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WORSHIPFUL COMPANY OF WATER CONSERVATORS

Promoting a diverse and sustainable environment

RESPONSE TO THE DEFRA WHITE PAPER ON VISION FOR WATER MARCH 2026

1 The Worshipful Company of Water Conservators ('WCWC') is a City of London Livery Company focussed on the long-term health of our water resources and the broader environment. Our members include senior professionals from water, environmental and related industries and regulators, along with others who share our concern for water and the environment. Our experience and knowledge ranges from the complexities of environmental sciences, through the application of engineering to deliver the goals identified by those sciences, and the subsequent management of the assets created. The WCWC's purpose is *promoting a diverse and sustainable environment*.

2 As part of that purpose, the WCWC has been responding to relevant consultations particularly on matters relating to water conservation. These are archived on its website over the last four years.

<https://waterconservators.org/policies-and-practices/>

HEADLINES

3. The WCWC sets out its views in the context of the NAO report on water regulation and the views expressed in the Final Report of the Independent Commission on Water

<https://www.nao.org.uk/reports/regulating-for-investment-and-outcomes-in-the-water-sector/?nab=1>

<https://www.gov.uk/government/publications/independent-water-commission-review-of-the-water-sector>

4 These make it clear that whilst the behaviour of some Water Companies was unacceptable, all of the regulators (Ofwat DWI and EA together with Defra) did not have sufficient expertise to plan and execute in an increasingly complex regulatory environment and that was a main cause of the problem. Skills sets and competences, as an issue, appear quite a long way down in the White Paper, but should be much nearer the top of priorities

5 The constant plethora of change does not aid clarity of purpose; that is evident even while response to this White Paper is being considered. Regulations, and certainly the requirements of water company comparisons and the detail of price setting have become too complicated; any simplification and streamlining will be of benefit.

6 The White Paper contains a useful list of objectives, but they are meaningless unless the Regulators are significantly resourced to address the current weaknesses. This is far more important than the number of interfaces between future departments, and yet it appears to be glossed over in the White Paper.

7 The WCWC supports the thrust of the proposals of the White Paper with some very substantial reservations which should be addressed in the transition process. The Transition Plan will need to clarify the details of how the suite of reforms proposed in the White Paper is to be achieved and executed organisationally, legally and commercially. The WCWC has examined the proposals for stresses at the interfaces of the proposed organisations and their potential remits. It has taken account of the recommendations from the Final Report of the Independent Water Commission.

Within the context of those proposals, per se, it makes the following recommendation

- Merge the functions of the residual Environment Agency and Natural England
- Determine the remit of this combined environmental regulator and the new English Water Regulator in the practical operations of management of controlled waters
- Determine the role of a small but powerful headquarters of the new water regulator capable of sophisticated analysis, determination of optimal solutions and provision of clear directions with strong devolved regions which would have the same boundaries as Water companies/existing regions of the EA. Ensure that the Regions cannot “shut out” the centre.
- As set out in the White Paper, develop the proposal for regional planning driven by catchment management principles. It must integrate the strategic imperatives of Basin Planning and the practical delivery of catchment planning
- Confront the challenges of the current proposals for merging the functions of environmental and economic regulation
- Specify how the new more flexible regional approach to economic regulation can be achieved with fairness, pragmatism and trust within a nationally defined framework
- Ensure that the new vigour and rigour of regulation envisaged for water companies applies to all sources of pressures on the quality of the water environment such as agriculture, industry and highway drainage
- Supports the role of Chief Engineer and possibly Chief Scientist and Chief Economist maybe in the Planner as well
- Create a new Common Standards Unit, possibly under Defra, merging the functions of the proposed drinking water quality group, the UKTAG and Standing Committee of Analysts to cover the setting of criteria and monitoring of controlled waters, drinking water and even bioresources to provide a consistent and holistic approach to all sectors.
- Urges more careful thinking on the future of quality assurance for the monitoring of all kinds of sewage discharges

8 In responding to the structure as set out , the WCWC has identified some of the major challenges in delivery .And in order to confront those challenges the WCWC makes more substantial suggestions for radical changes for further debate in the long term , which would potentially merge all the regulators, with the planning functions vested in the regional planners. But, in order to counter the criticism of the size of that organisation develop clearer ideas about delegation to more powerful regional bodies with clearer local identities.

9 This still leaves the fate of economic regulation between the challenge of integration with environmental regulation, as compared to the integration with planning; the consequences of both of these routes need better understanding and articulation

10 The WCWC recognises the need to plan carefully how the Instrument of Appointment of Licenced Water Companies and its terms will be adapted.in a way which will secure the full commitment and trust of investors. The Appointment is a key document for companies which must provide the legal and commercial basis of fair regulation including the duties and responsibilities of regulators.

11 The WCWC makes several suggestions on the culture of regulators and water companies and it is clear that there is a serious skills shortage which needs addressing in the entire sector

12 Delay in developing the transition plan involves the risk of aggregating the ambitions of separate regulators but with disaggregated accountability. The WCWC supports a balance between speed to develop transition but taking proper account of the issues identified by the WCWC.

13 The WCWC will support Defra in careful testing of the proposed changes which need in particular to address our concerns in this submission and accordingly the suggested refinements above. .This should include a strategic analysis of all pressures and their impacts on the water environment and the plans to control them and their costs and effectiveness in the short, medium and long terms.

14 The WCWC also notes the recent media interest in the qualities of controlled waters and sewage discharges ;this highlighted the need for a clear narrative on data .And such clarity will aid regulation and operational management .The WCWC observes the plethora of data sources which need bringing together and it has suggested that this should be treated as a project for 'Big Data' and this must form part of the Transition Plan .The White Paper makes no reference to this.

15 And a clear, simple communications plan is essential.

PROLOGUE

16 Following controversies on the performance of water regulators and water companies in 2024, the then newly elected government established an Independent Commission on Water. It collected evidence and the WCWC contributed to its review. The Commission reported in June 2025

<https://www.gov.uk/government/publications/independent-water-commission-review-of-the-water-sector>

and this White Paper responds to the recommendations for England. And it this that the WCWC is offering a commentary

<https://www.gov.uk/government/publications/a-new-vision-for-water-white-paper>

17 The Commission report also included recommendations for Wales, and the Welsh Government has now produced a Green Paper for consultation. The WCWC will respond separately to that. However, the WCWC notes that the way forward for Wales will be different to that of England .

<https://www.gov.wales/sites/default/files/consultations/2026-02/consultation-green-paper-shaping-future-water-governance-wales.pdf>

18 The White Paper proposes that in England the regulatory water functions of the Environment Agency (EA) and Natural England (NE) will be combined with the functions of

Ofwat and the DWI to create a new English water regulator presumably with a strong regional structure, although this detail is not elaborated. This will leave the EA and NE with regulatory duties outside water. The English national water regulator will also provide, for the foreseeable future, drinking water regulation for Wales and will have a national steering group on drinking water quality. There would also be a regional planning function with much to be developed in terms of structure and remit and uncertain lines of accountability.

19 The Welsh Government has not followed the recommendation for merged regulation. It proposes to maintain natural resources management in Natural Resources Wales (NRW) intact. (in fact, it also includes forestry functions). But has not vested, or merged, it with drinking water or economic regulatory functions. It has proposed a separate economic regulator which takes on the responsibility for countrywide water systems planning but is, as yet, less convinced on whether this will take on the river basin planning work of NRW. The WCWC reserves making any comment on this until it responds to the Green Paper

20 The WCWC supports the need for reform and the overall thrust of change for England but offers the thought that not enough attention has been given to the impact on practical operations. The WCWC has long argued that a more integrated strategy is needed but 'at the end of the day' strategy must be stress tested for practicality. The intention of the WCWC to provide some stress testing through several practical examples. No way forward is likely to be free of stress, and the aim should be to find the least stressed solution. There must be clarity of responsibility at each interface.

21 The White Paper is termed a Vision for Water, but the vision which is set out in the Executive Summary is namely to

- Protect public health and the environment.
- Ensure water company bills are fair and affordable for customers.
- Strengthen the water sector's financial resilience and ability to attract the long-term investment required to meet its ambitions, ensuring that the sector supports economic growth.
- Provide robust oversight of water companies to maintain and enhance the long-term health and resilience of their infrastructure.

This is not necessarily new. However, the focus of the reforms to achieve these desirable outcomes in the words of the executive summary – “in a way that is more efficient and integrated” reflects new and desirable perspectives.

22 The White Paper does not suggest how its proposals might be positioned in the evolution of water environment management since 1973, which has been increasingly supported by the notion that water management is a part, indeed a central part of integrated natural resources management .. the clearest example being the creation of Natural Resources Wales in 2012. Instead, the new direction for water is a suite of “reforms to set clearer long term direction -including reforms to strategic policy statements , rationalising plans , better joined up regional water planning and a long terms stability objective” The WCWC welcomes the intention that mutually reinforcing reforms will be led by Government through a Transition Plan which provides clarity on roles responsibilities and governance and “allows long standing opportunities and trade off to be tackled head on”. The least stressed option should be the way forward. Getting the Transition Plan right is the goal

23. Throughout 2025 various initiatives by government were the subjects of consultations. .In many ways these were topics of ongoing business but couched in ways which would fit expected outcomes in terms of systemic change. The WCWC made extensive contributions

and at the start of 2026 prepared a Overview of contributions, not only as matter of good practice but in anticipation of this White Paper.
The WCWC now offers some thoughts on the proposals of that White Paper.

<https://waterconservators.org/wp-content/uploads/filr/4194/JAN-26-OVERVIEW-of-consultations-and-thinkpieces-in-2025.pdf>

24 This, in turn, has numerous hyperlink connections to responses to specific consultations. Preparing this response has been a challenge. As the Overview of work in 2025 demonstrates water management policy and regulation is constantly evolving often in a piecemeal fashion and difficult to understand as part of a bigger picture. And this has been the case whilst this response was prepared. There is the outstanding consultation on revision of the NPPF,) and it is difficult to unravel the connection with the White Paper ,publication of a PFAS Action Plan, which should give a clear indication of direction of travel on one of the most significant quality issues of concern on drinking water and bioresources management .The White Paper does not address this (in contrast to some other quite detailed issues).The WCWC has responded separately already on PFAS .It asks

1. *What are the feasibility, effectiveness and costs of end of pipe treatment of PFAS especially costs for the water industry?*
2. *How will Defra take these costs into account in developing and implementing their PFAS plan? The water Bill needs to include WFD article 4 exemptions regarding technical feasibility and disproportionate costs for the implementation of new environmental quality standards (EQS) for PFAS*
3. *In particular, the Water Bill needs to include EPR provisions to recover these costs from the producers of the PFAS chemicals - as in articles 20 - 23 of the EU UWWT Recast Directive see https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202403019*

Where the costs of end of pipe treatment of PFAS are high, then Defra need to take greater action in its PFAS plan to tackling sources (eg product controls) and pathways to reduce exposures of PFAS in the water environment - in line with the White paper (p. 33)'s good shift towards 'pre-pipe' solutions. and ensuring that legislation, funding streams, and regulatory mechanisms support the delivery of pre pipe solutions

<https://waterconservators.org/wp-content/uploads/filr/4340/FEB-26-PFAS-submission-to-HSE-and-Thinkpiece-on-Action-Plan.pdf>

[National Planning Policy Framework: proposed reforms and other changes to the planning system - GOV.UK](#)

25 The White Paper states that it will address the issue of regulation of sewage sludge used in agriculture, which has been on the table for some time and referred to by the Water Commission. This is important because typically half the cost of sewage treatment is incurred in managing sewage sludge ... as bioresources, and it will operate at the margins of the new water regulator and the rump environmental regulators. But in early February Defra published a consultation document on regulatory change and the WCWC is not entirely clear how this is going to work in the White Paper transition framework. It is answering that consultation separately. The Welsh Government incorporates its proposals on sewage sludge within the Green Paper. In the flow of consultations, the next task for the WCWC is to respond to the Defra consultation on sewage sludge and then incorporate all of its thinking into its response to the Welsh Green Paper.

