



House of Commons
Environment, Food and Rural
Affairs Committee

Draft National Policy Statement for Water Resources Infrastructure

Thirteenth Report of Session 2017–19

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 23 April 2019*

The Environment, Food and Rural Affairs Committee

The Environment, Food and Rural Affairs Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for Environment, Food and Rural Affairs and associated public bodies.

Current membership

[Neil Parish MP](#) (*Conservative, Tiverton and Honiton*) (Chair)

[Alan Brown MP](#) (*Scottish National Party, Kilmarnock and Loudoun*)

[John Grogan MP](#) (*Labour, Keighley*)

[Dr Caroline Johnson MP](#) (*Conservative, Sleaford and North Hykeham*)

[Kerry McCarthy MP](#) (*Labour, Bristol East*)

[Sandy Martin MP](#) (*Labour, Ipswich*)

[Mrs Sheryll Murray MP](#) (*Conservative, South East Cornwall*)

[David Simpson MP](#) (*Democratic Unionist Party, Upper Bann*)

[Angela Smith MP](#) (*Change UK – The Independent Group, Penistone and Stocksbridge*)

[Julian Sturdy MP](#) (*Conservative, York Outer*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publications

© Parliamentary Copyright House of Commons 2019. This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/copyright.

Committee reports are published on the Committee's website at www.parliament.uk/efracom and in print by Order of the House.

Evidence relating to this report is published on the inquiry publications page of the [Committee's website](#).

Committee staff

Ian Blair (Committee Assistant), Ian Bradshaw (Committee Clerk), Jonathan Finlay (Committee Specialist), Andy French (Committee Specialist), James Hockaday (Senior Committee Assistant), Xameerah Malik (Senior Committee Specialist), Annabel Russell (Committee Assistant), Ben Street (Second Clerk), Joe Williams (Media Officer), and Sian Woodward (Committee Clerk).

Contacts

All correspondence should be addressed to the Clerk of the Environment, Food and Rural Affairs Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 7341; the Committee's email address is efracom@parliament.uk.

You can follow the Committee on Twitter using [@CommonsEFRA](https://twitter.com/CommonsEFRA).

Contents

Summary	3
Glossary of abbreviations	4
1 Introduction	5
Background	5
Our inquiry	6
2 Need for an NPS	8
Meeting the water resilience challenge	8
3 Projects to be supported	9
Nationally significant infrastructure projects	9
Effluent reuse	10
4 Development consent	12
Water resources management plans	12
Demand, leakage and catchment management	13
Revisions to plans	15
Consultation and the demonstration of need	16
Funding of water resources infrastructure	17
5 Cross-cutting criteria	19
Assessment criteria and generic impacts	19
Environmental net gain	20
Biodiversity	20
6 Integration with wider policy	23
Regional and national frameworks	23
7 Conclusions	26
Conclusions and recommendations	27
Formal minutes	31
Witnesses	32
Published written evidence	33
List of Reports from the Committee during the current Parliament	34

Summary

Climate change and an increasing population are contributing to the risk of future water shortages and drought in the UK. The National Infrastructure Commission in 2018 recommended an increase in the capacity of the water supply system of 4,000 million litres per day, to be achieved by a twin-track approach of managing demand and increasing supply.

The Government has laid before Parliament a draft National Policy Statement for water resources infrastructure. This would streamline the planning process for certain types of large-scale water supply project, under the regime for nationally significant infrastructure established in the Planning Act 2008.

The draft NPS proposes that, if a nationally significant infrastructure project is identified in a company's final water resources management plan (WRMP), then the need for that project will have been established as part of a fast-tracked development consent application. The three types of water supply scheme to be supported by the NPS have been identified in a recent amendment to the Planning Act, but effluent reuse was excluded despite majority support for its inclusion in the Government's consultation. The final NPS should require the Secretary of State to give serious consideration to granting development consent for effluent reuse projects.

We agree that an NPS is needed as part of a twin-track approach to meeting the drought resilience challenge. However, the final NPS should require water companies to demonstrate that they have a clear plan to mitigate as far as possible the need for new supply through ambitious demand management, leakage reduction and catchment-based approaches as appropriate. Only if such a clear plan is present should development consent be granted. The relationship between a WRMP and the subsequent stages of a development consent application, as well as the role of Ofwat in assessing a project's economic sustainability, should also be clarified in the final NPS.

The draft NPS sets out a number of cross-cutting assessment criteria which should also be taken into consideration in deciding an application. We welcome the Government's promotion of environmental net gain, but consideration should be given to whether this is best included in the WRMP itself rather than only in a subsequent development consent application. The final NPS should also give greater prominence to biodiversity enhancement as a requirement for demonstrating environmental net gain, explicitly referencing the "mitigation hierarchy" which the Government has separately consulted on.

The draft NPS has been published at a time when numerous other water policy initiatives are underway, and this level of activity is welcome. It is disappointing that the NPS will not form part of a fully integrated approach until the next round of WRMPs is finalised in 2024. The NPS should set out explicitly how it will be integrated with these other initiatives. It should also require that applications made prior to 2024 demonstrate how a proposal is in line with regional and national frameworks introduced before then.

Glossary of abbreviations

CIWEM - The Chartered Institution of Water and Environmental Management

DCO - Development consent order

Defra - Department for Environment, Food and Rural Affairs

ENG - Environmental net gain

MHCLG - Ministry of Housing, Communities and Local Government

NIC - National Infrastructure Commission

NIPA - National Infrastructure Planning Association

NPS - National Policy Statement

NSIP - Nationally significant infrastructure project

PCC - Per capita consumption

PR19 - Price Review 2019

RAPID - Regulators' Alliance for Progressing Infrastructure Development

SPV - Special purpose vehicle

WRE - Water Resources East

WRMP - Water resources management plan

WRSE - Water Resources South East

1 Introduction

Background

1. A combination of factors, including climate change and a growing population, is putting pressure on the UK's water supply. An April 2018 report by the National Infrastructure Commission (NIC) found that “in the event of a serious drought, the nation faces an unacceptable risk of severe supply limitations”.¹ The NIC explained that population growth in the drier south and east exacerbates the challenge.² The NIC therefore recommended that the Government pursues a “twin-track approach” to deliver additional capacity in the water supply system of at least 4,000 million litres per day (ML/day) through demand reduction and increased supply.³
2. Dr Thérèse Coffey MP, Parliamentary Under Secretary of State for the Environment, laid before Parliament a draft National Policy Statement (NPS) for water resources infrastructure on 29 November 2018.⁴ An NPS sets out the Government's objectives for the development of nationally significant infrastructure in a particular sector, as well as any other policies or circumstances that should be taken into account in decisions on infrastructure development.⁵ Box 1 and Figure 1 provide more information about the process.

