

Water Bill

Sustainable Development and Resilience Duties

January 2014

This is one of a series of briefing notes on the Water Bill. It explains what the new resilience duty in the Water Bill will do and its relationship to the existing duties.

This note has been updated to reflect the amendments made to the new duty of resilience in the House of Commons to ensure that the Government's strong commitment to the sustainable management of water resources is set out explicitly on the face of the legislation.

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Background

1. This Government is strongly committed to sustainable development. Ofwat has had a statutory duty to contribute to the achievement of sustainable development since 2005. This sits alongside a range of other regulatory priorities such as the duty to promote economy and efficiency by companies in their work; and the duty to secure that no discrimination is shown in fixing charges. Ofwat's duty to protect the interests of consumers is explicitly defined as including both existing and future consumers. A summary of the duties, which apply to the Secretary of State and Ofwat, is at Annex A.
2. There has been a long running debate about whether this duty should be moved from its current position in the Water Industry Act 1991 to become a 'primary' or overarching duty. Some believe that it would lead Ofwat to promote longer-term and more holistic approaches to planning and investment in the water sector, which would deliver environmental benefits.
3. This issue was considered by David Gray in his independent *Review of Ofwat and Consumer Representation in the Water Sector* published in 2011 (the 'Ofwat Review'). Gray identified a wide range of areas of concern that different groups felt would be solved by a change in the status of the sustainable development duty. Ultimately, the Ofwat Review concluded that no change in the order of the duties was required because:

"we do not believe such a change would have the effect that its proponents are looking for".
4. In addition, Gray noted that those seeking to draw parallels between the duties of Ofwat and Ofgem (which has a primary sustainable development duty) had overlooked the fact that unlike the energy sector there are three water regulators: the Environment Agency, Drinking Water Inspectorate and Ofwat. He identified this balance between regulators as a particular strength of the water industry and argued that it was important that the three bodies have clearly defined roles. The Environment Agency is the lead body for regulating water companies from an environmental perspective. Gray noted that there were risks associated with giving Ofwat environmental duties of a kind better suited to the Environment Agency.
5. Nevertheless, the Ofwat Review explicitly recognised that more action was needed to ensure that sustainable outcomes were reflected in regulatory policies and decisions. In response to this, the Water White Paper promised to: *"reform the aspects of the current system which institutionalise short-term thinking and make it difficult to adopt solutions which would deliver a more joined-up, resilient water resources system"*. Building on this commitment, the Government's statutory guidance to Ofwat, the *Strategic Policy Statement*, provided a strong steer to the regulator on its interpretation of the sustainable development duty, backed up with a Ministerial direction and an annual reporting requirement.

Status of the Sustainable Development Duty

6. Ofwat must always seek to balance all of its duties. This includes the existing Sustainable Development duty and, following Royal Assent, it will include the new resilience duty. It would be wrong to assume that the duties which are 'subject to' the overarching duties may be disregarded. All of the duties have statutory force and there is a clear expectation that they are all reflected in regulatory decision making. This expectation is clearly underscored in the Government's guidance to Ofwat.

The Government's steer to Ofwat on sustainable development from our statutory guidance: the *Strategic Policy Statement*

The founding principle of sustainable development is that the three 'pillars' of the economy, society and the environment are all interconnected. In the context of the water sector, this makes sustainable development equally central to the work of the economic regulator as it is to the work of the environmental and quality regulators. Our long-term economic growth relies on protecting and enhancing the environmental resources that underpin it, and paying due regard to social needs.

Sustainable development is central to everything that Ofwat does and must be fully embedded throughout its regulatory decision making.

In line with the powers set out in section 27(3) of the Water Industry Act Ofwat shall, as a matter of priority, keep under review their contribution to the achievement of the Government's sustainable development objectives. Ofwat will report annually to the Secretary of State on the outcomes achieved, using the Government's Sustainable Development Indicators as a guide and publish this alongside their Annual Report.