Consultation on the regulatory framework for sludge applied to agriculture - Defra - Citizen Space

26 The WCWC recognises the importance of comparing the White Paper and the recommendations of the Water Commission and includes a brief summary as an Appendix 1 ;it has concentrated its efforts on examination of what is 'on the table'. And cross referencing where necessary.

SYNOPSIS

27 The WCWC has produced this response to the White Paper with the benefit of the Overview of its work in 2025. It observes that the White Paper promises a lot more to come and the WCWC makes some suggestions on those next steps .It observes that the White Paper includes proposals on grand strategy and detailed tactics, such as water efficiency labelling , but commentaries on many specific and relevant actions are omitted , so the WCWC has attempted to identify some of those omissions , such as the Environment Improvement Plan published in December 2025.

28 The WCWC supports the general thrust of the White Paper and many of the specific proposals but has some serious reservations and makes some suggestions to address these The WCWC used a simple concept of regulator interface analysis, to identify problems with the current system .The WCWC suggests that the proposals might create interface stresses and fractures in the new system .

29 Whether or not the proposals, however modified, will deliver a new fair, balanced system will be determined by the content of the Transition Plan. The 'devil will be in the detail' . The support of WCWC for the general thrust of the White Paper is qualified by the absence of a Transition plan and draft Instrument of Appointments for water companies the terms of which will be crucial to acceptability by investors. Their trust is vital, as is that of customers if the transition to this reformed vision. Is to be achieved fairly. Careful planning of this process is essential.

30 There is understandable pressure to create and deliver the a fair transition quickly, which the WCWC supports, but equally there is much to get right for the longer term avoiding ..' act in haste but repent at leisure' .The government must balance these imperatives .And the WCWC understands that some of its observation may help the longer term but tilt the balance to slower transition ”.

31 The WCWC makes several specific recommendations which may be found in relevant text but are too numerous to list in the summary. for example, how the Urban Wastewater and Water Framework Directive Regulations may be reset. The goal must be to find quick effective wins to help validate the whole process. But in doing so care must be exercised as there is much to be retained

32 One major omission is a clear communications plan. Defra must be the narrative leader, not follower ..And whilst it cannot show any signs of complacency and cannot manage comments by the media it must take a stronger lead in providing imaginative and positive context, highlighting 'quick wins' and anticipating reactions.

33 The headline on the proposed regulatory structure is that the WCWC suggests that there will be significant challenges with the proposals and that a great deal more work needs doing in the transition to avoid them. It suggests some 'tweaks' in the proposals

The WCWC

On the Strategic Position Statement

- Agrees that a national water strategy is needed for England and , separately Wales but these should be as harmonious as possible .The proposals for a revised SPS are a start but there are several other policies and statements as well which are ignored eg Environment Improvement Plan , a revised Regulatory Position Statement etc .This needs a great deal more attention in the Transition Plan. But getting the strategy right should drive the consequent structures to deliver

On the regulatory boundaries of the EA, NE and new water regulator

- Suggests that there has been a case for merging the functions of the Environment Agency and Natural England for some time, as per Natural Resources Wales, but for a variety of reasons this did not find favour .The notion of merging their water functions is attractive but 'stress testing' shows that it will create new interfaces with the rump environmental regulators and undermine the evolution of more integration of environmental regulation and management which need to be better understood .Examples include matters such as waste management and land management with recent examples of serious water pollution arising from waste dumping.

On structural devolution

- Suggests that the new water regulator should have a powerful but not large national centre setting frameworks with strong devolution to regions based on river basins as per the existing boundaries for the EA and water companies.
- Agrees that the supervisory regionally nuanced approach to water regulation but with clarification on how the discretionary approach will work with matters such as permit compliance
- Suggests that the regional presence of regulation needs greater emphasis. The WCWC did consider a notion of separate regional environmental regulators, but decided that each region of the combined environmental regulator must have a strong recognisable identity with devolved responsibilities to avoid the notion of a national leviathan with operating divisions
- Welcomes the introduction of a Chief Engineer to strengthen the combined regulatory function. It suggests that a Chief Scientist role would add further strengthening. There is in addition the need to introduce high level skills of company finance, corporate activity and treasury management in the form of seasoned practical Treasurers, finance directors or corporate finance specialists. Which suggests that there would be a role for a Chief Economist in the regulator and planner . Arguably, the heavyweight experience needed for all these posts would make them roles within a central function for policy dissemination and direct involvement in major issues in Regions ensuring robust economic appraisal in all aspects of service delivery in the water sector.

On regional water planning

- Understands the need to create a regional planner focussed on catchment planning. But just what will be the span of its planning? It is clear that the current system has not taken catchment management forward in England as much as the WCWC has

advocated. The WCWC has suggested a more formalised to catchment management to Defra and the EA and it would like to contribute this to the discussions on the way forward There is a suggestion in the Welsh Government Green Paper that Basin Planning in Wales will remain with the NRW.

<https://waterconservators.org/wp-content/uploads/filr/2740/July%2024%20CATCHMENTS%20ED%203%20%20Update%20of%20Thinkpiece.pdf>

- Emphasises that regional planning as envisaged in the White Paper must balance the strategic imperatives of Basin Planning with the practical planning of catchment management.
- Observes that the accountabilities of the arrangements are unclear and this needs resolution; There needs to be a central coordinating function and the responsibility for that remains open to question; the hyperlinked paper suggested a central role for CaBA as one option. And following the sentiments of the White Paper consideration must be given to how this would work effectively. It could be accountable locally to the highly devolved regions of the Water Regulator. This would follow the philosophy of the White Paper.
- Would be pleased to contribute to initiatives outlined in the White Paper to develop these concepts Whatever , the transition process has to determine if this is just a steering group in each region with a small secretariat or something more substantial which could enlist the water planning functions of the current regulators perhaps in the manner that they operated in RBMP2 but with the benefit of greater use of latest IT advances... And whether or not there is a central function setting a framework for the regional steering groups as set out above.
- Recalls past experiences with separating the current responsibilities of the EA in flood risk management and land drainage created much friction and they should ideally stay together. As the former is likely to move to the planner function, the WCWC urges caution. And that depends on who inherits the practical responsibilities for land drainage etc. And care must be exercised in determining the overlapping spheres of influence with that of other parties, as set out in Appendix 2.

On the challenge of combining environmental and economic regulation

- Urges the Transition Plan not to underestimate the challenges of bringing economic and environmental regulation into one organisation Anticipating the issues which will arise is well within the career experience of WCWC members.
- Reminds the parties responsible for creating the next steps that the challenge of managing the price review process as distinct from monitoring the economic performance of water companies (the “MoT” concept), must not be underestimated. The White paper envisages a process which is far less complex than that adopted by OFWAT and less liable to create price volatility. However, if investors are to be rewarded fairly and operating companies perform to full expectations it will not stop or reverse the process of price rises funding the creation and efficient operation of assets to deliver increasing demands on water services as envisaged in the White Paper and in the numerous obligations required for increased drinking water standards and river quality improvement. Whatever the criticism of the functioning of

the existing system, the Government has vaunted the outcome of PR24 which required very significant price rises across the spectrum of company circumstances.

- Supports the White Paper's proposed engagement of Government in holding discussions to achieve this objective. To this end, it should employ a split cost of capital in price determinations rather than the Weighted Average Cost of Capital that gave water companies an incentive to engage in financial engineering that increased their debts and gearing. The new regulator must have the power, skill and perspicacity to stop financial engineering which distracts from the business of financing assets and their operations and the WCWC.

On water supply regulation

- Accepts that the new water regulator should take on the compliance functions of DWI at regional level, but emphasis that the strategic role of DWI retains its status as a separate entity within the headquarters function of the new water regulator.
- Agrees with the formation of a water advisory committee for water supply functions, The WCWC also make the suggestion that UKTAG (provides a similar function for environmental water standards) could possibly be merged together with a reinvigorated Standing Committee of Analysts) in a Central Standards Unit under Defra and vesting it with similar responsibilities for bioresources would bring a more holistic and consistent response on standards and monitoring for all sectors of the water cycle for issues like PFAS and microplastics. All countries of the UK must be included.

On the allocation of responsibilities between the rump environmental regulators and the new water regulator

- Suggests that more attention needs to be given to whether the new water regulator will also be an operational delivery body of practical water matters like navigation and river level management or whether these will be left on a defined service basis with the rump environmental regulator.
- Recalls past experiences with separating flood risk management and land drainage. Ideally, they must stay together, but the WCWC recognises that this will be unlikely. And as this response sets out, this embraces several practical matters such a flood alerts, deployment of flood defences and emergency flooding responses.
- And this paper also sets out several other activities likely to involve all environmental regulators including waste disposal, fly tipping and contaminated land management
- All these matters are as much in the public eye as the ability to wild swim!

34 On the loss of integrated natural resources management, problems with regulatory boundaries and with the allocation of operational responsibilities, combining economic and environmental regulation, but reflecting the need for more clarity and better integration.

The WCWC makes some more radical suggestions for further debate in the Transition process, in the longer term, to address these systemic problems based on hard experience, some of which could be included in the Transition. It accepts that it may be too late to consider these in view of the pressure to deliver transition as quickly as possible. But the consequence of haste is that some of the practical issues may be overlooked, and further changes may be needed in years to come.

The WCWC

- Suggests that there is an argument that it would be better to combine the functions of the EA, NE, and DWI, but separate all activities consistent with water systems planning, eg catchment management planning etc and allocate these to a combined economic regulation and systems planning function at regional level. This would still leave land drainage and flood risk management separated .. but that seems to be a casualty in all potential options and needs special attention.
- Understands the potential criticism of the size of that organisation and to counter these clearer ideas must be developed about delegation to more powerful regional bodies with clearer local identities would operate within broad principles defined nationally for consistency but focussed locally. This would also mirror the consistent but flexible approach proposed in the NPPF consultation. The central direction of the combined economic regulator and planner would still draw on the central model of the planning framework. The arrangements would have to be kept as simple as possible.
- Understands the difficulty of where to place economic regulation. the current approach must confront the challenge of combining environmental and economic regulation in one organisation, but this option requires the combination of economic regulation and planning, the choice of the Welsh Government, but even that will have problems. This need thinking through further for England, and better articulation.
- Recognises that with such a regional system the trade- offs and priorities would be developed to reflect regional requirements. However, there is a risk that this would lead to essentially multiple regulatory systems. A multiple system would create tensions with a single Government department responsible for the outcome but with multiple accountabilities.
- Understands that this would be a very different response to the Water Commission report and is not perfect it is suggested as a solution which reduces the fractures in the environmental interface which the White paper proposes. It opens the way for regional water planning authorities which might be seen to mirror the old RWAs.

35 Other issues

The WCWC

- Advocates the exercise of caution with applying the concepts of NAVs to assets with significant operational maintenance needs.

- Advocates the use of discounted cash flow analysis, using a discount rate based on the water companies agreed cost of capital in place of Totex, but warns on ensuring that the revenue implications of capital spend must always be accounted for fully.
- Is very concerned about the proposals for operator self- monitoring. Several concepts and needs are conflated. Where permit standards for treated sewage effluent such as BoD are set on a 95% probability basis with composite samples it is vital that monitoring follows the same approach; concepts such as, continuous monitoring, would have profound consequences for design, compliance and investment. It re-submits its suggestions for integrated quality assurance for the monitoring of all sewage discharges.
- Agrees with the concept of a Chief Engineer. but also suggests Chief Scientist as well. The WCWC notes the publicity given to the former. And somewhere in the system suggests a role for a Chief Economist.
- Offers some thoughts on developing the skill sets of senior managers not only in water companies but in the regulators as well.
- Recognises the importance of changes in culture and makes comments as to what is desirable. Salaries must be set to attract the right staff in the regulators and water companies but not be excessive.
- Advocates the need to address fundamental reasons for recent excessive risk aversion by the regulators – most notably the prevalence of prescriptive silo- based targets and standards that do not allow for constrained discretion to arrive at optimal integrated solutions.
- Makes several suggestions on the culture of regulators and water companies and it is clear that there is a serious skills shortage which needs addressing in the entire sector
- Emphasises the deficiencies in communication and advocates pro- active marketing of achievements and strategies to draw in public support. Defra must be a narrative leader rather than follower of some ill-informed reporting
- Notes the recent media interest in the qualities of controlled waters and sewage discharges; this highlighted the need for a clear narrative on data .And such clarity will aid regulation and operational management. The WCWC observes the plethora of data sources, which need bringing together and it has suggested that this should be treated as a project for 'Big Data' and this must form part of the Transition Plan The White Paper makes no reference to this.
- Understands that speed in transition is essential, but it needs to proceed in a phased manner which emphasises direction but avoids reversals

36 The WCWC would be pleased to contribute to transition initiatives outlined in the White Paper to develop these concepts

THOUGHTS ON THE PROPOSALS IN THE WHITE PAPER

37 The White Paper sets out themes and the WCWC uses these to assemble its thinking. As described earlier the Welsh Government has issued its Green Paper consulting on proposed changes and this provides a useful reference point.