Box 1: National Policy Statements

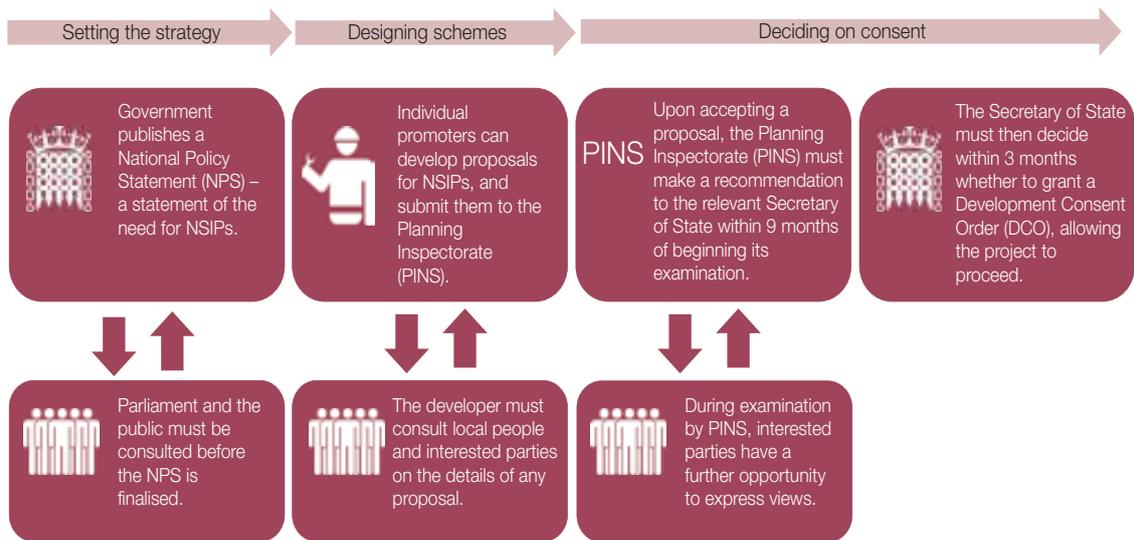
Planning policy ensures that new developments receive the appropriate level of examination and, where necessary, challenge. When a project is defined as a nationally significant infrastructure project (NSIP) under the Planning Act 2008, a developer must apply for a development consent order (DCO).⁶ A DCO automatically removes the need to obtain several consents that would otherwise be required for development, including planning permission and compulsory purchase orders.⁷ The Secretary of State has the final power of approving or declining a DCO application, and is advised by an “Examining Authority” arranged by the Planning Inspectorate.⁸ In assessing a DCO application, the Secretary of State must have regard to any relevant National Policy Statement.⁹

-
- 1 National Infrastructure Commission, [Preparing for a drier future: England's water infrastructure needs](#), (April 2018), p 3
 - 2 National Infrastructure Commission, [Preparing for a drier future: England's water infrastructure needs](#), (April 2018), p 3
 - 3 National Infrastructure Commission, [Preparing for a drier future: England's water infrastructure needs](#), (April 2018), p 3
 - 4 HC Deb, 29 November 2018, [col 11WS](#)
 - 5 Planning Inspectorate, [National Policy Statements](#), accessed 15 April 2019
 - 6 Planning Act 2008, [section 31](#)
 - 7 *Planning for Nationally Significant Infrastructure Projects*, Standard Note [SN06881](#), House of Commons Library, July 2017, p 4
 - 8 Department for Environment, Food and Rural Affairs, [Consultation on the draft National Policy Statement for Water Resources Infrastructure](#), November 2018, p 15. The Planning Inspectorate is an executive agency, sponsored by the Ministry of Housing, Communities and Local Government (MHCLG). Its responsibilities include planning appeals and examinations of local plans, in addition to national infrastructure planning applications; [Planning Inspectorate](#), Departments, agencies and public bodies, accessed 15 April 2019
 - 9 Planning Act 2008, [section 104](#). Subsections (4) to (8) provide some exceptions to this requirement.

A proposal for a National Policy Statement may be “designated” by the Government in order to become a statutory NPS for the purposes of the Planning Act.¹⁰ If either House of Parliament makes a resolution with regard to a proposed NPS, or a committee of either House of Parliament makes recommendations with regard to a proposed NPS, the Secretary of State must lay before Parliament a statement setting out their response.¹¹

Figure 1: The nationally significant infrastructure planning process¹²

Nationally Strategic Infrastructure Project (NSIP) Planning Process



Our inquiry

3. In a written statement accompanying the draft NPS, the Minister set the “relevant period” for parliamentary scrutiny as 29 November 2018 to 16 May 2019.¹³ The Department for Environment, Food and Rural Affairs (Defra) held a public consultation on the draft NPS, which closed on 31 January 2019.¹⁴ A summary of responses to the consultation was provided to us by Defra as written evidence.¹⁵

4. Stakeholders across all sectors expressed satisfaction with the Government’s public consultation on the draft NPS. Rob Lawson, Chair of the Chartered Institution of Water and Environmental Management’s (CIWEM) Water Resources Specialist Panel, called the consultation “exemplary”.¹⁶ Anglian Water told us that the Government’s engagement

10 Planning Act 2008, [section 5](#)

11 Planning Act 2008, [section 9](#)

12 Airports Commission, [Discussion Paper 07: Delivery of new runway capacity](#), July 2014, p 6. The airports NPS was used to support the delivery of a third runway at Heathrow Airport, but the draft water resources infrastructure NPS is not site-specific.

13 HC Deb, 29 November 2018, [col 11WS](#)

14 Department for Environment, Food and Rural Affairs, ‘[Consultation on the draft National Policy Statement for Water Resources Infrastructure](#)’, accessed 15 April 2019

15 Department for Environment, Food and Rural Affairs ([NPS0002](#))

16 [Q63](#) [Rob Lawson]

had been “positive and proactive”, encompassing a series of workshops as well as prior consultations on the need for an NPS and the types of project to be supported.¹⁷ **We are satisfied with the quality of the Government’s public consultation.**

5. We were designated to carry out parliamentary scrutiny of the draft NPS by the Liaison Committee on 13 February 2019.¹⁸ We published terms of reference and a call for written evidence on 14 February and held two oral evidence sessions in March. We would like to thank everyone who contributed to our inquiry.

6. This Report is intended to inform the Government’s preparation of a final NPS. It will provide a basis for any further debate when the final NPS is laid before the House.