7. The Water Bill places this policy steer on a clearer statutory footing and requires that Ofwat carries out its functions in accordance with the strategic priorities and objectives identified by the Secretary of State.
8. The proponents of a primary sustainable development duty have a range of concerns about regulatory priorities, which they are seeking to resolve through a change in emphasis on the existing duties. These concerns range from a desire to see an increased focus on protecting the water environment, to a wish to see a smoother profile of infrastructure investment to benefit companies supplying goods and services to the water industry. Others have suggested that changing the order to the duties would alter Ofwat's approach to allowing customers to fund renewable energy schemes such as anaerobic digestion.
9. The elevation of the sustainable development duty has been supported in equal measure by stakeholders that wish to see greater constraints placed on development in areas of flood risk or water stress; and by those that wish to see a faster expansion of

water and sewerage networks to support accelerated housing growth. The Government's view is that a change in the status of the existing duty is unlikely to resolve this wide range of loosely related issues to the satisfaction of all parties.

10. One reason that parties with potentially opposing views support this change is that sustainable development is a process that seeks to balance (and to manage trade-offs between) the needs of the economy, society and the environment. However, effective management of such trade-offs is already at the heart of the regulator's role.
11. The debate regarding the sustainable development duty reflects a number of long-standing concerns but does not always reflect the action that has already been taken to respond to those concerns. The Water White Paper signaled substantive changes to both the policy and regulatory framework governing the water industry. Building on this, the *Strategic Policy Statement* (SPS) provided a Ministerial direction to Ofwat to consider the capacity of the water and sewerage sector to deal with long-term challenges. Ofwat has since completely revised their approach to the price review. For example, the new "total expenditure" (totex) approach to address the industry's perceived preference for capital investment has resulted in the companies bringing forward business plans which propose a much more even split between capital and operational expenditure.

What the Government is proposing: the resilience duty

12. The Government made an explicit commitment in the Water White Paper to ensuring that our long-term priorities for the water sector and the water environment are properly reflected in regulatory decision making. We therefore considered how changes to Ofwat's duties might encourage better long-term outcomes for customers and the environment. This included looking at whether elevating the existing sustainable development duty would deliver that. However, we were concerned that, in practice, it is not likely to achieve the outcomes stakeholders wish to see.
13. That is why we have decided to create a new duty of resilience to address the specific issues relating to the long-term pressures facing the water industry. This duty directly reflects the specific roles and responsibilities with which Ofwat and the water industry are charged.
14. We amended the resilience duty during Commons Report stage of the Bill. The revised duty is set out in Annex B. The purpose of making these changes was to ensure that the Government's commitment to a resilient and sustainable water environment is set out as explicitly as possible on the face of legislation.

15. The new primary duty of resilience will require Ofwat to:

- ✓ Secure the long-term resilience of the systems (including the natural systems) on which our essential water and sewerage services rely;
- ✓ Promote action to respond effectively to pressures on the environment (including climate change), population growth and changes in behaviour;
- ✓ Ensure long-term planning and investment;
- ✓ Promote measures to manage water sustainably and reduce demand so as to reduce pressure on water resources.

16. The new primary duty is scoped broadly; covering the whole range of actions that the water industry can take to meet its objectives. This includes investing in new water resources or additional water storage to tackling unsustainable abstraction, reducing demand and focusing on environmental management at a catchment scale. It is based on the Government's view that a healthy and sustainable water environment is absolutely essential to the long-term resilience of our water and sewerage services.

17. Some stakeholders have expressed a concern that the new duty might encourage the industry to choose capital solutions over environmental approaches such as catchment management. This is not the case. The duty does not stipulate which approaches should be taken. In fact, environmentally-focused solutions such as catchment management are very widely recognised as having the capacity to improve long-term resilience.

18. It would not be appropriate for the Government to use the general duties to dictate specific approaches to delivering the outcomes that we wish to see. The costs and benefits of different approaches will always depend on the specific local context in which they are delivered. It is for Ofwat, the Environment Agency and the Drinking Water Inspectorate to work with the water companies to identify the best local solutions. In doing so each of the regulators must have regard to all of their duties. For example, Ofwat will always be required to balance the need to protect consumers with the need to ensure that the companies are financially viable and able to meet their statutory obligations.

19. In developing this duty we have given detailed consideration to the wide range of concerns that have been raised by stakeholders and assessed the most effective response. These are set out in summary below and in further detail at Annex C.