New Direction for Water:

38 The White Paper states that *Reforms to set clearer long-term direction – including reforms to Strategic Policy Statements, rationalising plans, better joined-up regional water planning function, and a long-term stability objective. To help stakeholders to manage these changes, we will publish a Transition Plan detailing the journey to a new system. These reforms will provide clear direction to help companies and investors better plan for the long term and take advantage of long-term efficiencies.*

39 It is at this point that the notion of a regional water planning function (in effect a systems planner) first emerges. But its remit, conduct and relationships will have profound structural implications of the conduct of water management in future. A hint of the structure is given under Streamlining Planning in that there will be Regional Steering Groups but delivery models will be tested. It is very important that there is a holistic view of how the different structures will work together. The WCWC is very keen to emphasise the central role of catchment management.

40 The White Paper states that *Providing Long-Term Direction We will set out clear long-term direction and priorities to guide decision-making and action for all parties who have a role to play in protecting our rivers, lakes, and seas, including key sectors such as the water industry, agriculture, transport, and development. In the absence of a long-term and cross-sectoral strategy for water, governments have previously relied on Strategic Policy Statements (SPS) to Ofwat, the economic regulator, to guide how they make decisions on future planning with industry and how they fulfil their duties. Poor management of this process has resulted in fragmented and short-term direction and decision-making. To address this, we will reform the approach to the SPS by expanding it to cover long-term priorities and targets for the wider water system, looking 25 years into the future*

41 The WCWC supports the proposals, but advocates that they might not be radical enough. This reformed SPS must form a central hub of coordination on relevant initiatives.

42 During 2025 the WCWC has evolved its past suggestion, highlighted in the previous Overviews, for an Overarching Water Strategy for England, to have, as a major feature, a new integrated Water Regulatory Position Statement. In responding to a Consultation on industrial emission permits in October, the WCWC suggested that all Regulatory Position Statements (RPS) are in need of review and that for water is in dire need.

43 That is different to the Strategic Position Statement for Ofwat and different to Water Company Strategic Direction Statements.

44 The water section in the EIP revised in December 2025 was a step in the right direction, whilst it is comprehensive, but is still only a partial action plan. Reference to the 2023 Water Plan has disappeared and there are crucial issues missing, which are high on political agenda elsewhere. For example, the failure of the Water Framework Directive Regulation Chemical Status due to PFAS and the steps needed from Government (as set out in the

2023 Water Plan) are missing.(this omission has now been dealt with by an Action Plan published in February How this fits together with a revision of the 2023 Water Plan, which is no longer featured, is also worth considering; the EIP needs close attention.

45 The 2023 Plan for Water, the 2025 Environmental Improvement Plan, a new water RPS, and a new SPS all need bringing together. The WCWC agrees with the Water Commission, and now this White Paper that this all needs sorting out and must form part of how the Government responds, in fact the commitment to respond is referred to in the EIP. The new strategy should be an overarching framework. It should not seek to micro- manage, but, as with so many aspects of life, the 'devil is in the detail' as many of the consultations show and the WCWC has explained

46.To resolve the current disparities, individual initiatives, policies and regulations should flow from that strategy, which would act as a 'one stop shop hub' for all relevant contributions to a better future for water. .It should include a clear framework of standards to be achieved and adhered to, with timetables co-ordinated with the Periodic Review process. New initiatives must be costed clearly and clear statements made as to how they will impact on charges, with standards and new obligations delayed, if necessary, until funding is secured through the Periodic review process. All of these needs thinking through in developing the new SPS. As discussed in the Prologue, even during the preparation of this response further Policy Statements and consultations have emerged.

47 Over prescriptive siloed targets have excessively constrained regulators and proper optimisation leading regulators to be (too) risk averse. The Commission report rightly advocates that "government should review legislation with a view to setting criteria whereby the regulator could depart from specific requirements or allow water companies or other delivery bodies to do so.". Therefore, in line with the White Paper's correct call for constrained discretion, Defra's framework for standards should treat specific targets as "aim to achieve" rather than prescriptive and in this they should allow regulators to apply constrained discussion to address inherent trade- offs and arrive at efficient integrated solutions.

48 Whatever system emerges, the situation must be avoided, where-in the regulator underprovides the necessary resources to meet obligations or companies exaggerate costs of projects. The regional planning body should signal both the necessary timing and transparent appraisal of the costs and the benefits of its proposals, but that would require a check by the Chief Engineer or an engineering panel. Hopefully this will be covered by the transition guidelines, or it will adversely affect investor confidence. A revised appeals process should help (see later) but it is important to get the numbers right before wasting time on appeals.

49 The White Paper includes a statement that the legislative framework will be reset including elements of UWWTD regulations and WFD regulations .There is no indication of the extent of this reset .But the WCWC reminds the transition team that the content of the Directives , were based substantially on decades of UK experience .There is no indication of understanding that there could be significant implications for permitting . notions of compliance and implications for changes in capital design, operation and investment. This is a classic example of one change having significant implications for the 'bigger picture' And the reviews must retain much that is good in the current regulations.

50 Whilst resetting the legislative framework of the above will undoubtedly be very time-consuming, the negative effect on public perception is clearly set out in Water Commission

Report. The adoption of a “one out all out” approach to classification means that incremental improvement in some but not all parameters is hidden and the classification remains unchanged. This results in the unsatisfactory situation of perception by the public that despite high levels of expenditure, there is no improvement to the waterways. Additionally, it is extremely demoralising for operators to know that their achievements are ignored as far as public opinion is concerned.

51 This can be readily addressed by refining the methodology and using a balanced scorecard approach where every parameter is given the same weighting. If it is not possible to escape from the European Directive, then the balanced scorecard could be produced in parallel with the WFD methodology and an explanatory note provided that the WFD classification is lower because of the presence of ubiquitous chemicals in water courses. This would represent a “quick win” for the media and public perception of the new Direction.

52 And could be a matter for a Common Standards Unit to address.

53 The WCWC supports the White Paper call for “constrained discretion” and that Government will “address legislative barriers through planned legislative reform”. Therefore, the Water Bill needs to treat individual targets as “aim to achieve” rather than prescriptive must do requirements. They should ensure that the regulator has constrained discretion and arrive at balanced decisions through effective optioneering that addresses the trade- offs and arrives at efficient integrated solutions.

Complementary systems

54 This narrative is really focussed on England, but the Commission report and this White Paper envisage a separate but complementary system in Wales. This has now emerged in the Welsh Government Green Paper, as described earlier

55 The White Paper states *that the UK Government is working with the devolved governments to identify and address cross-border issues. In particular, the UK and Welsh Governments are working closely and constructively to deliver water sector reforms that reflect each government’s policy ambitions. While the sectors in England and Wales are distinct, they must remain complementary and responsive to cross-border issues*

56 The WCWC supports the notion of complementarity between England and Wales .In fact the system proposed in Wales provides a reference for England as discussed below .But the WCWC observes that there is a difference between rhetoric and reality .There may be complementarity in setting systems up but there needs to be robust mechanisms to maintain it on an ongoing basis .

Streamlining Planning.

57 The White Paper states that

- *planning frameworks will be enabled by an enhanced, better joined-up regional water planning function. This will fill the missing middle in the current system and enable a more holistic, coordinated approach to water environment and supply planning which aligns with long term priorities.*
- *To support development of the new model and test how the approach works in practice, we will work with local partnerships to prepare for new elements of the*

regional water planning function in 2026. We will set up a Regional Water Planning Steering Group to scope and co-design the framework, considering questions such as how catchment and local insight can inform regional system planning, how best to join up water, flood, and development planning, and how system planning could influence where investment is targeted. This group will include cross-sector representation including from regulators, the water industry, agriculture, transport, and local government to ensure we are building on and learning from best practice and innovation from around the country. Phased implementation will enable us to test and refine delivery models, informing implementation from 2027. We will set out more detail about this approach in the Transition Plan, including how elements will feed into the next investment round for water companies

58 The WCWC agrees with the White Paper and suggests that it ought to be more forthcoming on relevant plans such as Drainage and Waste Water Management Plans(more of these later) and those plans for the reduction of forever substances in the water environment (the Action Plan has now been published by with omissions relevant to the execution of these proposals) .The WCWC is not convinced yet in the value of having two plans on water supply and environmental waters both of which must be based on river basins .Will it embrace the Basin Planning functions ?

59 The White Paper is not clear on the operation of the Regional Planning function. The principles should underpin the operation of the new water regulator and the creation of future water company asset plans. The WCWC makes some suggestions on how these could be addressed.

60 The WCWC advocates very strongly that these regional functions must be guardians of integrated natural resources management planning with a strong focus on catchments. The WCWC asks. would they be advisory or have statutory direction powers? How will it link with the catchment partnerships which the White Paper promotes but which operate effectively best a local sub-catchment level. To whom or to what will it be accountable This could create new fractures in the regulatory interfaces. For example, as discussed later, it is vital that flood risk management is integrated with other aspects of water planning, but equally it is also vital that it is closely allied to land drainage practices, as discussed later.

61 Elsewhere it is envisaged that that the regulation of water companies is to be nuanced for local needs reflecting the outcomes of regional and local planning and it is assumed that the new water regulator will be ultimately responsible for the water prices setting process. And these process streams must fit together. The WCWC makes suggestions as to how these could be addressed.

Effective collaboration for reform

62 The White Paper states that *since the publication of Sir Jon's final report, we have established numerous working groups to ensure a diverse range of stakeholder views were considered in developing our reforms from the outset. We plan to continue this open and collaborative approach as our reforms progress, drawing in expertise, support, and challenge from diverse groups across the water system.*

63 The WCWC agrees that working together is always the best way forward and not constantly seeking someone or something to blame. Collaboration must be maintained in due course on an ongoing basis. It continues to offer its experience to the evolution of the system

64 The WCWC welcomes the White Paper's promise that Defra will test how the new approach works in practice. To expedite, this should first comprise a virtual exercise of the overall process from start to finish over a 5 year price review cycle and its implementation to set out what information is needed in what form from the various bodies and sources to deliver what sort of outcomes needed at each stage of the process – as EA did in their Ribble case study when they developed appraisal processes for River Basin Management Planning.

65 This comes too early in the White Paper because the tests must pick up issues which emerge subsequently and are discussed later in this response. The test should be designed to clarify how the following key matters will be addressed:

- Understand just how difficult the combination of environmental and economic regulation on one organisation is going to be
- Develop a very clear interface for the work of the regulator and planning function relate?
- Understand the relationship of the rump environmental regulators and the water regulators
- Determine the extent that the water regulator will take over practical operational responsibilities in water management?
- Define the relationships of central direction and regional delivery in both the planning and regulatory arms of the way forward
- Determine if regional planning is just a steering group in each region with a small secretariat or something more substantial. And determine how the secretariat of the regional planning function can be efficiently resourced, funded and marshalled to identify, appraise and set out the plans effectively. 'This could come from restoring the regulators' planning functions which had operated well in RBMP2 and will now need to make greatest use of IT advances.
- Provide clarity on how the water industry price reviews will be carried out in practice in co-ordination and tandem and consistently with other planning processes such as for other pressures (eg agriculture, transport, nature improvement strategies, flood risk management plans, drainage plans etc
- Define how the water planning system will incorporate information from the various individual plans and information sources and how they are appraised (both technically and economically) to adequately and consistently take account of costs, benefits and inherent trade- offs.
- Provide a clear definition of the spatial specification of the plans and planning. The EA's focus of the Third RBMP at River Basin District level was heavily criticised for

being too remote and not related or applicable to practical actions. The WCWC supports the White Paper proposals which would enhance catchment partnerships to strengthen local capacity to deliver effective catchment management. They effectively operate at local sub-catchment levels. Need to clarify how they could link with the systems plans. And as this Paper articulates elsewhere, how organisations like CaBA can be integrated into the planning processes.