17 Anglian Water Services ([NPS0012](#)), p 2

18 Liaison Committee, [Formal Minutes: Session 2017–19](#), p 31

2 Need for an NPS

Meeting the water resilience challenge

7. In October 2018, we published our Report on *Regulation of the water industry*, which examined the potential for demand reduction. We recommended that the Government set a specific target for reducing per capita consumption (PCC) of water.¹⁹ We also endorsed the NIC’s recommendation that regulations should be amended to allow all water companies to implement compulsory metering, using smart meters.²⁰ The Minister told us that the Government “will not require the installation of smart meters at this time”, but that it welcomed the “greater penetration of metering across the country” by water companies and “expect[ed] they will consider the wider rollout of smart metering”.²¹

8. Nevertheless, alongside demand measures, the NIC considered that a twin-track approach would also require the development of significant new supply infrastructure.²² The NIC recommended that its target for additional capacity should be met partly by additional supply infrastructure, providing at least an additional 1,300 Ml/day.²³ This would be equivalent to 1,300 Olympic swimming pools’ worth of water being added to the water supply every day.²⁴

9. The Chartered Institution of Water and Environmental Management (CIWEM) told us that “whilst considerable gains in water resources resilience can be achieved through demand management measures, there is a need to develop significant new resource”.²⁵ Waterwise saw the draft NPS as “a key element in enabling the water industry to progress the supply side measures we need”.²⁶ The Environment Agency told us that streamlining the planning process for significant water resource infrastructure “will be important in ensuring the resilience of our water supplies”.²⁷ There was therefore broad agreement on the need for an NPS.

10. Meeting the challenge of drought resilience needs direct and ambitious Government action. Ensuring a resilient water supply requires significant infrastructure alongside crucial demand management measures. We agree that an NPS for water resources infrastructure is needed as part of a twin-track approach. The more pressing issue is how best to achieve the additional capacity required.

19 Environment, Food and Rural Affairs Committee, Eighth Report of Session 2017–19, [Regulation of the water industry](#), HC 1041, para 37

20 Environment, Food and Rural Affairs Committee, Eighth Report of Session 2017–19, [Regulation of the water industry](#), HC 1041, para 45

21 Department for Environment, Food and Rural Affairs ([NPS0026](#))

22 National Infrastructure Commission, [Preparing for a drier future: England’s water infrastructure needs](#), (April 2018), p 10

23 National Infrastructure Commission, [Preparing for a drier future: England’s water infrastructure needs](#), (April 2018), p 10

24 US National Institute of Standards and Technology, ‘[SI Units - Volume](#)’, accessed 15 April 2019. This provides an indicative capacity of 1 Ml for an Olympic swimming pool.

25 The Chartered Institution of Water and Environmental Management ([NPS0021](#)), para 6

26 Waterwise ([NPS0006](#)), p 1

27 Environment Agency ([NPS0010](#)), para 9

3 Projects to be supported

Nationally significant infrastructure projects

11. Alongside the publication of an NPS, infrastructure planning can also involve amending the Planning Act 2008 to widen the statutory definition of a nationally significant infrastructure project (NSIP). Following the Government's amendment to the Planning Act, the three types of water supply infrastructure to be treated as NSIPs are:

- i) reservoirs or dams, where it is expected that the volume of water to be held back by the dam or stored in the reservoir will exceed 30 million cubic metres, or the deployable output of the dam or reservoir will exceed 80 million litres per day;
- ii) water transfers, where the deployable output of the infrastructure to be constructed or altered as a result of the development is expected to exceed 80 million litres per day; and
- iii) desalination plants, where the deployable output of the desalination plant is expected to exceed 80 million litres per day.²⁸

12. Deployable output is defined as the annual average volume of water that can be produced per day from a given facility under drought conditions.²⁹ The Environment Agency explained that there is no single definition of drought but described “water supply drought” as a situation “when a shortage of rainfall is causing water companies concern about supplies for their customers”.³⁰ The National Infrastructure Commission (NIC) defined drought as “a period of such low rainfall that companies have to impose restrictions on households’ water supply”.³¹

13. Where a development does not meet the current criteria defining an NSIP, but the Secretary of State considers the project to be nationally significant, they may direct that a development should be considered for development consent under section 35 of the Planning Act. The draft NPS suggests aquifer recharge and effluent reuse schemes as two examples of projects that might be approved under this route.³²

14. The order amending the Planning Act came into force in January 2019. The three types of NSIP are therefore a matter of statute, and do not form a part of the draft NPS. Nevertheless, any effective scrutiny of the draft NPS must have regard to the types of infrastructure project it is intended to promote, so we explored this matter further.

28 The Infrastructure Planning (Water Resources) (England) Order 2019, ([SI 2019/12](#))

29 Department for Environment, Food and Rural Affairs, [Consultation on the draft National Policy Statement for Water Resources Infrastructure](#), November 2018, p 5, footnote 5

30 Environment Agency, [‘Drought response: our framework for England’](#), (June 2017), p 6

31 National Infrastructure Commission, [Preparing for a drier future: England’s water infrastructure needs](#), (April 2018), p 5

32 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), p 19

Effluent reuse

15. Effluent reuse involves reclaiming wastewater from sewage treatment works.³³ The majority of respondents (52 per cent) to the Government’s consultation on the types of project to be classed as NSIPs were in favour of including effluent reuse schemes, with 15 per cent explicitly disagreeing.³⁴ However, the Government concluded that “the case to include effluent re-use in the NSIP definition remains weak”, and ultimately decided to exclude reuse from the amendment to the Planning Act.³⁵ In contrast, the Government made the inclusion of desalination subject to consultation, and decided to include it in the Planning Act “following the majority outcome”.³⁶ The majority in favour of including desalination was 58 per cent, with 21 per cent explicitly disagreeing.³⁷ This is not a considerably larger majority than that in favour of including effluent reuse, so the Government’s decision to exclude reuse would appear not to follow the same principle of following the majority outcome.

16. The Chartered Institution of Water and Environmental Management (CIWEM) disagreed with the Government’s position on effluent reuse, arguing that “the scheme complexity argument could be applied equally to the other resource types covered” under the draft NPS.³⁸ CIWEM considered that “excluding effluent reuse from the scope of the NPS is likely to make it harder to promote such schemes, compared to those that are within scope”.³⁹ Water Resources South East (WRSE) likewise argued that “reuse and effluent reuse schemes should also be identified explicitly” in the NPS (not simply under the “other infrastructure” heading) as “it is an option that will feature more prominently in the future and bring with it significant resilience and environmental benefits”.⁴⁰ Hannah Freeman, Chair of the Blueprint for Water coalition, part of the wider Wildlife and Countryside Link coalition, told us that the NPS must not “disincentivise the other options on the table” such as effluent reuse.⁴¹

17. As explained above, section 35 of the Planning Act 2008 allows the Secretary of State to decide that a project not meeting the statutory definition of an NSIP should nevertheless follow the development consent procedure. The Environment Agency welcomed the “flexibility” provided by the section 35 route, specifically mentioning effluent reuse as a scheme type that could benefit from this.⁴² Clarifying that an effluent reuse scheme could potentially be directed to follow the section 35 route, Margaret Read, Interim Deputy Director, Water Resources at Defra, also told us that water reuse schemes will “quite often” include a transfer, which could itself meet the criteria for an NSIP.⁴³