How this addresses key concerns

Addressing the risk that a 5-year regulatory cycle drives a focus on short-term planning and investment

20. There has been a legitimate concern that, in the past, the price review cycle discouraged investment in longer-term approaches. This tended to disadvantage schemes with environmental or consumer benefits as they typically have a longer-term payback. The new resilience duty has been specifically designed to address this issue. It requires Ofwat to secure the long-term resilience of systems (including natural systems) to environmental pressures and population growth. It also requires Ofwat to ensure that the companies take action to meet the long-term needs of consumers, by promoting appropriate long-term planning and investment; and by taking any and all relevant measures to manage water resources, whether in the network or in the environment. This reflects the clear steer which Government has provided the regulator through the *Strategic Policy Statement* which issued a Ministerial direction to Ofwat to keep under review the impact of their regulatory approach on activity by the water and sewerage sector to prepare for longer-term challenges.

Tackling the perceived bias towards capital investment solutions

21. This was a concern raised about the 2009 price review. We are already seeing very positive progress in this area in advance of the 2014 price review. Ofwat has developed a new “total expenditure” (totex) approach to address the industry's perceived preference for capital investment. This is designed to incentivise the use of operational solutions (such as catchment-based approaches and demand management) where these are cheaper or more effective.

22. Early indications from the companies' business plans suggest a shift away from any bias towards capital investment, with capital and operational spend about equal. Given the widely recognised role that operational solutions such as effective environmental management can have on long-term resilience we would expect the resilience duty to support this positive trend.

Tackling unsustainable abstraction

23. The Government is reforming the abstraction management system to make it more flexible and resilient to climate change and population growth. The new system will respond to the amount of water available in a catchment in order to limit environmental damage. It has been suggested that the requirement in the resilience duty to respond to environmental pressures could lead to over-abstraction to meet demand in catchments where water resources are under pressure. In fact the opposite is true. The duty will require Ofwat to regulate the water sector in the expectation that water companies must plan for the impacts of environmental pressures (such as climate change and population growth) and take remedial action in response.

24. Unsustainable abstraction fundamentally undermines the long-term resilience of the water industry by threatening the natural services upon which the whole system relies. This weakens the ability of the companies to fulfil their statutory functions. The new duty of resilience is explicitly designed to focus both the regulator and the industry on the need for effective, long-term environmental management. The duty has now been amended by Government to clarify that water resources must be managed sustainably.
25. The Water Bill includes a significant change which will enable a more effective approach to tackling over abstraction by water companies in the shorter-term. We will remove the water company statutory right to compensation for losses resulting from modifications and revocations of their abstraction licences. Ofwat has committed to the inclusion of companies' efficient expenditure on schemes to restore sustainable abstraction through the price review.

Tackling the problem of cyclical investment in the water sector and the impacts this can have on the wider supply chain

26. There has already been substantial progress in this area. The Government's *Strategic Policy Statement* included a Ministerial direction to Ofwat to focus on the impact on the profile of investment in the water and sewerage sector. Ofwat has been working with the companies and IUK in an effort to halt the stop/start pattern of work sometimes described as 'cyclical investment'. Ofwat has recently given permission to water companies to bring forward £100 million of investment into 2014 that would have been spent in the five years from 2015 to smooth the investment profile and benefit the water supply chain.

Taking account of climate change

27. The *Strategic Policy Statement* makes it clear that companies must monitor and assess the risks posed by a changing climate. It states that Ofwat should take a 25 year planning horizon as a minimum and should regulate accordingly. The water resources planning guideline states that a water company must assess the likely impact of climate change on its plan and report on this to both Ofwat and the Environment Agency. To support this existing guidance the resilience duty has been drafted specifically to ensure that the environmental pressures driven by a changing climate coupled with population growth and behaviour change are explicitly reflected in regulatory policies and decisions.

Taking account of population growth

28. The statutory Water Resources Management Planning process requires water companies to set out plans for managing the supply-demand balance over the next 25 years, taking explicit account of projected population and housing growth. In making price determinations Ofwat must take account of these plans. The existing statutory duties require that the interests of both existing and future customers are met and that water companies are able to finance their functions. These functions include a statutory

requirement to provide an adequate water and sewerage service to all premises. Ofwat is under a duty to carry out its functions in a manner best calculated to contribute to the achievement of sustainable development. In addition to these existing requirements the new duty of resilience has been explicitly drafted to ensure that the water sector is best able to respond to the impacts of a growing population. It recognises that this must be done both through effective management of water resources and through demand management measures.

Annex A

Summary of the general duties with respect to the water industry under section 2 of the Water Industry Act 1991

These duties apply both to Ofwat and to the Secretary of State. They comprise overarching (sometimes known as primary) duties to:

- protect the interests of consumers (both current and future); having regard to the interests of vulnerable groups, and to do so wherever appropriate by promoting effective competition;
- secure that the functions of each water company and licensee are properly carried out;
- secure that companies are able to finance their functions by securing reasonable returns on their capital.