- Determine how the technical and economic appraisals (including strengthened options development and cost-benefit analysis) will be conducted, so as to handle trade offs

66 Defra needs now, (as an urgent first step in the transition plan, to do a strategic analysis of all pressures and their impacts on the water environment and the plans to control them and their costs and effectiveness in the short, medium and long terms to insert some realism into the discussion and to identify pinch points where the costs are high and require search for innovative alternatives.

Resetting Regulation:

67 The White Paper states that *Establishing a new integrated water regulator to provide greater stability, transparency, and an integrated view of both economic and environmental performance. A new supervisory approach will shift regulation towards being more proactive and targeted to the specific needs of each water company to improve performance – while also increasing grip over water company delivery. These reforms will establish a model for the new regulator to intervene early to help underperforming water companies recover faster, attract the investment they need, and improve long-term financial resilience, asset health, and environmental performance.*

68 The WCWC offers the advice that a new integrated water regulator must have a focus on the regulation of all impacts on resources and quality. The White Paper is overly focussed on water companies and that is driven by the fact that a major feature will be derived from the activities currently covered by Ofwat.

69 The WCWC further offers practical experience from past reorganisations of water services and regulators. And offers the insight that there is a profound difference between rhetoric and reality. It is very easy to conceptualise change, but that has to be 'stress tested' with practical examples.

New water regulator (in England)

70 The White Paper states that *There is widespread consensus that the existing regulatory framework, with four separate regulators or agencies with overlapping and conflicting remits, has been ineffective. While there are successes, such as the Drinking Water Inspectorate's (DWI) performance in overseeing high-quality drinking water, the regulatory system overall has not delivered for customers or the environment, nor has it created the conditions for long-term investment.*

For this reason, we will create a powerful new regulator by abolishing Ofwat and bringing together the relevant water system functions from the existing regulators (Ofwat, the DWI,

EA, and Natural England) into one new body. This will replace the current fragmented system with one regulator capable of integrated management of the water system. It will be able to deliver better services for customers, joined-up regulation and a cleaner environment for nature and the public

71 There are several aspects not yet addressed in the White Paper .And one is the nature of the regulatory landscape after all the reorganisation is in place .The WCWC would like to suggest that the concept of regulatory interface analyses should be applied .The Corry Review and the Water Commission had suggested that the current interface landscape is fractured .The WCWC has already suggested that consideration should be given to bringing the functions of Natural England(NE) and the Environment Agency (EA) together using the model of Natural Resources Wales (but not incorporating forestry) , but there has been reluctance to pursue this in the past, presumably as the organisation created would be too big. And where does this leave the MMO?

72 The WCWC suggests that there should be some narrative on the relationships with other bodies with interests in natural resources such as the Forestry Commission and National Parks, but this may emerge in the arrangements for regional planning as set out earlier. Water companies and their, often beautiful sites, have a major impact on recreation, conservation and public access affecting many millions of users. Expenditure on enhancing these sites and facilities from which the public can benefit even more should be treated in a positive way.

73 The new supervisory approach will shift regulation towards being more proactive and targeted to the specific needs of each water company to improve performance ; the current regional structure of the EA, based on river basins will be retained and strengthened, which the WCWC supports. The WCWC suggests that the aspects of regulation to which this applies should be made much clearer .. does it include permit compliance?

74 It is assumed that the new water regulator will have the same advisory status on the development of regulated standards determined by the Defra .But the WCWC suggests the creation of a Common Standards Unit combining the water quality advisory group proposed for the water regulator with UKTAG currently under Defra (responsible for advising on river quality standards) and the Standing Committee of Analysts (currently under DWI) .It could take on the same responsibility for bioresources standards .And ensure a consistent and holistic approach to standards and monitoring across all sectors of the water cycle .

New regulator interface fractures

75 The direction of travel on regulation has been based on the concept of natural resources management which the WCWC has advocated for a long time. In this the management of regulation of all natural resources, including land and water, are closely allied. In fact, that underpins the concept of catchment management. And a stressed interface could arise between the regional planning functions and the water regulator on matters like Basin and catchment planning

76 The separation of water management from the EA and NE begs the question of what new regulator responsibilities will arise from the concepts set out in the White Paper and what will be left for the rump regulators. So as an example, the new water regulator would, presumably, be responsible for Water Environmental Delivery Plans, but the rump NE responsible for the rest ;the new water regulator would be responsible for implementing the Farming Rules for Water, but the rump EA would be responsible for the rest of farming activities(but later comments in the White Paper put a question mark over even this

<https://environmentagency.blog.gov.uk/2025/05/13/how-to-prepare-for-an-inspection-from-the-environment-agency-ea-a-farmers-guide/>

77 How is responsibility for the Land Use Framework, currently under development (to which the WCWC contributed), going to be implemented through the new regulatory system?

78 There has always been a close connection between waste management and water quality. Irresponsible waste management and fly tipping can cause water pollution, as recent events with mega fly tipping sites attest. It was always a big issue in terms of landfill sites and hydrogeologists, with interest in ground water pollution from waste having played significant roles in the development of the WCWC. Indeed, whilst this paper was being prepared, it was headline news that a major fly tipping site in Northamptonshire was creating land and water pollution from tyres and waste oil.

<https://www.bbc.co.uk/news/articles/cwyn0n75z9lo>

79 The WCWC cites the example of bioresources (suitably treated sewage sludge used responsibly) to demonstrate how new regulatory interface fracture lines could develop. In a Thinkpiece in 2025, the WCWC drew attention to the need for a more integrated approach to strategy and regulation and examined the role of Standard Rules permits. The new arrangements would create a situation, for example, in which digesters on farms would be regulated by the rump EA or even a combined rump environmental regulator but those on sewage treatment works by the new water regulator and there are several other examples cited. The WCWC notes the very recent consultation on this topic by Defra and the inclusion in the Welsh Government Green Paper, to which it will respond in due course.

80 The other aspect overlooked is the fact that the EA is in fact also an Operational Delivery Body and allocation of its delivery activities has the potential to create new regulatory interface fractures. The WCWC cites some examples

Examples of operational deliveries by the EA.

River levels, flood risk, land drainage

81 Appendix 2 provides details of flood responsibilities .. a really important issue which most certainly has more direct impact on peoples' lives than, say, universal access to wild swimming

82 The EA is the primary authority responsible for managing river levels, with a main focus on flood risk management, environmental protection, and regulating water resources. They control river levels through the operation of infrastructure, regulation of third-party structures, and strategic planning, particularly on designated "main rivers". The EA

- operates and maintains key flood defence structures, including embankments, flood storage areas, and major assets like the Thames Barrier. They also manage sluices and pumping stations to manage water levels for flood risk or, in some cases, to maintain water levels for navigation and environmental purposes.
- has powers to maintain and improve "main rivers" to ensure the efficient passage of flood flow. They work with Internal Drainage Boards (IDBs) and Local Authorities to manage water levels, especially in low-lying areas.
- has responsibilities for flood Risk Management and monitors river levels 24/7 and operates a real-time flood forecasting and warning service. During flood events, it manages water levels through manual or semi-automatic control of sluices and barriers.
- regulates, and often requires notification for, any work on a river control structure (like a weir or sluice) to prevent unauthorized changes to water levels or obstruction of flow. They also manage water abstraction licenses to prevent over-extraction and maintain river levels.

- balances flood risk management with environmental needs, such as ensuring fish passage through structures and maintaining water levels for wetlands.
- Is a crucial operational body during flood events

83 Whilst the EA holds the primary responsibility for main rivers, it works in partnership with:

- Internal Drainage Boards (IDBs): Manage water levels in specific drainage districts (in one are the EA is the IDB).
- Lead Local Flood Authorities (LLFAs): Manage flood risks from other watercourses.
- Riparian Owners: Individuals or groups who own land next to a river are responsible for maintaining the riverbed and banks on their property and ensuring they do not obstruct flow.

84 The EA does not have a legal obligation to carry out all maintenance, but they have the power to do so and often prioritize actions that reduce flood risk over those for amenity purposes. It is crucial that land drainage and flood risk management are kept together. In the late 1990s, the EA separated them internally and the land drainage function acted as an internal outsourcer to flood risk. It did not work and they were remerged in the early 2000s. Equally it has long been held as sensible that flood risk management must be an integrated part of catchment and river basin management with correlation to water resources planning. It is right that flood water should not be lost and must form part of water resources. So the White Paper proposes arrangements in which several fracture lines might occur between the delivery of land drainage, possibly by the rump EA, and flood risk management vested in the regional planning steering group, which is discussed later

Fisheries management

85 The EA

- Invests money from rod licences into projects, such as fish passes and habitat restoration, which improve fish populations.
- Check licences, monitors compliance, and prosecutes illegal fishing to maintain healthy, sustainable fish stocks.
- Focuses on removing obstacles (e.g., weirs) and restoring habitats to allow free movement for fish, improving breeding and feeding grounds.
- Operates its own fish farms (e.g., Calverton) to restock rivers and lakes, often in response to environmental incidents.
- Engages with stakeholders such as anglers, conservationists, and other interest groups...would this transfer to the Regional Planning function

Boat wastes

86 The EA

- operates self-service pump-out and chemical cassette disposal facilities, particularly on the River Thames, which often operate on a pre-paid card system available from lock-keepers. These facilities are located at various lock sites and alongside public facilities.
- Has noted that expanding or installing new sites is currently restricted by available resources.

- Many, if not most, boat waste disposal facilities (pump-outs and elsan points) are located within commercial boatyards, marinas, or along canals operated by other authorities like the Canal & River Trust (which is not mentioned in the White Paper) .

Navigation

87 The EA holds statutory responsibility for ensuring safe navigation, managing river levels, and maintaining navigation assets like locks, buoys, and signs.

Integration of environmental and economic regulation in the new water regulator

88 A major feature of the Commission report ,the political rhetoric thereafter, and now this White Paper ,is that Ofwat is a standalone regulator will be abolished and its functions, however modified, will be merged into the responsibilities of the new water regulator .In practice will offer some challenges in defining the new organisation .Whatever the questions over the concept of this merger , the die is cast

- How will the checks and balances on what needs to be done for the environment, with what is affordable, be ultimately expressed in water charges ?.The practical questions could be, for example ... what would be the balance of interest/expertise of environment /social economics in the appointment of board members and the way board agendas and papers are prioritised ?.In the WCWC there is experience of the challenges in bringing all the environmental interests together in the creation of the EA and the NRW . These pale beside the challenge of creating the new water regulator. At the end of discussion remains the question... who and how will the prices be set in future Price Reviews? What are the government priorities for trade-offs and extensions to timescales for implementing new or revised obligations. What is the role of Government in expressing views on the cost of water in relation to other costs of living and requirements for determining what should constitute good value for money?
- Transition Plan must not underestimate the challenges of bringing economic and environmental regulation into one organisation. The WCWC has deep experience of past reorganisations which it would be happy to share
- Reminds the parties responsible for creating the next steps that the challenge of managing the price review process as distinct from monitoring the economic performance of water companies (the “MoT” concept), must not be underestimated. It will not stop or reverse the process of increased price rises funding the creation and operation of assets to deliver increasing demands on water services as envisaged in the White Paper and in the numerous regulatory initiatives. Whatever the criticism of the functioning of the existing system, the Government has vaunted the outcome of PR24 which required price rises irrespective of the ownership of the water companies.

89 The Commission report mooted the transfer of Ofwat’s function in Wales to the NRW as one option to mirror the proposal for England .The White Paper leaves that question open in anticipation of a Green Paper in Wales ; but in terms of regulatory streamlining there does seem some merit in complementarity as the White Paper itself implies .That Green Paper has now been published and Wales is taking a different approach as described early on in the Prologue.