33 Mayor of London, [Securing London’s Water Future: The Mayor’s Water Strategy](#), October 2011, p 43

34 Department for Environment, Food and Rural Affairs, [Consultation on developing a National Policy Statement for Water Resources: Summary of responses and government response](#), (March 2018), p 16

35 Department for Environment, Food and Rural Affairs, [Consultation on developing a National Policy Statement for Water Resources: Summary of responses and government response](#), (March 2018), p 19

36 Department for Environment, Food and Rural Affairs, [Consultation on developing a National Policy Statement for Water Resources: Summary of responses and government response](#), (March 2018), p 19

37 Department for Environment, Food and Rural Affairs, [Consultation on developing a National Policy Statement for Water Resources: Summary of responses and government response](#), (March 2018), p 15

38 The Chartered Institution of Water and Environmental Management (NPS0021), para 35

39 The Chartered Institution of Water and Environmental Management (NPS0021), para 36

40 Water Resources South East (NPS0011), para 1.19

41 [Q45](#)

42 Environment Agency (NPS0010), para 11

43 [Q79](#) [Margaret Read]

18. We are not convinced by the Government's justifications for excluding effluent reuse from the NSIP definition, given the broad support for its inclusion in the Government's own public consultation. The potential of effluent reuse must not be undervalued, and while we do not propose a further amendment to the Planning Act 2008, we believe that the NPS should encourage reuse projects. The Secretary of State should give serious consideration to directing effluent reuse proposals to follow the development consent route.

19. *The final NPS should clearly set out the potential for effluent reuse to achieve policy objectives. The NPS should explicitly state that the Secretary of State ought to give serious consideration to a development consent application for such schemes.*

4 Development consent

Water resources management plans

20. The draft NPS proposes that:

If an NSIP [nationally significant infrastructure project] is included in a published final WRMP [water resources management plan], the need for that scheme will have been demonstrated in line with government policy, and the applicable statutory requirements, and does not need to be revisited as part of the application for development consent. The Examining Authority and the Secretary of State should therefore start their assessment of applications for infrastructure covered by this NPS on that basis.⁴⁴

This is the key proposal of the NPS, allowing the Secretary of State to treat a WRMP as a substantive part of a development consent application and thus streamlining the planning process for water companies.

21. A water company appointed to service a defined geographical area in England and Wales has a statutory obligation to produce a water resources management plan.⁴⁵ These WRMPs, in accordance with the Water Industry Act 1991 and subsequent legislation, set out how a company will manage and develop water resources to meet its water supply obligations.⁴⁶

22. WRMPs are developed every five years in line with regulators' guidance.⁴⁷ Ofwat and the Environment Agency are statutory consultees, and the public is also invited to make representations to the Secretary of State.⁴⁸ Following this process, the Secretary of State may:

- i) direct a water company to publish its final plan;
- ii) direct a water company to make changes to its plan; or
- iii) decide that the draft plan should be the subject of an inquiry or other hearing.⁴⁹

Companies are required to review and report to the Government on their plans annually.⁵⁰ Plans for the 2019–24 period (WRMP19) are being finalised.⁵¹ The Government told us that “hopefully later in the spring a batch of the water resource management plans will be approved”.⁵² The Secretary of State has rejected two draft plans (those of Thames Water and Affinity Water) and directed the companies to revise them.⁵³

44 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), para 1.4.5

45 Water Industry Act 1991, [section 37A](#)

46 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), para 1.4.2

47 Water Industry Act 1991, [section 37A](#)

48 Water Industry Act 1991, [sections 37A-B](#)

49 Water Industry Act 1991, [section 37B](#)

50 Water Industry Act 1991, [section 37A](#)

51 [Qq81–87](#) [Dr Thérèse Coffey]

52 [Q81](#) [Dr Thérèse Coffey]

53 [Q81](#) [Dr Thérèse Coffey]

23. WRMPs must set out how water companies intend to maintain the balance between water supply and demand.⁵⁴ The Environment Agency told us that WRMP19 “has been a good step forward for drought resilience and demand reduction”, but it is already working with the industry to secure improvements for the next round of plans, due to be published in 2024.⁵⁵

24. Water companies were supportive of the proposal to use WRMPs as the basis of development consent applications. Anglian Water agreed that “such an approach would enable more efficient delivery on nationally significant projects”.⁵⁶ Richard Aylard, External Affairs and Sustainability Director of Thames Water, told us that the WRMP process is “well understood”, and that the regulators’ guidelines ensure that “we all know what we are aiming for and what good looks like”.⁵⁷ The Consumer Council for Water also considered that using the established WRMP process for NSIPs means water companies are required to “conduct extensive consumer research”.⁵⁸ It considered that the process “allows any challenges and alternative ideas to be addressed early on”.⁵⁹ The Environment Agency stated that the draft NPS “fits well with the statutory WRMP process and will ensure that national infrastructure can be constructed in good time”.⁶⁰

25. Deficiencies in the WRMP process were also highlighted. Blueprint for Water stated that “the current process and the thinking is too constrained by company boundaries and interests” and does not ensure an adequate twin-track approach is taken.⁶¹ Waterwise similarly considered that the draft NPS does not make clear what criteria will be used for determining whether the “right balance” between demand and supply measures has been found in a company’s proposal.⁶²

Demand, leakage and catchment management

26. The Chartered Institution of Water and Environmental Management (CIWEM) recommended that a WRMP should demonstrate “an ambitious commitment to demand management measures” before a development consent application will be considered.⁶³ As mentioned in paragraph 7, we have previously recommended that a cross-Government target for per capita consumption (PCC) reduction over the next 25 years should be published.⁶⁴ The Minister stated in March 2019 that “the Government will also be launching a call for evidence on an ambitious target for per capita consumption in May”.⁶⁵

54 Environment Agency and Natural Resources Wales, [Water Resources Planning Guideline: Interim update](#), (April 2017), p 1

55 Environment Agency ([NPS0010](#)), para 8

56 Anglian Water Services ([NPS0012](#)), p 1

57 [Q21](#) [Richard Aylard]

58 Consumer Council for Water ([NPS0015](#)), para 7

59 Consumer Council for Water ([NPS0015](#)), para 7

60 Environment Agency ([NPS0010](#)), para 9

61 Wildlife & Countryside Link ([NPS0007](#)), paras 1.2-1.3

62 Waterwise ([NPS0006](#)), p 1

63 The Chartered Institution of Water and Environmental Management ([NPS0021](#)), para 25

64 Environment, Food and Rural Affairs Committee, Eighth Report of Session 2017–19, [Regulation of the water industry](#), HC 1041, para 37

65 [PQ 910087](#) [on Water: Conservation], 28 March 2019

27. We have also previously expressed concerns that the 2019 price review (PR19) target of 15 per cent leakage reduction by 2025 was not ambitious enough and recommended that Ofwat should set a long-term target for water companies.⁶⁶ Blueprint for Water highlighted that few water companies had proposed a target for leakage reduction before this was made a requirement in PR19.⁶⁷ Anglian Water and Thames Water stated that their current average leakage was about 17 per cent and 27.4 per cent of the total water being put into supply respectively.⁶⁸ The PR19 target is expressed as a reduction of total water leaked, rather than a reduction of the current leakage level in percentage points. This is demonstrated by Thames Water’s own target for 2025 which, while more ambitious than 15 per cent, still has leakage at 21.8 per cent of total projected supply.⁶⁹ A reduction of 15 percentage points would have reduced it to 12.4 per cent of supply.

