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for Environment
Food & Rural Affairs

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Hi Rachel,

Thank you for your letter of 31 May outlining Ofwat's initial reaction to the National Infrastructure Commission's water resources report. I am grateful to Sir John and his team for undertaking such a thorough assessment. The Government shares the Commission's conclusion that we need to increase long-term security of water supply. We made this clear when setting the strategic priorities and objectives for Ofwat and the industry last year.

The Commission's report endorses the 'twin track' approach concluding that ambitious action is needed to reduce leakage and customers' water usage, but also new infrastructure to deliver at least 1300 million litres per day of additional supply, through new water transfers and storage. The Government fully supports Ofwat's target for leakage for 2025 in the Government's 25 year plan for the environment. The Secretary of State underlined the need for greater ambition when he addressed the water industry in March. I look forward to seeing final water resource management plans, and how water companies have considered feedback from their consultations and the Commission's water resources report.

To complement individual company plans, I agree that the industry should come forward with firm proposals to establish a clear industry view on the scale of the challenge and develop plans to deliver additional supply infrastructure in the most timely and cost-effective way possible. This could be done through greater regional coordination and harnessing the power of competition and market forces within environmental constraints.

I believe there is much that companies can do within the current regulatory framework. Nevertheless, Defra will work with the industry and regulators to see where changes could enable better action. The work the Environment Agency (EA) has underway; developing a national framework and the emerging thinking from the 25 year environment plan on system operation will both be an important part of any future. We should encourage pilots during the next price review period to test how planning and procurement could deliver greater overall benefits to customers with increased resilience delivered in the most efficient way. I am encouraged that Water Resource South East is already moving towards such a model.

It is important that the Government, regulators and industry continue to work together to develop the best solutions for water customers today and in the future. I know our officials will continue to work closely together to tackle these issues.

I am copying this letter to Sir John Armitt, Sir James Bevan, Michael Roberts of Water UK, and the chairs of the existing regional planning groups.

With best wishes,


DAVID RUTLEY MP