Integration of drinking water regulation in the new water regulator

90 The WCWC would like to see a much stronger case for disrupting the strength of the current system in merging in the DWI .The debates which led to the Water Commission and

this White Paper derive from fractures in the regulator interfaces of the EA , NE , and Ofwat .In fact the system overseen by the DWI has worked well as has been demonstrated by recent events .The current system covers England and Wales, but the Commission report and the White Paper envisage that drinking water regulation in England and Wales will be separated with options in Wales to have a separate standalone Welsh DWI or incorporation into NRW, as envisaged in England with incorporation into the new water regulator

91 In any event it is important that there is a single entity the DWI which can be identified by the public and which continues its role of compliance monitoring, incident oversight and communication of assurance to consumers. The trust of the public in DWI must not be damaged.

92 The White Paper envisages that the new water regulator will convene a drinking water quality advisory group in England, *including scientific and public health experts who understand the water industry and the challenges it faces, to safeguard drinking water quality. This group will be given responsibility for making regular recommendations for updating drinking water regulations, accompanied by impact assessments to ensure value for money whilst helping protect and improve public health and consumer confidence in water quality.*

93 The Welsh Government Green Paper envisages that the English water regulator will provide operational regulatory services to Wales. The WCWC advocates very strongly that Wales must be represented in such a group, and this might add some grist to the argument that there is a need for a Chief Scientist, which is discussed later.

94 And the WCWC observes that there is an equivalent body for environmental water criteria, the UK Technical Advisory Group UKTAG

https://wfd.uk.org/sites/default/files/Media/Environmental%20standards/Environmental%20standards%20for%20use%20in%20classification%20and%20POMs_Draft_010605.pdf

95 There is no mention of UKTAG in the White Paper .And as there is increasing focus on non- compliance in any part of the water cycle , there is an enhanced need for standard analytical methods (just as is advanced later for standard engineering criteria) .The WCWC has advocated a more evident role for the Standing Committee of Analysts (again no reference is made to this) .which is currently tucked in under the DWI although the methods addressed cover all the water cycle

<https://www.gov.uk/government/publications/standing-committee-of-analysts-sca-blue-books>

96 There is a case for bringing all these together in a Central Common Standards Unit within Defra which would feed into the sets of related standards defined in regulations by Defra. Indeed, the WCWC would go further and vest it with similar responsibilities for bioresources, and this would bring a more holistic and consistent response to issues like PFAS and microplastics.

Options for regulatory structure

97 There are a number of modifications, which could be made to the existing proposals

- The WCWC reiterates points made earlier that there must be clarity of the roles and remits of all the proposed bodies and that catchment management must be a central feature of the work of regional planning
- It is clear that the current system has not taken catchment management forward in England as much as the WCWC has advocated. The WCWC has suggested a more formalised approach to catchment management to Defra and the EA and it would like to contribute this to the discussions on the way forward. This could give greater

involvement to NGOs, (such as CaBA) and would follow the philosophy of the White Paper

<https://waterconservators.org/wp-content/uploads/filr/2740/July%2024%20CATCHMENTS%20ED%203%20%20Update%20of%20Thinkpiece.pdf>

- There is a powerful case to merge the functions of the rump NE and rump EA
This can be more efficient and save money

https://www.wao.gov.uk/sites/default/files/Development_of_Natural_Resources_Wales_English_2016_6.pdf

The role, structure and name of this needs careful consideration.

- If the English water regulator does not want to have operational responsibility, but wants oversight, for example of navigation and land drainage, one way would be to have a service agreement between the rump environmental regulator and the new Water Regulator.
- The WCWC understands the difficulty of where to place economic regulation. The next steps must confront the challenge of combining environmental and economic regulation in one organisation. And it notes the choice in the Welsh Government to combine it with planning in Wales but even that will have problems. These needs thinking through further for England
- The new water regulator should have a small but well informed and powerful national centre setting frameworks with strong devolution to regions based on river basins as per the existing boundaries for the EA and water companies. Careful consideration should be given to the 'brand profile' of these regions as part of rebuilding public trust in water regulation.
- The WCWC notes the plans to develop regional planning, and these must embrace many issues ranging from structure, identity, remit, accountabilities and so on. And clear running of its interface with the water regulator will be a test of success.
- The WCWC is pleased to support the role of the Chief Engineer and suggests that for a Chief Scientist and these should create a powerful centre able to disseminate standards and designs to maximise efficiency and effectiveness. However, Regions would need to have strong capabilities too. There is a case for a Chief Economist somewhere in the central functions in whatever central function drives the planning process.
- The WCWC recalls past experiences with separating flood risk management and land drainage. Ideally, they must stay together but separation looks to be a casualty in all options for the future. Flood risk management looks destined to move into the regional planning function
- The WCWC has suggested a central Common Standards Unit which would sit under Defra, combining UKTAG, the proposed drinking water quality steering group and the Standing Committee of Analysts. Indeed, the WCWC would go

further and vest it with similar responsibilities for bioresources, and this would bring a more holistic and consistent response to issues like PFAS and microplastics

98 These are all matters relevant to the response under the section on Effective collaboration for reform. The WCWC has provided commentary on the challenges and offered some solutions; whatever structure emerges for the rump environmental regulator, the new water regulator and regional planners, there needs to be clarity about central direction and local flexibility as envisaged in the White Paper and NPPF proposals

More radical changes

99 But for the testing processes suggested by the White Paper the WCWC puts forward some more radical ideas to enliven further debate to confront the challenges highlighted above on the loss on integrated natural resources management and the difficulty of merging economic and environmental regulation into one organisation. But it may well be too late.

- There is an argument for combining all the functions of the EA, NE and DWI, but separate all activities consistent with water systems planning eg catchment management planning etc and allocate these to a regional planning function. This would still leave land drainage and flood risk management separated .. and needs special attention. And the interface between the combined environmental regulator and the combined economic and planning function would need to be addressed.
- The opposition to merging environmental regulation has always been creation of too big an organisation and to counter this the WCWC suggests that there would be strong delegation to regions which would have much more evident local brand profile helping to rebuild trust in regulation. Would this be a better fit with the recommendations of the Corry review? And that a suitable headline national name could be Environment England with regions allocated regional names eg Environment Anglia, Environment Midlands etc
<https://www.gov.uk/government/publications/delivering-economic-growth-and-nature-recovery-an-independent-review-of-defras-regulatory-landscape/an-independent-review-of-defras-regulatory-landscape-foreword-and-executive-summary>
- And this would create a new challenge of merging planning and economic regulation which has its own stresses, but these could well be less than the stresses of combining economic and environmental regulation. Any trialling could be conducted in conjunction with Wales which is following this option.
- The combined environmental regulator must have a strong and distinct water management function
- Many of the points made by the WCWC on the current proposals, eg relationship of central and regional functions will still apply. The changes are essentially how the pieces of the puzzle could be allocated differently.
- The WCWC would be pleased to contribute to the testing initiatives outlined in the White Paper to develop these concepts.

A New Toolkit and Approach for Regulators

Tailored Approach

100 The White Paper states that *it will require and support the new regulator to adopt a supervisory approach. Through continuous engagement, the regulator will build a better understanding of the specific circumstances of each water company, including its engineering and technical challenges. This will transform the way water companies are regulated, shifting to an approach that is more proactive, risk-based, company-specific and outcomes-focused – while also improving grip and oversight of delivery*

101 The WCWC agrees with this approach. It is focussed on the companies and is most effectively managed by regulatory bodies which match company boundaries. However, it notes that one of the criticisms of Ofwat was that it was trying to force all companies to fit a single model, and the supervisory approach is supposed to help overcome this. But how can it do that without bending the rules somewhere and how does that coexist with fairness and integration?

Constrained Discretion

102 The White Paper states that *too often, legislation has led to over-prescriptive and onerous regulatory approaches. This has encouraged regulators to make cautious decisions overly focused on compliance, rather than achieving the outcomes intended by the government and necessary for public benefit ..We will therefore embed the concept of 'constrained discretion' into the reset of water regulation*

103 The WCWC agrees with this approach. But to what will it really apply? Economic or even environmental regulation? But the WCWC observes that this is not the tone of recent consultation on penalties. The WCWC responded with a number of comments which suggested that there needs to be a much clearer concept of what non-compliance means and in particular what culpable non-compliance is. The discretion lies in judging where an operator is guilty of culpable non-compliance of course rather than a random statistical exceedance. This is not a matter of convenience but of ensuring behaviour change towards zero failure. The WCWC has advocated the addition of an appeals mechanism.

Ownership

104 The White Paper stated that *We will create a regulatory system that supports owners with long-term business models and prevents the inappropriate financial engineering of companies in the past. We will consider new measures to do this, including through the new supervisory regime. This will be done with the sector, investors, and the new regulator to develop a proportionate and transparent set of tools for the regulator to protect customers and the long-term interest of companies. Where a water company might want to transition to a new ownership model, such as a not-for-profit, the regulator will develop a transparent process to assess whether a water company's requested move to a new model should go ahead and ensure customer interests are properly reflected in the decision.*

105. The WCWC agrees with the Proposals. It will require the acquisition of new skills by the regulator to anticipate, evaluate and communicate sophisticated financial or physical restructuring that may be proposed by some companies. It will also require the regulator to employ a split cost of capital rather than the current Weighted Average Cost of Capital (WACC) which encouraged companies to engage in the financial engineering and increased gearing which the White Paper (p.26) rightly deplores and criticises for harmfully reducing companies' financial resilience.

106 However, the WCWC observes that there is no agreed algorithm which links the type of ownership to poor performance and that the behaviour of owners (including government), investors (including government again) and managers is a more important factor than the model.

Major change planned for water industry in Wales

107 The Water Commission report identifies that legislation may be required to allow the regulator to obtain full details of holding company structures, again this is omitted from the White Paper. It is essential.

Performance

108 The White Paper stated that *We will introduce a new Performance Improvement Regime (PIR) for poorly performing water companies. This regime will be designed to prevent companies from falling into a 'cycle of decline'. The PIR will draw on the regulator's in-depth understanding of a company, gained through the supervisory approach to regulation, and it will include both supportive and punitive measures. This will be calibrated holistically with the standard framework to ensure a toolbox of increasing options for the new regulator under the PIR.*

109 The WCWC agrees with the Proposals. This will need more than a toolbox it will need experience of management at senior levels in the water or energy sector.

Building a Better Culture

110 The White Paper states that *A key part of improving culture is getting the right people in to do the job and we want the sector to be attractive to high-quality senior leaders, acting in the public interest, who can lead change from the top. To achieve this, we will consider taking forward a new regime for senior accountability, carefully designed to embed stronger ownership and accountability in a fair way which still allows water companies to appoint capable leadership.*

111 The WCWC agrees with the Proposals. The WCWC was a very early advocate for changes to Water Company Articles of Association and is pleased that this change has now been completed and awaits the benefits of such changes. But the problem is getting the Holding Companies to accept the same responsibilities as the Licenced Subsidiaries which requires strong regulation.

112 The White Paper said that the Code of Conduct for quoted companies was to apply to all companies whether or not they are quoted, which is an excellent proposal.

113 The WCWC also considers that there is a need to address the issues in the acquisition of skills across the entire sector

114 The WCWC offers some thoughts on the suggestion of a new regime for senior accountability in the sector and hopes that this will apply to regulators as well. Too often the notion has been to bring in management expertise from outside the sector with little understanding and empathy of the issues; too often managers from within the sector have failed in the bigger picture of management including the importance of public perception; too often senior managers in the water companies have failed to demonstrate empathy and understanding of regulations, and too often regulators have failed to understand the challenges of practical operational delivery. In this last instance the WCWC urged Defra to ensure that there will be practical experience in the EA in applying the new penalty regime.

115 The WCWC suggests that some thoughts should be given to ensuring that, at least, within the senior management teams there are people with chartered status and solid experience in water management and engineering such as CEnv , CEng and CWEM plus well-regarded experts in economics, finance and accounting preferably with practical water sector experience. And that attention must be given to the role of codes of ethics .. bearing in mind that the legislation on public office accountability is likely to apply to all the water sector. Information on best practice for both Boards and management in terms of culture needs to be shared by regulators with companies.

116 The WCWC offers no comments on pay scales for water company executives or, indeed, the regulators, except that they should be sufficient to attract the right talent to deliver what is required, but not excessive.