28. Alongside demand management and leakage reduction, the draft NPS refers to catchment management among the options that water companies should consider in their plans.⁷⁰ The Government has defined a catchment management approach as “look[ing] at the water environment in terms of all the ecosystems services connected to a healthy catchment and aim[ing] for better integration of planning and activities to deliver multiple benefits”.⁷¹

29. Some water companies have made progress toward a catchment management approach. For example, Yorkshire Water’s PR19 business plan describes a “sustainable landscapes programme”, involving measures such as cover crops to increase and conserve the organic matter content of soil.⁷² The programme “plans to help improve water quality by reducing the volume of soil erosion and the levels of nutrients and pesticides within the watercourses”.⁷³

30. We asked Thames Water and Anglian Water to provide us with information on their catchment management work. Thames Water told us that its catchment management activities “typically help secure the existing output of the sources in question”, but that such approaches would have “a negligible benefit at best” in increasing output.⁷⁴ Nevertheless, Richard Aylard told us that “the more water we can leave in the environment, the better things will be for biodiversity, rivers and wetlands”.⁷⁵ Anglian Water referred to its cross-sector work as part of Water Resources East (WRE), which is “exploring new ways” of storing water in the landscape through the “Environmental Land Management (ELM)

66 Environment, Food and Rural Affairs Committee, Eighth Report of Session 2017–19, [Regulation of the water industry](#), HC 1041, para 30

67 [Wildlife & Countryside Link \(NPS0007\)](#), para 3.2. Ofwat regulates water companies by setting the price, investment and service package that customers receive. PR19 is the price review for 2019 which will set wholesale price controls for 2020 to 2025; Ofwat, [‘Price Reviews’](#), accessed 15 April 2019

68 Anglian Water Services Ltd ([NPS0023](#)), p 1; Thames Water ([NPS0024](#)), p 1

69 Thames Water ([NPS0024](#)), p 1

70 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), p 14

71 Department for Environment, Food and Rural Affairs, [Catchment Based Approach: Improving the quality of our water environment](#), (May 2013), p 5

72 Yorkshire Water, [‘Our PR19 Plan’](#), accessed 15 April 2019, p 175

73 Yorkshire Water, [‘Our PR19 Plan’](#), accessed 15 April 2019, p 175

74 Thames Water ([NPS0024](#)), p 2

75 [Q32](#)

tests and trials which are being promoted by Defra”.⁷⁶ The Minister agreed with the suggestion that work with water companies to improve the management of water in the environment “could be developed further”.⁷⁷

31. We support, in principle, the Government’s proposal to treat water resources management plans as the basis for development consent applications. However, these company plans have not yet adequately delivered a twin-track approach to increasing drought resilience, and the NPS should form part of Government action toward redressing this imbalance.

32. Seven months after we recommended a target for reducing per capita consumption, it is still not clear when a final target will be set. It is therefore conceivable that applications under WRMP19 for large-scale new supply infrastructure will be progressed before the Government has clarified its expectations on reducing demand. The final NPS should ensure that any applications in this period demonstrate a commitment to demand reduction. The NPS also presents an opportunity to further incentivise ambitious leakage reduction by water companies.

33. *The NPS should require that a company proposing significant new supply infrastructure has a clear strategy in its water resources management plan to mitigate as far as possible the need for it. This should include ambitious demand management, leakage reduction and catchment management measures as appropriate. This consideration should figure prominently in the final NPS as a fundamental requirement for demonstrating need.*

34. We are interested in how the proposed environmental land management scheme might reduce the need for new abstraction and supply infrastructure by promoting a catchment-based approach to managing water in the environment. *As a statement of Government policy on the need for water supply infrastructure, the NPS should cross-reference the future agricultural policy in the context of promoting catchment management and investment in natural capital.*

Revisions to plans

35. The draft NPS states that:

Water companies are required to review and report to Defra on their plans annually. Water companies must prepare revised plans at least every five years or earlier if their annual review indicates a material change of circumstances, or if directed to by the Secretary of State. Before applying for development consent, the developer should consider whether it needs to revise its WRMP. For example, due to some of its content being out of date.⁷⁸

The drafting of this paragraph does not make clear whether a “need” to revise a WRMP would derive from a direction from the Secretary of State, or some other consideration ahead of a development consent application.

⁷⁶ Anglian Water Services Ltd (NPS0023). Environmental land management schemes are the proposed future farm support policy, outlined in the Agriculture Bill, based on the principle of public money for public goods.

⁷⁷ [Q129](#)

⁷⁸ Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), para 2.5.9

36. *The NPS should be redrafted to clarify in what circumstances a company may need to revise its water resources management plan. The example of a plan being “out of date” should be elaborated to make clear what implications this would have for a development consent application.*

Consultation and the demonstration of need

37. A draft WRMP can be made the subject of an inquiry or hearing if so directed by the Secretary of State.⁷⁹ Subsequently, if a development consent application is made, the Examining Authority will conduct further consultation as part of the general Planning Act regime.⁸⁰ There is both a “pre-examination” stage, at which members of the public can register their views with the Planning Inspectorate, and a formal “examination” stage, when interested parties will be invited to submit their views and hearings will be held.⁸¹ This raises the possibility of multiple hearings being held on what is fundamentally the same infrastructure project.