Subject to these overarching duties, Ofwat has duties to:

- contribute to the achievement of sustainable development;
- promote economy and efficiency by companies in their work;
- secure that no undue preference or discrimination is shown by companies in fixing charges;
- secure that consumers' interests are protected where companies sell land;
- ensure that consumers' interests are protected in relation to any unregulated activities of companies;
- have regard to the principles of best regulatory practice; and
- consider the effect on the environment when exercising their powers.

All the duties have statutory force and there is a clear and unambiguous expectation that they must be reflected in regulatory decision making. In performing their regulatory functions, Ofwat must balance all of these duties.

Annex B –

Resilience duty: clause 22 of the Water Bill

The text below shows the relevant sections of the new duty of resilience as amended, changes are shown as underlined:

Primary duty to secure resilience

- (1) Section 2 of the Water Industry Act 1991 (general duties with respect to water industry) is amended as follows.
- (2) In subsection (2A)—
 - (a) omit the “and” at the end of paragraph (c);
 - (b) after paragraph (d) insert “; and
 - (e) to further the resilience objective.”
- (3) After subsection (2D) insert—

“(2DA) The resilience objective mentioned in subsection (2A)(e) is—

 - (a) to secure the long-term resilience of water undertakers’ supply systems and sewerage undertakers’ sewerage systems as regards environmental pressures, population growth and changes in consumer behaviour, and
 - (b) to secure that undertakers take steps for the purpose of enabling them to meet, in the long term, the need for the supply of water and the provision of sewerage services to consumers, including by promoting appropriate long-term planning and investment by relevant undertakers, and the taking by them of a range of measures to manage water resources in sustainable ways and reduce demand for water so as to reduce pressure on water resources.

(2DB) For the purposes of subsection (2DA)—

 - (a) the reference to water undertakers’ supply systems is to be construed in accordance with section 17B;
 - (b) the reference to sewerage undertakers’ sewerage systems is a reference to the systems comprising—
 - i. the systems of public sewers, the facilities for emptying public sewers and the sewage disposal works and other facilities for dealing effectually with the contents of public sewers that undertakers are required to provide by section 94, and
 - ii. the lateral drains that undertakers are required to maintain by section 94.

Annex C

Area of concern	Current action	Role for a change in duties?
<p>the 5 year regulatory cycle, drives a focus on short-term planning and investment</p>	<p>The Government has publically committed to reforming the aspects of the current system that can institutionalise short-term thinking.</p> <p>The <i>Strategic Policy Statement (SPS)</i> provides a Ministerial direction to Ofwat to keep under review the impact of their regulatory approach on activity by water and sewerage sector to prepare for longer-term challenges.</p>	<p>The new duty of resilience was specifically designed to address this issue. It requires Ofwat to secure the long-term resilience of systems to environmental pressures and population growth.</p> <p>It also requires Ofwat to ensure the companies take action to meet the long-term needs of consumers, by promoting appropriate long-term planning and investment; and by taking any and all relevant measures to manage water resources and reduce demand.</p>
<p>a bias towards capital investment solutions results in a lack of support for catchment based approaches and demand management</p>	<p>For this price review Ofwat has developed a new approach designed to address the industry's perceived preference for capital investment even when operating solutions might be cheaper and better. The new total expenditure (totex) approach uses a "menu" from which companies can choose their preferred level of risk. The more challenging the risk target, the better the reward if it is delivered.</p> <p>Early assessment of the companies' business plans suggests that there is no longer a meaningful bias towards capital investment with capital and operational spend about equal.</p> <p>Ofwat's move to a focus on outcomes rather than individual projects through this price review means that the regulator will no longer have a role in determining which solutions are most appropriate. It will be for the companies to decide whether investment in e.g. catchment solutions or demand management will achieve their outcomes.</p>	<p>The new resilience duty specifically recognises the need for a range of measures to ensure the long-term viability of companies systems and services.</p> <p>This includes catchment management and demand management, where appropriate. It has been widely recognised that these particular approaches are likely to yield longer-term benefits.</p>
<p>the impact of the five-year cycle on the supply chain</p>	<p>The SPS issued a Ministerial direction to Ofwat to focus on the impact on the profile of investment in the water and</p>	<p>The resilience duty requires a focus on long-term planning. However, no change to the duties is required in this case. Ofwat is</p>