117. Far more attention needs to be given to communication, indeed proactive marketing of achievements and delivery in this whole complex area of water. It is perceived by the public as “our water “not as an abstract commodity. Many companies address this in terms of their brand and to establish a partnership with their customers. Proactive marketing means factoring in the public perception issues before decisions are taken and finding ways to best present well considered outcomes. It is not about whitewash but trying to win public trust. It requires individuals responsible for marketing and communications who are able to understand technical and marketing complexity, generate messages which resonate and to identify effective channels of communication.

118 The public have high expectations and low toleration of failure. Culture starts at the top and no amount of training or recruitment can overcome strategies and management decisions which involve a high risk of catastrophic failure. A zero- failure culture is required for services with public health consequences. When the Government is reviewing its key strategies for the sector there is the opportunity to review them with great rigour, to avoid negative outcomes and to achieve a reset for the sector. For instance, whilst a reduction in per capita water consumption is essential it would be very high risk for any government to rely on this to the extent that there is a real likelihood of frequent supply interruptions in the medium and long term. At the same time Government is right to pursue initiatives on labelling, extending smart metering and increasing public awareness of the preciousness of water.

119 There needs to be a more positive approach on smart metering and extending roll out to properties currently exempt because of higher cost of installation.

Accelerating Impact

120 The White Paper states that *As many of these regulatory reforms will take time to design and implement, we want to accelerate our efforts to secure early improvements. Our current regulators need the right tools available to continue to drive improvements and hold water companies firmly to account during this transition period.*

We consulted on changes to enable the EA to deliver swifter and more proportionate penalties for minor-to-moderate offences. These would act as a deterrent to poor performance by water companies and would sit alongside and complement the existing enforcement options such as prosecution and unlimited penalties for more serious offences to the criminal standard of proof.

121 This does not fit squarely with the earlier point about constrained discretion. And the WCWC draws attention to its submission in the consultation in late December on penalties which remains unchanged.

Attracting Investment:

122 The White Paper states that *Making water a more attractive and reliable sector for investors seeking stable and fair returns. This will include rationalising and simplifying performance commitments to reduce the volatility in returns and introducing new measures to improve financial resilience. We are also increasing competition through more innovative third-party financing, and reforming the appeals process to bring water in line with other utility sectors. These reforms will reset the balance of risk and return for investors, ensuring that they receive a fair bet – a return which adequately reflects the risk they take, helping to re-establish the water sector as a place for steady and stable returns.*

Predictability is key if the sector wishes to attract investors looking for relatively low but stable returns.

Improving Certainty and Resilience for Companies and Investors

123 The White Paper states that *The water industry will be best served by patient, long-term investors attracted by a steady, fair, and dependable return. It used to offer the stability which motivates these investors, but stability has eroded over time. Regulation should ensure investors expecting high returns over short timeframes are not encouraged. We want to see stable, predictable, and transparent regulation which provides the low-risk environment that long-term investors look for.*

124 *As an important first step in providing this greater stability, we are committing to retaining a 5-year cycle for water industry price reviews, but with reforms to make it function more effectively and with greater certainty. This will provide certainty to companies regarding bills and investment needs, ensuring focus remains on the delivery of outcomes for customers and the environment. To further strengthen planning, we will introduce a 5/10/25-year planning approach. This will provide short-term funding certainty to water companies for the first 5 years, more indicative funding commitments for the following 5 years, and set out high-level funding needs over a 25-year horizon. The price review cycle would then act as 5-year checkpoints in long-term delivery plans, not delivery sprints. This new planning approach will reduce volatility and uncertainty for customers and water companies by smoothing the current 'boom-and-bust' delivery cycle and providing more funding certainty for the full lifecycle of projects to support accelerated delivery.*

125 The WCWC agrees with the general direction of the proposals, but the 'devil lies in the detail'. Great care needs to be taken with messages and signals and the legal content in the Instrument of Appointment.

Increasing Investment and Competition

126 The White Paper states that *We will amend the Specified Infrastructure Projects Regulations (SIPR) Water Industry (English Undertakers) Regulations 2013 and enable legislation to enhance the existing regime, create more flexibility and allow greater use across the market, which will provide greater certainty and support competitive delivery. Amending the statutory thresholds will enable a wider range of projects to qualify for delivery under SIPR, building on the success of the Thames Tideway Tunnel. This will provide a procurement model that sits alongside Ofwat's Direct Procurement for Customers (DPC), providing better value for money for both customers and companies, whilst increasing the attractiveness of large projects to the market.*

We also intend to optimise SIPR by expanding the scope from solely sewage-focused projects to all types of water infrastructure. Greater early-stage oversight and assurance will be implemented, including where necessary, direct government involvement to strengthen incentives and reduce costs through improved competition and contracting. We will evaluate the SIPR and DPC procurement models over the next five years, and if required introduce further amendments based on live project experience.

127 The WCWC gives cautious support to the proposed changes but retains its caution of the application of NAVs with active operational maintenance alongside passive asset maintenance as expressed in its submission to the DBT in 2024.

<https://waterconservators.org/wp-content/uploads/filr/2654/Jan24%20DBT%20SMART%20ECONOMIC%20REGULATION%20Response%20to%20DBT%20Consultation.pdf>

128 The WCWC suggests that there needs to be careful review of early projects awarded on this basis. PFI has a long history of surprises favouring the contractors and their financial backers. There are serious problems now being experienced as hospitals and schools, let alone early PFI models 25 years ago, are passed back to public ownership. The assets are in poor condition, whilst the PFI contractors are liquid the public cannot, therefore, be made to pay to restore them to acceptable. This should be seen as a potential lesson in how difficult it is to draft these contracts.

129 It emphasises that a rush into new PFI models should be avoided until the first attempts can be properly assessed

A Consistent Approach Across Regulated Sectors

130 The White Paper states that *Alongside taking forward reforms to the water sector, we will also work across government to ensure regulated sectors are treated appropriately and consistently by their regulators – including in how they set the cost of capital. This will provide greater confidence in long-term investment outcomes, reduce unnecessary competition between UK regulated sectors, and attract investment for urgently needed infrastructure upgrades. We will also bring the water sector into alignment with other regulated sectors by replacing the current third-party redetermination led by the Competition and Markets Authority with a more focused appeals process. This will help create a price review process that is faster, more resource-efficient, and more predictable for water companies and investors.*

131 The WCWC supports any initiative to develop consistency across regulators .. a minor example being even with Defra itself inconsistency on how water consumption in new properties should be regulated

132 The WCWC agrees with the comments and Proposals

Putting Customers First

133 The White Paper states that *Everyone deserves a water service that is simple, reliable, and affordable. That means clean water from the tap, the efficient removal and treatment of wastewater, and water companies taking responsibility when things go wrong and putting it right. We want customers to see the true value of water and to trust the system that delivers it.*

Creation of a new independent water ombudsman. We are also acting to better protect customers by further safeguarding our world-class drinking water and increasing consideration of public health across the system. These reforms will ensure customer protection continues to be prioritised and enhanced.

134 The WCWC most certainly agrees!

Keeping Costs Down

135 The White Paper states *More broadly, the reforms set out in this White Paper all play a key role in keeping costs fair for customers in the long-term, securing better value for money, and avoiding the dramatic bill hikes we have recently seen. Whether that is by providing greater long-term certainty for investors to reduce costs of financing or giving more flexibility*

to water companies and regulators to pursue the most cost-effective solutions, these reforms will be critical in managing customer bills and keeping more money in people's pockets.

136 The WCWC agrees with the thrust of the proposals. However, the avoidance of significant increases in bills may not be consistent with other aspirations in the White Paper, particularly where there is a backlog of work or urgent problems affecting security of supply or public health standards.

Supporting Customers

137 The White Paper states that *Alongside ensuring bills remain affordable, we also want to make sure customer concerns and complaints are taken seriously and resolved quickly. That is why we will strengthen protections for consumers by establishing a new, independent, impartial, strong, and accredited Water Ombudsman.*

138 The WCWC agrees with the Proposals

Keeping our Water Safe

139 The White Paper states that *The most important role the water sector plays for customers is in protecting and improving public health – ensuring sufficient levels of safe water are available for drinking and hygiene. Drinking water in England is some of the safest and cleanest in the world, with the most recent assessment by the DWI showing 99.97% of public supplies complied with drinking water standards.*

140 The WCWC has set out its concerns and suggestions earlier in this response. It is concerned that any changes to our current world class system must not disrupt its excellence

Clear Action for Clean Water:

141 The White Paper states *that Building on record investment in storm overflows and wastewater treatment, taking action to tackle sewer misuse and introducing a single set of stronger and clearer standards and enforcement for agricultural pollution. We are also moving to a system of open monitoring – where companies are not marking their own homework on environmental performance. These reforms will drive forward the government's promise to clean up our rivers, lakes, and seas.*

Stopping Pollution Early

142 The White Paper states that *We want to do better at addressing the root causes of pollution head-on. Therefore, we are proposing a shift in focus towards 'pre-pipe' solutions, such as rainwater management, including sustainable drainage systems, and tackling sewer misuse. These approaches are more sustainable, deliver wider benefits like reducing flood risk and supporting biodiversity, and will deliver better value for money for customers. To enable this shift, we will ensure legislation, funding streams, and regulatory mechanisms support the delivery of pre-pipe solutions.*

We will also take stronger action to make sure the public are not inadvertently contributing to this pollution. We will do this by tackling sewer misuse to prevent sewer blockages, which will help maximise sewerage capacity, reduce pollution incidents, and sewer flooding. We have already introduced legislation to ban wet wipes containing plastic, which will reduce plastic and microplastic pollution in our waters.

143 The WCWC supports this intended shift, but this section is rather weak in that it does not provide sufficient focus on what government will actually do within its bailiwick of responsibility. For example, it

- Does not address the issue of how this regulatory development stream is going to interact with the concomitant proposals for changes in the NPPF and in the impact on water services, although the issue of planning is taken up later
- Is not sufficiently committed, to the point of neglect, to the management and regulation and future of highway drainage
- Does not make even a passing reference to mandatory SuDS
- Does not make any mention of a review of automatic rights of connections to sewer except a passing reference later, that this will be seen as an enabler for development
- Or mention of government leadership on the subject of disposal of products down toilets .. this is a key area for communication and establishment of public ownership of environmental improvement
- Or make any reference to product controls regarding, for example, PFAS.
- And fails to address barriers to the pre-pipe solutions the White Paper rightly wants to promote.

Addressing Agricultural Pollution

144 The White Paper states that *We will therefore consolidate the existing regulatory framework into a single set of stronger and clearer national standards for water*

145 The WCWC notes that it is proposing that *standards are extended to bring best practices into regulations to deliver improvements in the water environment and ensure sufficient protections for air quality and soil health. We will continue to give farmers, environmental groups, and interested parties a voice in shaping these new regulations through our Addressing Pollution from Agriculture Programme and wider consultation.*

146 The WCWC notes this but observes that this seems odd that a water regulator will take on these roles and this harks back to the regulatory fractures referred to earlier

Ending Operator Self-Monitoring

147 The White Paper states that *The government has committed to ending ‘operator self-monitoring’ so water companies will no longer mark their own homework on pollution incidents. We will develop a new strengthened Open Monitoring approach for monitoring wastewater. Open Monitoring will be driven by greater digitisation and automation, making data accessible to the public in near-real time and helping to restore public trust in the system. As part of this, we will pursue options for intelligence-led inspections and third-party assurance. In parallel to taking forward Open Monitoring, we will optimise the current monitoring framework to improve our ability to assess the condition of the whole water environment, understand the pressures affecting it, identify trends, and evaluate the effectiveness of interventions from an ecological and public health perspective. We will encourage more flexibility in monitoring approaches where appropriate, to drive better use of technological advances in data collection and analysis. We will also improve the use of Continuous Water Quality Monitoring data to understand the harm caused by water company discharges, better monitor the ecological health of the water environment, and improve risk messaging to protect public health.*

148 The WCWC notes that this has attracted the attention of the media following publication of the White Paper. The WCWC made a submission on this to the Commission and in this instance gives direct link to it. There is a great deal more at stake than just a re-jigging of monitoring. The Water Commission report urges caution

<https://waterconservators.org/wp-content/uploads/filr/3300/Feb-25-MONITORING-Submission-to-WATER-COMMISSION.pdf>

149 Several concepts have been mixed in the proposal. OSM includes self-reporting, and the principles and the narrative of OSM focus on the quality of treated sewage effluents. But the politics and media coverage include, untreated sewage effluent, sewage pollution incidents, storm overflows, dry weather flow monitoring (including the vexed issue of dry discharges) As set out in the paper submitted to the Commission.