38. Professor Ian Barker, Managing Director of Water Policy International, told us that “it would be very surprising if a NSIP water resources development was not subject to the scrutiny of an inquiry through the WRMP process”.⁸² This would be separate to any hearings as part of a development consent application, and Professor Barker argued that “companies will therefore have to be prepared for two inquiries”.⁸³ Hannah Stanley-Jones, Head of Water Resources at Anglian Water, called for clarity that the need for a specific project will be deemed to have been established in a WRMP.⁸⁴ She told us that this would avoid a situation where an approved WRMP is subsequently “undermined” by examination during the development consent process, which should focus on the design and delivery of that project rather than the need for it.⁸⁵ Blueprint for Water also raised the issue of demonstrating need for a particular scheme, and called for the application process to require water companies to explain how an option meets the requirements of the NPS as compared with alternatives.⁸⁶

39. The National Infrastructure Planning Association (NIPA) also called for greater clarity on projects to be treated as requiring development consent under section 35 of the Planning Act 2008 (see also Chapter 3 of this Report).⁸⁷ NIPA questioned whether the need for such a project would be revisited if it had been included in a final WRMP, or whether this need would be deemed to have been established as with the NSIP options.⁸⁸

40. The Consumer Council for Water stated that the NPS “does not detail when and how the views of consumers/the public will be sought and taken into consideration as part of the NSIP planning/decision making process”.⁸⁹ When we asked the Minister about a lack

79 Water Industry Act 1991, [section 37B](#)

80 *Planning for Nationally Significant Infrastructure Projects*, Standard Note [SN06881](#), House of Commons Library, July 2017, p 18

81 *Planning for Nationally Significant Infrastructure Projects*, Standard Note [SN06881](#), House of Commons Library, July 2017, pp 17-18

82 Professor Ian Barker ([NPS0008](#)), para 8

83 Professor Ian Barker ([NPS0008](#)), para 8

84 [Q28](#) [Hannah Stanley-Jones]

85 [Q28](#) [Hannah Stanley-Jones]

86 Wildlife & Countryside Link ([NPS0007](#)), para 3.4

87 The National Infrastructure Planning Association (NIPA) ([NPS0019](#)), para 4.7.4

88 The National Infrastructure Planning Association (NIPA) ([NPS0019](#)), para 4.7.4

89 Consumer Council for Water ([NPS0015](#)), para 11

of clarity in the NPS on the subject and level of public consultation, we were told that “there is no gap in the public being able to have their say for any projects going through the NSIP process”.⁹⁰

41. **It is not clear whether a water resources management plan will definitively establish the need for a specified project, or whether this can be revisited during a development consent application.**

42. **We agree that, together, the WRMP and development consent processes provide ample opportunity for public consultation. However, there is uncertainty about what is being consulted on at each stage of the process. This is because the NPS does not make clear what level of “need” is deemed to have been demonstrated by a WRMP, and therefore what scope there may be to revisit the proposal during the development consent application.**

43. *The NPS should clarify that the need for a specified scheme is deemed to have been established at the WRMP stage. The Government should be clear that a WRMP needs to demonstrate that a scheme can meet the requirements of the NPS better than any other option available, and that effective consultation and assessment of sustainability have informed this determination. The need for that scheme having been established, the NPS should then provide guidance to the Examining Authority on the scope of any subsequent examination at application stage.*

44. *The NPS should clarify how need is to be established for projects which the Secretary of State decides to treat as requiring development consent under section 35 of the Planning Act 2008.*

Funding of water resources infrastructure

45. NIPA recommended that the NPS should contain more detail on the funding of infrastructure projects.⁹¹ NIPA used the example of the airports NPS, which stated that “the applicant should demonstrate in its application for development consent that its scheme is cost-efficient and sustainable, and seeks to minimise costs to airlines, passengers and freight owners over its lifetime”.⁹² The airports NPS set out that an applicant should provide the economic regulator, in that case the Civil Aviation Authority, with information “to assist the Examining Authority in considering whether any impediments to the applicant’s development proposals, insofar as they relate to the CAA’s economic regulatory and other functions, are capable of being properly managed”.⁹³

46. The draft water resources infrastructure NPS summarises the water infrastructure funding process, stating that “the funding required to deliver these schemes is included as part of water companies’ business plans to Ofwat”.⁹⁴ However, NIPA pointed out that large and complex water resources infrastructure may require long-term funding

90 [Q95](#)

91 The National Infrastructure Planning Association (NIPA) ([NPS0019](#)), paras 4.8.24-4.8.26

92 Department for Transport, [Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England](#), (June 2018), para 4.39

93 Department for Transport, [Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England](#), (June 2018), para 4.40

94 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), para 2.5.8

over more than one business plan and called for this to be recognised in the NPS.⁹⁵ We previously questioned whether the price review cycle is too short to allow long-term planning in the industry.⁹⁶ NIPA also pointed to other funding models, including special purpose investment vehicles and contingent Government financial support, both of which played a role in the Thames Tideway Tunnel project supported by the waste water NPS.⁹⁷ NIPA recommended that the NPS should reflect the complexity of funding models for infrastructure projects, and prescribe a role for Ofwat in assessing any economic or regulatory impediments to a proposed NSIP.⁹⁸

47. The Minister told us that “Ofwat has a key role” in ensuring companies do not undertake financially unsustainable projects.⁹⁹ The Government highlighted Ofwat’s introduction of “direct procurement for consumers”, a process by which water companies competitively tender for services including large-scale infrastructure projects.¹⁰⁰ In March 2019, Ofwat also announced that it would make available up to £360 million through the PR19 period to facilitate the development of strategic water resources options for the south and south-east of England.¹⁰¹ When we questioned the Minister on funding over several price review cycles, using the example of the proposed Abingdon reservoir, she told us that Thames Water and Water UK “have genuinely never raised it with me”.¹⁰²

48. We remain concerned that the five-year price review period does not sufficiently support long-term planning in the water industry. This includes investment in large-scale infrastructure when necessary as part of a twin-track approach. We welcome Ofwat’s support for direct procurement for consumers in PR19, and this move toward greater competition should be reiterated in the NPS. The NPS should acknowledge that NSIPs are likely to require a mixed funding model, in order to avoid unacceptably high costs being passed on to customers.

49. The final NPS should provide more detail on the funding process for water infrastructure projects, to provide guidance to the Secretary of State on the mix of funding models likely to be required in the delivery of an NSIP. The role of Ofwat in ensuring the financial sustainability of a proposal should be given greater emphasis, with specific reference made to the potential for competitive tendering as supported in the 2019 price review. Ofwat should also provide a response to this recommendation.