	<p>sewerage sector. Ofwat has been working with the companies and IUK in an effort to halt the stop/start pattern of work sometimes described as 'cyclical investment'</p> <p>Ofwat has recently given permission to water companies to bring forward into 2014 investment that would have been spent in the five years from 2015. The value of the work totals £100 million. The decision follows the establishment in April of a joint industry group to tackle the issue of cyclical investment. Other outcomes from this work include</p> <ul style="list-style-type: none"> - a commitment from all English and Welsh water companies to address cyclical concerns in their business plans. - work to establish a single pipeline of opportunities covering all water companies, - work to consider how to eliminate the impact of cyclical. 	<p>already proactively pursuing a programme of work to tackle this issue in partnership with Infrastructure UK, the Water Industry and the wider water supply chain. All parties are clearly committed to tackling this issue with an aim to eradicate it between 2015 and 2020.</p>
<p>concerns about unsustainable abstraction</p>	<p>The Government is reforming the abstraction regime. to make it more flexible and resilient to climate change and population growth. The new system will respond to the amount of water available in a catchment in order to limit environmental damage.</p> <p>The Water Bill includes a significant change which will enable a more effective approach to tackling over abstraction by water companies in the shorter-term. We will remove the water company statutory right to compensation for losses resulting from modifications and revocations of their abstraction licences.</p> <p>Ofwat has committed to the inclusion of companies' efficient expenditure on schemes to restore sustainable abstraction through the price review.</p>	<p>It is clear that unsustainable abstraction fundamentally undermines the long-term resilience of the water industry by threatening the natural services upon which the whole system relies. Damaging abstraction weakens the long-term ability of the companies to fulfil their statutory functions.</p> <p>In this context the new duty of resilience is designed to focus the regulator and the industry on the need for effective, long-term environmental management. The duty has now been amended by Government to clarify that water resources must be managed sustainably.</p>
<p>a failure to take account of climate change</p>	<p>The SPS makes it clear that companies must monitor and assess the risks posed by a changing climate. It states that Ofwat should</p>	<p>The resilience duty has been drafted specifically to ensure that the environmental pressures driven by a changing climate coupled with population growth and behaviour</p>

	<p>take a 25 year planning horizon as a minimum and should regulate accordingly</p> <p>The water resources planning guideline states that a water company must assess the likely impact of climate change on its plan.</p>	<p>change are explicitly reflected in regulatory policies and decisions.</p>
<p>the need to enhance the water environment and protect biodiversity</p>	<p>We already have an environmental regulator – the Environment Agency. The way in which the three regulators in the sector have to work with one another is a strength of the system. The EA has a comprehensive range of environmental duties that influence its approach to the regulation of water companies’ activities.</p> <p>Companies have included a range of biodiversity improvements in their business plans associated with obligations under the Habitats and Birds Directive, CROW Act, Ramsar and Biodiversity 2020.</p> <p>The EA is working with the water companies to ensure that they are satisfied that business plans will allow companies to meet their statutory biodiversity obligations.</p> <p>In addition many of the measures that are put in place to meet other obligations, such as Drinking Water Protected Areas, will have beneficial outcomes for biodiversity.</p>	<p>Water supply and drainage are services that rely on a healthy water environment. In pursuing their statutory duties water companies are required to protect the environment and to minimise and remediate any environmental damage.</p> <p>The resilience duty has now been amended by Government to clarify that water resources must be managed sustainably.</p> <p>However, water companies are not first and foremost conservation bodies. They have an important role in relation to management of the environment and must respect the polluter pays principles. However, it would not be appropriate for them to charge customers for conservation activities from which the customers receive no benefit.</p> <p>Both Ofwat and water companies already have a range of environmentally-focussed duties including:</p> <ul style="list-style-type: none"> - to further the conservation and enhancement of natural beauty and the conservation of flora, fauna and geological or physiographical features of special interest; - to further water conservation; - to take into account the impacts of their actions on the beauty or amenity of any rural or urban area or on any such flora, fauna, features, buildings, sites or objects; - to have regard to the desirability of preserving for the public any freedom of access to areas of woodland, mountains, moor, heath, down, cliff or foreshore and other places of natural beauty.