150 The absolute principle is that the criteria for monitoring sewage effluents, and hence assessment of compliance with permits, must be identical to those used for setting the permits. And there is a distinction between the processes of monitoring per se and those of reporting consequential data. The text of the proposals refer to pollution incidents (and indeed a lot of the media narrative appears to be around dry day discharges from storm overflows, a topic worthy of separate discourse which the WCWC will be happy to share). But it also refers to a strengthened open monitoring approach for monitoring waste water. If the open monitoring approach refers to the routine monitoring of treated sewage effluents it is a modernisation of the principles which underly OSM. But the text also refers to near real time access to data. Real time access and analysis would not be consistent with the way in which sewage effluent permits are defined because the central criterion is BOD which is a 5day test and the permissible variation is 95 percentile based on 24 hour samples. So this would represent a much bigger change than the rather glib description of what is intended for monitoring practice and could involve significant expenditure consequences to make discharges compliant.

151 The WCWC agrees that improving the use of CWQM does have a role particularly for water company monitoring as per S82 of the Environment Act and as an operational tool.

152 The WCWC urges Defra to put the pursuit of integrated quality assurance options high on the list of actions. And the WCWC, BSI and CIWEM have put forward how its principles can be used as oversight of a bundle for all such monitoring responsibilities by water companies. The WCWC has particular expertise on this matter and will be happy to contribute to the evolution of the system.

153 This section must be understood in relation to the earlier comments on the proposed reviews of the WFD and UWWTD regulations and may need modification of the permitting regulations

154 The WCWC also notes the recent media interest in the qualities of controlled waters and sewage discharges; this highlighted the need for a clear narrative on data. And such clarity will aid regulation and operational management. The WCWC observes the plethora of data sources which need bringing together and it has suggested that this should be treated as a project for 'Big Data' and this must form part of the Transition Plan. The White Paper makes no reference to this.

Water Security

155 The White Paper states *Improving asset health through new mapping and statutory resilience standards, while cutting leakage and increasing water efficiency with more water reuse, smart metering, and innovative regulation. We are also streamlining infrastructure delivery with new planning systems, support for stronger supply chains and better regulatory oversight to protect infrastructure from growing risks. These reforms will help water companies get spades in the ground faster to build and maintain more resilient infrastructure*

Driving Better Resilience

156 The White Paper states that *The water industry provides critical services that the public, nature, and our economy depend on every day. It is therefore crucial that water industry assets are up to scratch and resilient to shocks. For this reason, we will shift to a system where assets are properly maintained, and there are clear infrastructure standards*

companies must meet, with the right funding and incentives to ensure the long-term resilience of asset bases.

To do this, we need to build a better understanding of asset conditions. We will work with the new regulator to develop a fuller picture of asset health, building on Ofwat's plans for a data-gathering exercise to provide a snapshot of asset conditions. We will also work with the new regulator to develop forward-looking asset health metrics to ensure this critical infrastructure gets the funding it needs.

157 The WCWC supports the thrust of this proposal, however resilience is not just about asset health (condition and performance grades) but also adequate design capacity. The need is to measure and track the condition grade and the performance grade for each asset and sub asset that might be replaced independently The WCWC has a wealth of experience in this field and can offer this to the transition process

Investing in the Asset Base

158 The White Paper states that *Establishing a baseline understanding of current asset condition and developing standards for both asset condition and asset resilience will help the sector understand what needs to be done to improve infrastructure standards. Changing the economic regulatory model alongside this will ensure companies are funded appropriately to fix these problems.*

To do this, the new regulator will need appropriate technical capability to assess the sector's asset needs and have engineering expertise embedded at its core – including through a Chief Engineer. The Chief Engineer will oversee a fundamental shift in the culture of the regulator and enable engineering-based supervision, supporting the regulator's ability to understand the true costs of projects as part of its cost challenge process. They will provide expertise at the appropriate senior level, with a clear remit to ensure technical capability exists throughout the organisation, especially as part of infrastructure supervision.

The new regulator will also implement a series of changes to the Price Control process to ensure sufficient funding is allocated to maintaining and improving asset resilience. The new regulator will also implement a series of changes to the Price Control process to ensure sufficient funding is allocated to maintaining and improving asset resilience

159 This is quite a complex and controversial topic .On the whole the WCWC agrees with some reservations .It agrees with the establishment of a powerful Chief Engineer and if a regional model is pursued each regional regulator would have its own chief engineer .And a best practice network could be established to involve representation from Wales (and maybe Scotland and Northern Ireland as well.. and maybe water company engineers)

160 However, this raises some detail in terms of selection of asset. There is a predisposition for nature-based solutions, but these do not have universal relevance They have low capital and high operational costs

161 The Water Commission report considered the use of Totex , which was introduced by Ofwat to give more flexibility to find cost effective infrastructure improvement and points out that it has also incentivised companies to underspend on asset renewal. Elsewhere Ofwat have justified its use on the grounds that Totex favoured revenue-based solutions, which they preferred. The normal appraisal tool which has been at the centre of commercial activity for over 70 years is Discounted Cash Flow analysis, which can be constrained to favour revenue-based solution through the choice of the discount rate.

162 Although not mentioned by the Commission report explicitly, Totex ignores the future value of money and in doing so does not meet the normal financial practice, The WCWC recommends that should be replaced by DCF with a discount rate set at the appropriate rate

for the water industry depending on the risks associated with the project .However in doing so the WCWC recalls that too often in past calculations ,the revenue impact of capital spend w60 underprovided for in calculations

163 The Commission report recommends clearly that use of Totex should be stopped. Whilst there may be different views about the spread of expertise supporting the Commission review, there is no doubt that it was very well served with financial expertise. But not only is there no mention of moving away from Totex in the White Paper, but the only financial graph in the White Paper is also based on Totex on page25. Thus, not only appearing to ignore the view of very senior financiers but also endorsing continuation of a concept which flies in the face of normal practice.

164 The use of Totex appears also to have distorted the Regulatory Asset base, but so have other decisions. That can be rectified by having a reset of the RAB at the start of the new regime, but Totex should be dispensed with quickly. Where company owners take an aggressive attitude, it is hardly surprising that they have already spotted how to exploit the flaws embedded in the Totex concept.

165 The WCWC uses this place to remind the Transition process that there is a big difference between the dynamics of assessing the financial needs of running a Water Company and the financial engineering of the Company, which has caused so many problems.

Infrastructure, Planning and Development

166 The White Paper states that *Improving understanding and investment in our underlying assets and infrastructure is not only critical to the water sector itself, but also to enabling wider development and economic growth*

To deliver the government's ambitious target to build 1.5 million new homes, we are working with the MHCLG to implement a new plan-making system. This will ensure better join-up between water and development planning processes, making plans simpler, faster to prepare and more accessible. Under this new system, the government intends to prescribe water and sewerage companies in 'Requirement to Assist' regulations so they will be obliged to assist with plan-making, where a plan-making authority reasonably requests.

167 The WCWC supports this but observes that the current NPPF is not focussed enough on water and at the same time as this White Paper was published the NPPF is out for review again and the WCWC has not had sufficient time to determine whether the latest proposals for change fit in with the aspirations of the White Paper .This is an example of the web of connections used as a paradigm in the overview of the work of the WCWC in 2025

168 The Government also intends *to list water and sewerage companies as consultation bodies for the new plan-making system, so they will be made aware of key plan-making consultations where the plan-making authority consider they have an interest. We will also consider the role of water and sewerage companies in relation to planning applications, as we consider responses to the current consultation on reform of statutory consultees, which includes proposed criteria for the adoption of any new statutory consultee.*

169 The WCWC has advocated that water companies should have a stronger contribution I the planning processes and not just where the Local Planning Authority considers they have an interest. . In the past the forward planning has been encapsulated in the Drainage and Wastewater Plans but there is a likelihood that these might get incorporated into the Basin Plans as envisaged earlier. This certainly needs attention before any changes are made

170 The White Paper also states that *separately, as this new process commences, we are also working together with MHCLG to ensure the right to connect for water supply and to the sewerage system supports and enables the government's housing delivery objectives.*

171 This is referred to earlier; consideration must be given to the impact on infrastructure which is the cause of public debate. The WCWC supports the other aspirations of this section

172 The White Paper also states that *at the nationally significant level, we will update the National Policy Statements for water resources and wastewater. This will ensure planning processes for new major infrastructure projects are up to date and clearly understood by the sector...*

173 The WCWC asks .. how will this fit in with all the other elements of national planning? They all need bringing together as the WCWC sets out earlier.

174 The WCWC supports the other aspirations of this section including support for RAPID and asks how this will be constructed in future with changes to regulators; and supports the Water Delivery Taskforce which the WCWC has consistently advocated

Supporting Supply Chains

175 The White Paper states amongst several proposals *Delivering the water infrastructure needed to meet future challenges depends on having the right supply chain capacity in place. We are therefore undertaking a joint assessment by regulators and systems planners to map out the sector's infrastructure delivery needs in relation to current and future supply chain capability. This will help identify potential gaps, inform planning, and ensure water company investment plans are deliverable on time and at cost.*

There are also opportunities to be harnessed in improving efficiency and reducing costs across the water sector by expanding the use of standardised designs and practices for key infrastructure, assets, components, and technology. While some standardisation already exists, greater consistency across companies could unlock further value for consumers and the environment. Recognising that detailed operational practices should not be imposed centrally without careful consideration, we are working with NISTA to explore how best to facilitate the adoption of more standardised approaches.

176 The WCWC supports the Proposals but draws attention to the long life of existing legacy assets, and the need for them to achieve their "book life" which reduces the opportunities for standardisation, and the pace at which innovation can be deployed. That means that retrofit innovation is more likely to prove attractive than abandoning existing assets that are only partially depreciated

Water Efficiency

177 The White Paper makes a general statement followed by several specific points.

178 The WCWC agrees with the Proposals. And it notes reference to the consultation on water efficiency to which it responded. It is surprised at the very specific reference to water efficiency labelling which it has supported and which had proposed even by the previous Government. It notes the media reaction of the 'nanny state' which it anticipated in its Overview of 2025

179 Progress on proposals in modifying Building Regulations is a classic case of 'silo initiatives' which the WCWC highlighted in its submission

180 But it is still rather weak in terms of mandatory SuDs and the benefits this can make. The cost of SuDS is the problem, the WCWC suggests that the EA needs to stop its insistence that SuDS must discharge to sewage works so that the surface water can receive full treatment...However the WCWC is pleased that the Government will be committed to enabling universal smart water metering. Smart Water metering needs to be rolled out to blocks of flats, the old problem of owners not being able to access them to read is no longer valid with smart metering.

Innovation

181 The White Paper stated that *Innovation has a crucial role to play in tackling systemic challenges like water scarcity, drainage, and wastewater treatment and improving our assets, whilst also supporting productivity and growth*

182 The WCWC has always supported innovation but notes that this may not be consistent with standardisation, least cost or fastest delivery, when it comes to application. Only a few projects can be test-beds or experiments but implementation of new technology once proven is supported. It will be fascinating to see what gains can be made through AI.