95 The National Infrastructure Planning Association (NIPA) (NPS0019), para 4.8.26

96 Environment, Food and Rural Affairs Committee, Eighth Report of Session 2017–19 [Regulation of the water industry](#), HC 1041, para 83

97 The National Infrastructure Planning Association (NIPA) (NPS0019) para 4.8.18–4.8.22. A special purpose vehicle (SPV) is “a legal entity created for a limited purpose. SPVs are used for a number of purposes including the acquisition and/or financing of a project, or the set-up of a securitisation or a structured investment vehicle.”; *Practical Law*, ‘Glossary: special purpose vehicle (SPV)’, accessed 15 April 2019

98 The National Infrastructure Planning Association (NIPA) (NPS0019), paras 4.8.23–4.8.26

99 [Q100](#)

100 [Q109](#) [Paul Hickey, Margaret Read]

101 Ofwat, [Using and facilitating wholesale markets: PR19 next steps](#), March 2019, p 2

102 [Q108](#)

5 Cross-cutting criteria

Assessment criteria and generic impacts

50. The NPS details a range of cross cutting assessment principles against which an application for development consent should be examined. These key principles relate to the design, environmental, health, safety and security aspects of infrastructure projects.¹⁰³ There is also a list of generic site-specific impacts which should be considered.¹⁰⁴ The NPS states that “in considering any proposed development, and in particular, when weighing its adverse impacts against its benefits, the Examining Authority and the Secretary of State should take into account”:

its potential benefits, including the facilitation of economic development including: job creation, housing and environmental improvement and any long-term or wider benefits; [and]

its potential adverse impacts, including any longer-term and cumulative adverse impacts, as well as any measures to avoid, reduce or compensate for any adverse impacts.¹⁰⁵

51. The summary of responses to the Government’s consultation on the draft NPS found that “the majority of respondents across all sectors clearly stated that the assessment criteria are appropriate and comprehensive”.¹⁰⁶ The Government stated that “no new additional criteria were identified by respondents”.¹⁰⁷

52. The draft NPS mentions movement of invasive non-native species as a potential impact of both transfers and reservoirs, and stipulates that the applicant “should detail the measures required to mitigate the risk”.¹⁰⁸ The Angling Trust expressed “major concerns” about this issue, and argued that “it remains very challenging to treat water being transferred to a sufficient standard to minimise this risk”.¹⁰⁹ Sir James Bevan, Chief Executive of the Environment Agency, also drew attention to this issue in his speech to the Waterwise conference in March 2019, and cautioned that “we are going to need to think creatively ourselves about how to unlock the transfers without unleashing the invaders”.¹¹⁰ The Minister acknowledged risks with movement of invasive species, and told us that transfers “will have to be considered exceptionally carefully”.¹¹¹

53. We are generally satisfied with the assessment criteria and generic impacts included in the draft NPS.

103 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), p 20

104 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), p 34

105 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), p 20

106 Department for Environment, Food and Rural Affairs (NPS0002) para 4.12

107 Department for Environment, Food and Rural Affairs (NPS0002) para 4.12

108 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), p 94

109 Angling Trust (NPS0005), p1, 4

110 Environment Agency, [‘Escaping the jaws of death: ensuring enough water in 2050’](#), 19 March 2019

111 [Q140](#)

54. *The Environment Agency should set out how it will assess and provide guidance on managing the risk of transferring invasive non-native species in large-scale water infrastructure projects.*

Environmental net gain

55. The Government noted that a third of respondents to the consultation, “representing the full range of sectors”, specifically supported the inclusion of environmental net gain (ENG) as an assessment criterion.¹¹² The NPS defines ENG as “an approach to development that aims to leave the natural environment in a measurably better state than beforehand”.¹¹³ The NPS states that:

Applications for development consent must be accompanied by a statement demonstrating how opportunities for environmental enhancement have been incorporated [...] In particular, the statement should summarise how environmental enhancement has been assessed and quantified. The statement should identify any relationships to other areas of assessment or requirements within this NPS, including net gains for biodiversity.¹¹⁴

56. There were differing views on how ENG should be demonstrated. The National Infrastructure Planning Association (NIPA) recommended that the requirements of the environmental statement should be “clearly defined and identified” for the benefit of the applicant and the Examining Authority.¹¹⁵ The Chartered Institution of Water and Environmental Management (CIWEM) called for the applicant to demonstrate delivery of environmental net gain in their WRMP.¹¹⁶ Water Resources South East (WRSE) told us that ENG will be included in the decision-making framework for its regional plan (see also Chapter 5 of this Report).¹¹⁷

57. **We welcome the Government’s promotion of environmental net gain (ENG) in the draft NPS. It would be helpful if the NPS provided guidance to water companies on how best to demonstrate that a proposal would deliver ENG. Given the Government’s cross-cutting commitment to ENG, it should give consideration as to whether this is best included in the WRMP itself as well as any subsequent statement only required for a development consent application.**

Biodiversity

58. CIWEM argued that biodiversity “should be a sacrosanct component” of environmental net gain, to prevent against “trading” biodiversity losses for “potentially easier gains on other environmental components”.¹¹⁸ Blueprint for Water recommended that environmental net gain “must require first and foremost a biodiversity net gain”.¹¹⁹

112 Department for Environment, Food and Rural Affairs ([NPS0002](#)), para 4.13

113 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), p 25

114 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), p 25

115 The National Infrastructure Planning Association (NIPA) ([NPS0019](#)), para 3.7.5

116 The Chartered Institution of Water and Environmental Management ([NPS0021](#)), para 18

117 Water Resources South East ([NPS0011](#)), para 2.7

118 The Chartered Institution of Water and Environmental Management ([NPS0021](#)), para 23

119 Wildlife & Countryside Link ([NPS0007](#)), para 2.1

59. As quoted above, the NPS links environmental net gain to biodiversity, which is listed separately as a “generic impact”.¹²⁰ The Government has consulted separately on introducing mandatory requirements for biodiversity net gain in the planning system in England.¹²¹ The Minister told us that “the recent consultation we released on net gain proposed the introduction of the mandatory requirements”, but we note that this consultation focused on developments within the remit of the Town and Country Planning Act 1990 and specifically excluded nationally significant infrastructure projects (NSIPs) from its scope.¹²²

60. The biodiversity net gain consultation proposed that planning policy should support the “mitigation hierarchy”, which requires that:

- i) Habitat damage should be avoided; if this is not possible then
- ii) Habitat damage should be minimised; if this is not possible then
- iii) Any damaged or lost habitat should be restored; if this is not possible then
- iv) As a last resort, damaged or lost habitat should be compensated for.¹²³

The draft NPS refers to a similar mitigation principle, stating that “applicants should include appropriate mitigation measures as an integral part of their proposed development”.¹²⁴ Similar to the hierarchy above, the NPS provides that “the applicant may wish to make use of biodiversity offsetting [...] in devising compensation proposals to counteract any negative impacts on biodiversity which cannot be avoided or mitigated”.¹²⁵ It also states that the Secretary of State should consider what “appropriate requirements” should be attached to a grant of development consent “in order to ensure that mitigation measures are delivered”.¹²⁶

61. Regarding mitigation measures in the NPS, Hannah Freeman, Chair of Blueprint for Water, cautioned that “there is no detail around what compensatory habitat means”.¹²⁷ Rob Lawson, Chair of CIWEM’s Water Resources Panel, also recommended that the NPS should ensure mitigation measures are managed so that observable biodiversity outcomes result (for example, ensuring that birds repopulate a new wetland habitat).¹²⁸ Richard Aylard, External Affairs and Sustainability Director of Thames Water, told us that “biodiversity is best looked at at the scheme level; environmental net gain in the round”.¹²⁹

