, the Welsh Government has passed landmark legislation in recent years which sets a particular context for the development of plans for the water industry in Wales - the Wellbeing of Future Generations (Wales) Act 2015, and Environment (Wales) Act 2016. Our PR19 plans support and are aligned with the intent of this legislation.

2.2. Drinking Water Inspectorate

The Drinking Water Inspectorate (DWI) is a statutory body with duties and powers to develop and update drinking water quality regulations (which derive from EU legislation), monitor compliance with such regulations, and implement enforcement action where required. The Chief Inspector is appointed by the Secretary of State and by Welsh Ministers.

The DWI engages in the price review process with respect to the investments required to maintain and improve drinking water quality to meet statutory obligations. Like all water companies we have undertaken risk assessments with regard to compliance with drinking water standards and have identified schemes required to address these risks. The DWI may challenge the justification for such schemes, and may then formalise requirements for agreed schemes through Undertakings submitted under section 19 of the Water Industry Act 1991, or Notices served under Regulation 28(4) of the Regulations.

We have worked closely with the DWI in the development of our drinking water, resilience and catchments plans for PR19 in particular. Our Water Services Director meets regularly with the Chief Inspector of the DWI. In accordance with their guidance we have submitted information on relevant PR19 projects for their consideration and they have responded with their support where appropriate.

2.3. Natural Resources Wales

Natural Resources Wales (NRW) and the Environment Agency (EA) are the environmental regulators for the water industry for Wales and England respectively. Their role in relation to PR19 is to develop a National Environment Programme (NEP) (now Water Industry National

Environment Programme (WINEP) in England) which sets out the required improvements and investigations to meet our obligations under environmental legislation and to deliver government environmental priorities. Any investment schemes that fall under the NEP are legal obligations.

The Environment (Wales) Act 2016 states that the NRW must “pursue sustainable management of natural resources in relation to Wales, and apply the principles of sustainable management of natural resources, in the exercise of its functions.” The Well-being of Future Generations (Wales) Act 2015 also places a duty on NRW to apply the principles of sustainable development in its work. The NRW has been guided by this legislation as it has developed the NEP.

We have worked closely with NRW and EA as they have developed their respective plans, meeting with them at Director level and as part of a specific PR19/NEP working group. We have also had the opportunity to engage with both regulators as part of the CCG and the Wales Water Forum.

2.4. Consumer Council for Water (CCWater)

The Consumer Council for Water is a non-departmental public body of Defra and the Welsh Government established under the Water Industry Act 1991 (as amended) to represent the interests of consumers by handling complaints, acquiring and publishing information, providing advice, and investigating matters of interest to consumers. The Council is supported by regional committees established under the Act including a Wales Committee.

The role of CCWater in the price review is to amplify the voice of customers in the process of developing plans, and to challenge companies to deliver more for customers. CCWater is represented on the Customer Challenge Group and meets with the company quarterly to review a variety of matters including PR19 plans.

3. Stakeholder forums

3.1. Wales Water Forum / PR19 Forum

The Wales Water Forum, which meets four times year, brings together all the key organisations and stakeholders with an interest in the water sector and the aquatic environment in Wales. It is convened by the Welsh Government, but all members contribute to the work of the Forum.

Members include the following:

- Regulators: Natural Resources Wales, Environment Agency, Drinking Water Inspectorate, Consumer Council for Water, Ofwat.
- Companies: Welsh Water, Severn Trent (and formerly Dee Valley Water), Albion Water.
- Others: Welsh Government, Welsh Local Government Association (WLGA), Water UK, Chairs of Customer Challenge Groups

The purpose of the Wales Water Forum is to:

- support and review the delivery of the Welsh Government's Water Strategy, in particular ensuring a link between the work of the Forum and the wider remit of Welsh Government priorities;
- Engage key organisations in planning the strategic direction for water management and sewerage services in Wales; and
- Facilitate open and frank discussions on all aspects relating to the strategic management of water in Wales.

Topics discussed at the Wales Water Forum during the development of our PR19 plans include the Brecon Beacons Mega Catchment, lead pipe replacement, sustainable drainage, and long-term planning for the water industry (including Welsh Water 2050).

In 2017, as preparations for PR19 were beginning, the Welsh Government convened a sub-group of the Wales Water Forum to provide input and challenge into the development of Welsh Water's PR19 business plans. This was the PR19 Forum, which had the purpose of providing a convenient way of bringing all of the key stakeholders together to discuss alignment of early PR19 proposals with Wales-specific policy and priorities, and a forum for discussion of the key issues 'in the round'.

The following organisations were involved in the Welsh Water PR19 Forum in addition to the company: Welsh Government, DWI, CCWater, and NRW, plus the CCG Chair.

The PR19 Forum met five times between March 2017 and July 2018.

3.2. Independent Environmental Advisory Panel (IEAP)

The Independent Environmental Advisory Panel (the 'IEAP') was established in 2013 to provide Welsh Water with independent, evidence led environmental advice and support, and to act as a 'critical friend' on environmental, science and research matters in particular to:

- maximise the value of our investment programme for customers and the environment
- advise the company so it is best able to support a safe and sustainable future for our environment; one able to support the economy and quality of life for generations to come.
- contribute to our capital investment planning process by offering opinion and guidance, for example in relation to innovative catchment based solutions
- identify investment and research priorities which reflect current and future environmental challenges.
- provide a simple and efficient mechanism for communication between the Company and key environmental stakeholders across Wales in particular, with links to UK national bodies as appropriate.
- provide a platform to share views and assist Welsh Water to proactively influence emergent environmental legislation and policy where issues of social, economic, and/or environmental benefits for Wales and or the borders are identified e.g. on land use planning.
- advise our Customer Challenge Group on environmental matters of importance to the company and its customers.

To do this, as well as environmental considerations, the IEAP has to take into account the social and economic consequences of any advice or proposal, including the impact they may have on 'affordability' (i.e. on customers' bills). Similarly the IEAP is mindful of the Wellbeing of Future Generations and Environment (Wales) Acts in their advice.

The IEAP is composed of individuals who offer their own views while also representing organisations and bodies able to provide a strategic organisational perspective. The Chairman, who is independently appointed by the IEAP is a CCG member, and with the agreement of members, may invite other organisations and bodies to join the IEAP, for example to assist with Task and Finish Groups. Current members include representatives of the National Trust, the Canals and Rivers Trust, the National Farmers Union and RSPB.

Welsh Water is not a member of the IEAP but the Company's Director of Environment and the independent environmental advisor to the Quality and Environment Committee of the Board attend each meeting to ensure an effective link between the IEAP and Welsh Water.

Meetings of the IEAP take place at least on four occasions each year. 'Task and Finish' groups supplement the IEAP on specific topics as needed.

3.3. Customer Challenge Group

The Welsh Water Customer Challenge Group (see Supporting Document 1.1 PR19 Customer Engagement Report for details) is also an effective forum for bringing together stakeholders for discussion of our PR19 plans, though from the perspective of customer engagement. It provides an opportunity for stakeholders to challenge us on what we are planning to deliver for the people, communities and environment of Wales.