183 The WCWC supports the White Paper's statement that *Government will identify the barriers to innovation and will take action to allow regulatory discretion to facilitate innovation. This needs to include a move from the past prevalence of prescriptive siloed targets that have led to regulators being risk averse which has hindered innovation. So must replace by overall objectives that treat any specific target as an aim to achieve and allow constrained discretion in how best to improve the water environment*

184 The future of the practical role of Ofwat in innovation needs some careful thought

Strengthening our Defences

185 The White Paper states *We recognise that our water infrastructure needs to improve its resilience to the growing risks we face in a more dangerous and uncertain world. These risks include natural hazards like severe and extreme weather, as well as malicious attacks, for example, by cyber criminals.*

The powers of the current regulators in this area do not go far enough. For this reason, we will provide the new regulator with additional powers to investigate and enforce the security and emergency measures direction,

186 The WCWC agrees and observes that recent events have made this imperative.

Transition Plan:

187 The White Paper states that *Committing to publish a Transition Plan this year to lead the water sector through transformative reforms. This transition will be guided by the following principles: delivering a clear and straightforward roadmap, providing clarity on roles and responsibilities, securing buy-in from regulators and the water industry, and setting out practical guidance on how to create capacity and providing robust governance processes. The transition will be led by government, working in partnership with existing regulators, companies, investors, and environmental organisations.*

By addressing the structural challenges faced by the water system with these complementary and integrated reforms, this will allow us to tackle many of the long-standing opportunities and trade-offs head-on. These reforms will be mutually reinforcing, helping deliver multiple outcomes and all moving in the same direction towards a better system for customers,

188 The WCWC agrees, subject to the changes which it recommends. However, it is aware of the push for urgency in delivering the transition Delay is a risk” . The choice is not between speed and caution but between controlled transition led by government and uncontrolled transition led by uncertainty. What is needed is not a perfect plan but a directionally correct one which prevents drift. Investor confidence is the systemic risk which must be managed. So, there will need to be a consensus, so that the transition is made as correctly and swiftly as possible but bearing in mind the aphorism ‘act in haste, repent at leisure ! ‘

189 The WCWC has made several suggestions for issues to be addressed in the transition process and it will be pleased to contribute further.

Appendix1 Below is a clear, structured comparison of the Independent Water Commission recommendations (July 2025) and the Government’s Water White Paper (“A New Vision for Water”, published January 2026).

All factual points are grounded in the sources retrieved. Citations appear throughout.

Comparison: Cunliffe Recommendations vs. Water White Paper (Jan 2026)

1. High-Level Alignment

The White Paper largely adopts the core direction of the Cunliffe Review, especially the call for a *fundamental reset* of the water sector, creation of a *single regulator*, stronger accountability, long-term investment planning, and a renewed focus on asset health.

However, the White Paper is **higher-level**, defers many implementation details, and introduces some policy nuances not explicitly emphasised by Cunliffe.

2. Key Areas Where the White Paper Diverges or Adds Detail

A. Stronger Emphasis on Supply Chain Capacity

The White Paper goes further than Cunliffe by explicitly addressing **delivery capacity**, supply chain gaps, and political oversight of major projects.

B. More Explicit Environmental Permitting Reform

The White Paper moves abstraction and impoundment licensing into the environmental permitting regime—an operational detail not foregrounded in Cunliffe’s summary recommendations.

C. Customer Ombudsman

Cunliffe emphasised accountability but did not specifically propose a **new Ombudsman with binding powers**; the White Paper introduces this.

D. Regulatory Sandboxes

The White Paper explicitly commits to **innovation sandboxes**, whereas Cunliffe’s recommendations were broader about enabling innovation.

3. Key Areas of Direct Continuity

These White Paper elements directly reflect Cunliffe’s recommendations:

- **Abolition of Ofwat** and creation of a **single integrated regulator**.
- **Fundamental regulatory reset** with long-term planning cycles.
- **Stronger executive accountability** and intervention powers.
- **Focus on asset health**, maintenance, and resilience.
- **Long-term investment certainty** and use of RAB-style models.
- **Integrated environmental and economic oversight**.
- **Earlier detection of company failure** through a new performance regime.

All of these appear in both the Cunliffe review and the White Paper.

4. Overall Assessment

The White Paper is essentially the Government’s formal adoption of the Cunliffe Review’s core structural reforms, but it remains intentionally high-level. It confirms the direction of travel—new regulator, regulatory reset, long-term investment, stronger accountability—while deferring many operational details to future legislation and the 2026 Transition Plan.

Where it adds new emphasis is in **supply chain capacity**, **customer redress**, **innovation mechanisms**, and **environmental permitting**.

Appendix 2 Flood Risk Management and Flood Protection . Showing the web of connections affected by the proposed changes

Environment Agency

The Environment Agency has a strategic overview of all sources of flooding and coastal erosion (as defined in the Flood and Water Management Act 2010). It is also responsible for flood and coastal erosion risk management activities on main rivers and the coast, regulating reservoir safety, and working in partnership with the Met Office to provide flood forecasts and warnings. It must also look for opportunities to maintain and improve the environment for people and wildlife while carrying out all of its duties.

The Environment Agency's work includes:

- Developing long-term approaches to FCERM. This includes developing and applying the national flood and coastal erosion risk management **strategy**.
- Allocation of national Government funding to projects to manage flood and coastal erosion risks from all sources
- Delivering projects to manage flood risks from main rivers and the sea
- Working with others to prepare and deliver Flood Risk Management Plans (FRMPs). FRMPs explain the risk of flooding from rivers, the sea, surface water, groundwater and reservoirs, and set out how the Environment Agency, Lead Local Flood Authorities (LLFAs) and other **Risk Management Authorities** work with communities to manage those risks. The Environment Agency and Defra provide guidance to LLFAs on their role in developing FRMPs. FRMPs for England for the period 2016-2021 are published on **GOV.UK**.
- Providing evidence and advice to support others. This includes national flood and coastal erosion risk information, data and tools to help other Risk Management Authorities and inform Government policy, and advice on planning and development issues
- Working with others to share knowledge and the best ways of working. This includes work to develop FCERM skills and resources

Monitoring and reporting on flood and coastal erosion risk management. This includes reporting on how the national FCERM strategy is having an impact across the country.

Floods – on the Environment Agency website

Lead Local Flood Authorities (LLFAs)

LLFAs are county councils and unitary authorities. They lead in managing local flood risks (i.e. risks of flooding from surface water, ground water and ordinary (smaller) watercourses). This includes ensuring co-operation between the Risk Management Authorities in their area. Under the Flood and Water Management Act 2010, LLFAs are required to::

- prepare and maintain a strategy for local flood risk management in their areas, coordinating views and activity with other local bodies and communities through public consultation and scrutiny, and delivery planning. They must consult Risk

Management Authorities and the public about their strategy.

- The LGA produced a framework in 2011 to assist with the development of these strategies.
- carry out works to manage local flood risks in their areas (the power for works in relation to minor watercourses sits with either the district council or unitary authorities outside of IDB areas)
- maintain a register of assets – these are physical features that have a significant effect on flooding in their area.
- The Department for Environment, Food and Rural Affairs published guidance on this which is available [here](#)
- investigate significant local flooding incidents and publish the results of such investigations.
- the British Standards Institute has developed a **BSI Standard** 'Post-event flood assessments – Guidance on investigating flooding incidents'.
- have powers under the Land Drainage Act 1991 to regulate ordinary watercourses (outside of internal drainage districts) to maintain a proper flow by:
 - issuing consents for altering, removing or replacing certain structures or features on ordinary watercourses; and
 - enforcing obligations to maintain flow in a watercourse and repair watercourses, bridges and other structures in a watercourse
- undertake a statutory consultee role providing technical advice on surface water drainage to local planning authorities major developments (10 dwellings or more)
- co-operate with other Risk Management Authorities
- play a lead role in emergency planning and recovery after a flood event. Local authorities are 'category one responders' under the Civil Contingencies Act and must have plans to respond to emergencies, and control or reduce the impact of an emergency. Further information in the **Emergency planning section**.

LLFAs and the Environment Agency and all other Risk Management Authorities need to work closely together and ensure that the plans they are making both locally and nationally link up. An essential part of managing local flood risk is taking account of new development in land use plans and strategies.

By working in partnership with communities, LLFAs can raise awareness of flood and coastal erosion risks. Local flood action groups (and other organisations that represent those living and working in areas at risk of flooding) will be useful and trusted channels for sharing

information, guidance and support direct with the community. The National Flood Forum may be able to provide information on flood action groups in your area.

LLFAs should encourage local communities to participate in local flood risk management. Depending on local circumstances, this could include developing and sharing good practice in risk management, training community volunteers so that they can raise awareness of flood risk in their community, and helping the community to prepare flood action plans. LLFAs must also consult local communities about their local flood risk management strategy.

District and Borough Councils

District and Borough Councils are Risk Management Authorities and key partners in planning local flood risk management. They:

- can carry out flood risk management works on minor watercourses (outside of IDB areas) ,
- work in partnership with LLFAs and other Risk Management Authorities to ensure risks are managed effectively , including in relation to taking decisions on development in their area.

Coastal protection authorities

District and unitary authorities in coastal areas are Coastal Protection Authorities. They lead on coastal erosion risk management activities in their area. They are responsible for developing Shoreline Management Plans (SMPs) which provide a long term holistic framework for managing the risk of coastal change on their section of the coast.

The Environment Agency has a strategic overview to ensure that decisions about the coast are made in a joined-up manner.

Water and sewerage companies

Water companies are Risk Management Authorities (RMAs) and play a major role in managing flood and coastal erosion risks. They manage the risk of flooding to water supply and sewerage facilities and flood risks from the failure of their infrastructure.

The main roles of water and sewerage companies in managing flood and coastal erosion risks are to:

- make sure their systems have the appropriate level of resilience to flooding, and maintain essential services during emergencies
- maintain and manage their water supply and sewerage systems to manage the impact and reduce the risk of flooding and pollution to the environment. They have a duty under section 94 Water Industry Act 1991 to ensure that the area they serve is “effectually drained”. This includes drainage of surface water from the land around buildings as well as provision of foul sewers.
- provide advice to LLFAs on how water and sewerage company assets impact on local flood risk
- work with developers, landowners and LLFAs to understand and manage risks – for example, by working to manage the amount of rainfall that enters sewerage systems

- work with the Environment Agency, LLFAs and district councils to coordinate the management of water supply and sewerage systems with other flood risk management work.

Where there is frequent and severe sewer flooding, sewerage undertakers are required to address this through their capital investment plans, which are approved and regulated by Ofwat. This happens every 5 years through the Price Review process. Water companies have outcome delivery incentives (ODIs) that they agree with customers and partners. All water and sewerage companies have sewer flooding ODIs. Some companies have ODIs on partnership working, sustainable drainage and resilience of services. For more information on the current Price Review visit [here](#).

UK Water Industry Research have prepared some good practice - **How best to align the funding processes with the various bodies involved in resolving flooding**: Unlocking collaborative opportunities between water companies and partners. The aim of the research is to help facilitate more co-funded schemes between water companies and other RMAs. The report includes case studies to celebrate good practice, support partnership working and bring the guiding principles for collaboration to life.

Regulating the industry – on the Ofwat website

Water UK represents all UK water and wastewater service suppliers at national and European level. It provides a framework for the water industry to engage with government, regulators, stakeholder organisations and the public. They share information on water companies' performance on the Discover Water site [here](#).

Water UK website

Internal Drainage Boards (IDBs)

IDBs have an important role to play in flood risk management, and in creating and managing natural habitats. Each IDB operates within a defined area, known as a drainage district. They are made up of elected members who represent land occupiers, and others nominated by local authorities who represent the public and other interest groups.

IDBs are independent public bodies responsible for managing water levels in low-lying areas. They are the land drainage authority within their districts and their functions include supervising land drainage and flood defence works on ordinary watercourses.

They hold the powers in Section 25 Land Drainage Act 1991 to require works to maintain a proper flow of water in ordinary watercourses in internal drainage districts

This is primarily funded by drainage rates and levies from land occupiers and local authorities. By doing this, they closely manage water levels, both in watercourses and underground (groundwater), by improving and maintaining ordinary watercourses, drainage channels and pumping stations to reduce the risk of flooding.

They are able to involve local people, encourage volunteering and raise funds from those who benefit from their work

More about IDBs – on the website of the Association of Drainage Authorities

Highways authorities

Highway Authorities (National Highways and Unitary Authorities/County Councils) have responsibility for providing and managing highway drainage under the Highways Act 1980. This may apply to certain types of roadside ditch that the organisation is responsible for, but does not apply to all roadside ditches, many of which are privately owned. Where a privately owned ditch is located next to a highway, the landowner has a common-law duty to maintain the ditch and prevent it causing a nuisance to road users.

They co-operate with the other Risk Management Authorities to ensure their flood management activities are well coordinated.