

Water company discharges

Department for Environment, Food and Rural Affairs

RPC rating: fit for purpose

Description of proposal

Water companies return (discharge) a considerable amount of treated water back into rivers. It is often subsequently used by others (abstractors) for their businesses. Water companies are currently considering/implementing schemes to reduce discharges and/or re-use treated water. The Department proposes to require water and sewerage companies to undertake an assessment of the impacts of such schemes on the environment and on the availability for abstractors. If water and sewerage companies identify significant impacts on abstractors, they will be required to implement a discharge management process to mitigate the impacts.

Impacts of proposal

The IA explains that the proposal will impose total administrative costs of £1.3 million (NPV) on water and sewerage companies over the appraisal period. These arise mainly from the cost of assessing the impact of reduced water availability as a result of 24 water company schemes for changing discharges. Where an assessment identifies impacts on water abstractors or on the environment, the water companies involved will also incur administrative costs in working with the regulator to reach an agreement on any action needed to ensure that impacts on downstream abstractors are mitigated. Water and sewerage companies will also incur total costs of £1.9 million (NPV) to adjust the operating regimes of the schemes, where discharges are changed. In addition, the abstractors will incur total administrative costs, comprising of the time taken to conduct high-level reviews of discharge management agreements and the costs involved in appealing against decisions, totalling £0.6 million across the appraisal period.

Direct benefits will accrue to water abstractors, as they will see increased water availability and reliability of supply compared to the counterfactual where water availability is reduced. The Department estimates that this will total £6.7 million

(NPV) over the appraisal period. Overall, the annual equivalent net benefit to business is £0.1 million across the 30-year appraisal period.

Quality of submission

The Department has addressed the issues raised in the RPC's previous red-rated opinion of 18 March 2015. Specifically, the IA now provides details of:

- the four case studies undertaken to ascertain the likely effect on abstractors. This now provides a more appropriate sample of the type and size of potential schemes.
- a detailed explanation of the step-based design of the policy and why there appears to be a wide variation in the estimated costs of the proposed measures.

The Department has also now explained that the costs and benefits are correlated and, therefore, it is not possible for there to be a high-cost scenario without correspondingly high benefits (paragraph 9). The RPC also welcomes the additional narrative from the consultation and engagement with stakeholders.

The IA would benefit from further explanation as to whether the costs incurred by the Environment Agency were considered a cost to business. However, this would not affect the EANCB figure when rounded to one decimal place.

The Department has provided a SaMBA, explaining that there are three separate groups in its analysis: water and sewerage companies, the regulator and the third-party abstractors. None of the water and sewerage companies are a small or micro-business, nor is the regulator. . While it is likely that a significant number of abstractors are small or micro-businesses, the Department explains that the regulation is not being applied to them and, in any case, they would largely benefit. This assessment appears reasonable.

Other comments

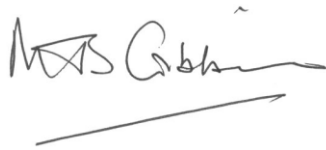
The RPC notes that the Department has classified the proposal as zero net cost on the basis that it is a regulatory measure that is net beneficial to business. The RPC confirms that the EANCB of -£0.1 million is robust but, under the March 2015 Better Regulation Framework Manual, it will be scored as zero net cost.

Initial departmental assessment

Classification	zero net cost
Equivalent annual net cost to business (EANCB)	‑£0.1 million
Business net present value	£2.7 million
Societal net present value	£2.7 million

RPC assessment

Classification	In scope
EANCB – RPC validated	‑£0.1 million
Small and micro-business assessment	Sufficient



Michael Gibbons CBE, Chairman