<p>a failure to take account of the impacts of a growing population</p>	<p>The statutory Water Resources Management Planning process requires Water Companies to set out plans for managing the supply demand balance over the next 25 years, taking explicit account of projected population and housing growth. In making Price Determinations Ofwat must take account of these plans.</p>	<p>The existing statutory duties require that the interests of both existing <u>and future</u> customers are met and that water companies are able to finance their functions. These functions include a statutory requirement to provide an adequate water and sewerage service to all premises. Ofwat is under a duty to carry out its functions in a manner best calculated to contribute the achievement of sustainable development.</p> <p>In addition to these existing requirements the new duty of resilience has been explicitly drafted to ensure that the water sector is best able to respond to the impacts of a growing population. It recognises that this must be done through the sustainable management of water resources and through demand management measures to reduce pressure on those resources.</p>
<p>a lack of measures to stimulate investment in water efficiency and demand management</p>	<p>The Water Resources Planning Guideline requires companies to demonstrate that they have fully considered demand side options in their plans. The companies must show that projected reductions in demand are insufficient or measures are unjustified in terms of cost in order to justify development of sustainable new supply side measures.</p> <p>As a Statutory Consultee to this process, Ofwat must satisfy itself that water resources management plans have fully and consistently explored all the available demand management options.</p> <p>In assessing the costs and benefits of options, the focus should be on best overall value in terms of long-term resilience rather than a 'least cost' approach for the short-term.</p>	<p>It is already the statutory duty of every water undertaker or licensed water supplier to promote the efficient use of water by its customers.</p> <p>Building on this, the duty to secure resilience explicitly recognises the pressures on water resources and the water environment that are driven by a changing climate and a growing population. In response it explicitly identifies measures to reduce demand as part of the solution.</p>
<p>a lack of measures to stimulate investment in renewable energy (including anaerobic digestion)</p>	<p>Many anaerobic digestion schemes are, in fact, funded through the Price Review. However, this is allowed only where they have a direct benefit to water customers.</p> <p>Ofwat is responsible for regulating those aspects of water companies'</p>	<p>Ofwat is a competition authority and must uphold competition law. No change to the duties will influence this.</p>

	<p>activities that have ‘natural monopoly’ characteristics in order to protect consumers.</p> <p>Water companies can undertake activities both within the regulated part of the business and in the competitive market. The prices set by Ofwat only relate to the regulated parts of the business.</p> <p>There is a well established competitive market in place for renewable energy, including anaerobic digestion. Water companies are free to compete in this market but it would not be right for Ofwat to allow them to charge their customers to finance investment that would give them an undue competitive advantage over other producers of renewable energy in this market. This would push up water and sewerage customers’ bills without directly benefitting those customers.</p>	
<p>a desire to encourage water trading</p>	<p>The upstream reforms set out in the Water Bill will encourage new companies to enter the water sector who might offer new water sources, water efficiency goods and services or innovative ways for dealing with wastewater and sewage sludge. They will also make it easier for water companies to trade water with each other, increasing flexibility in the system, particularly during periods of drought. These reforms will benefit customers and the environment.</p>	<p>The new resilience duty places a stronger emphasis on long-term planning and investment this will be relevant to companies that wish to trade surplus water. however, the real changes that are required to facilitate this are to the structure of existing legislation and these changes are being taken forward through the Bill</p>
<p>a lack of concern for housing development and for the interests of developers in their dealings with water companies</p>	<p>The Cave Review identified problems with the way developers are charged for connecting to water and sewerage systems.</p> <p>Development is central to the Government’s agenda for stimulating economic growth. Ensuring access to water and sewerage services is essential for development. So it is vital that the charges levied are transparent and flexible in order to reduce the burdens on developers and increase competition.</p>	<p>Regardless of the duties a balance must be struck through the planning system</p>

	<p>The Bill places a duty on Ministers to issue guidance to Ofwat to ensure a fair distribution of costs between developers and water customers.</p> <p>The new charging arrangements will also provide certainty to developers about the costs that charges are designed to recover.</p>	
<p>a failure to reflect the potential impact of development on flood risk or the water environment</p>	<p>This is a matter for the planning system. The Government's Planning Policy Statement includes a presumption in favour of sustainable development.</p> <p>Water companies are routinely consulted on substantial developments in their areas and are able to present evidence on the impact of development on their networks.</p> <p>Local authorities are also consultees on water resources management plans; this enables a two-way dialogue on both development needs and environmental constraints.</p>	

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