120 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), p 38

121 Department for Environment, Food and Rural Affairs, [Net gain: Consultation proposals](#), (December 2018)

122 [Q121](#) [Dr Thérèse Coffey]; Department for Environment, Food and Rural Affairs, [Net gain: Consultation proposals](#), (December 2018), p 5

123 Department for Environment, Food and Rural Affairs, [Net gain: Consultation proposals](#), (December 2018), p 23

124 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), para 4.3.17

125 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018) para 4.3.7

126 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), para 4.3.18

127 [Q57](#) [Hannah Freeman]

128 [Q57](#) [Rob Lawson]

129 [Q30](#) [Richard Aylard]

62. The Government stated that “the net gain works at two levels”, with a statement of regional net gain as part of the development consent application, and a local site-specific gain in which “there needs to be biodiversity net gain first”.¹³⁰ However, we consider that the separation of these two net gain calculations is not clear in the NPS.

63. **We welcome the Government’s commitment to biodiversity as a priority over other environmental net gain factors. However, we believe the NPS itself should have a clearer commitment to biodiversity, because NSIPs are specifically excluded from the Government’s proposals on mandating biodiversity net gain in the planning process. The Government is relying on the NPS to deliver biodiversity gains for such projects, and the NPS should therefore be revised to reflect this.**

64. **It is appropriate that the biodiversity mitigation hierarchy be extended to the NPS. Site-specific gains should always be prioritised. If mitigation measures are proposed, the NPS currently leaves it to the Secretary of State to decide what conditions should be attached to a development consent to ensure delivery of biodiversity outcomes. We consider that the NPS should put more of an onus on the applicant to propose such ongoing management measures.**

65. **The NPS should give greater prominence to biodiversity enhancement as a requirement for demonstrating environmental net gain, not simply as part of a list of generic impacts. The NPS should explicitly link the mitigation hierarchy to decisions on development consent, clarifying that the potential for site-specific gains should be prioritised over gains elsewhere or compensation. This site-specific calculation should form part of the applicant’s environmental statement. If mitigation measures are proposed, the applicant should set out how they will be managed on an ongoing basis to ensure biodiversity outcomes.**

130 [Q121](#) [Margaret Read]. We address the regional planning aspect of the NPS in Chapter 5 of this Report.

6 Integration with wider policy

Regional and national frameworks

66. The draft NPS has been published at a time when numerous other water policy initiatives are underway. They include the development of a national water resources framework, a proposal to legislate for regional planning by water companies and a new alliance between regulators. We explore each of these briefly in this chapter.

67. The Environment Agency is leading on the development of national framework for water resources, to be completed by December 2019.¹³¹ It told us that this framework will set out “an assessment of national and regional water needs including”:

- Indicative needs for strategic solutions such as water transfers and new sources of supply nationally and regionally to improve resilience to drought
- Strategic direction on leakage and water demand¹³²

The national framework will also include “local challenges likely to arise from water demands outside of the water industry” and “future needs of the environment, protecting and enhancing our greatest asset”.¹³³

68. In January 2019, the Government consulted on a power to direct water companies to prepare joint plans “at a regional or possibly larger scale”.¹³⁴ The power could be used to require water companies to take these regional plans into account when drafting their individual water resources management plans (WRMPs).¹³⁵ The consultation also proposed using WRMPs as a statutory measure to deliver environmental objectives.¹³⁶ Water Resources South East (WRSE) expressed support for regional planning, stating that “the role of regional groups in the development of company WRMPs should greatly strengthen the process”.¹³⁷ WRSE argued that an infrastructure project on the scale envisaged by the NPS is more likely to be identified through a regional plan.¹³⁸

69. Regulators are also working jointly to facilitate the development of regional solutions. The Regulators’ Alliance for Progressing Infrastructure Development (RAPID) will bring together staff from Ofwat, the Environment Agency and the Drinking Water Inspectorate.¹³⁹

131 Environment Agency ([NPS0010](#)), para 14

132 Environment Agency ([NPS0010](#)), para 14

133 Environment Agency ([NPS0010](#)), para 14

134 Department for Environment, Food and Rural Affairs, *Improving our management of water in the environment: Consultation proposals*, (January 2019), p 12. This consultation closed in March 2019 and we were unaware of its outcome at the time of this Report’s publication.

135 Department for Environment, Food and Rural Affairs, *Improving our management of water in the environment: Consultation proposals*, (January 2019), p 12

136 Department for Environment, Food and Rural Affairs, *Improving our management of water in the environment: Consultation proposals*, January 2019, p 12

137 Water Resources South East ([NPS0011](#)), para 1.10

138 Water Resources South East ([NPS0011](#)), para 1.15

139 Ofwat, *Regulators collaborate to support strategic water transfers and joint infrastructure projects*, 28 March 2019

RAPID is intended to “ensure a smooth regulatory path for strategic water transfers and joint infrastructure projects”, and thereby address barriers to collaboration between water companies.¹⁴⁰

70. With the exception of RAPID, these initiatives are still at the development or consultation stage. The Environment Agency clarified that regional plans will inform the next round of WRMPs, to be published in draft form in 2022 and finalised in 2024.¹⁴¹ Blueprint for Water expressed concerns about the timing of the NPS and called for “assurances that no water resources NSIPs [nationally significant infrastructure projects] will be taken through the Development Consent Order [DCO] route until national and regional plans are agreed and in place”.¹⁴² It considered that the inadequacy of the current WRMP process in identifying schemes at a national and regional level is a “fundamental flaw in the NPS”.¹⁴³ The Chartered Institution of Water and Environmental Management agreed that “no NSIP proposals should be approved under DCO until such integrated plans are produced”, but emphasised that the ongoing nature of the consultation should not prevent the NPS from being finalised.¹⁴⁴ Hannah Freeman, Chair of Blueprint for Water, also suggested that “if the NPS comes in before the regional or national framework comes into place, there is the potential for the NPS to require the applications to highlight or follow how they meet the national and regional needs and requirements”.¹⁴⁵

71. The Environment Agency set out how the various initiatives are expected to work in conjunction:

In summary, the Environment Agency’s water resources national framework will set out the strategic water resources need. Regional groups will then develop a more detailed assessment of need and develop optimal solutions to meet it. In support of this, Ofwat’s regulatory alliance and fund for strategic water resources options will ensure the options identified are ready to be brought forward. We expect these solutions to be included in the next water company water resources management plans. Once these plans are approved by the Secretary of State, strategic developments that qualify as nationally significant will then be ready to go through the process set out in the NPS.¹⁴⁶

The draft NPS does not include a similarly concise explanation.

72. The draft NPS also states that “the national level of resilience required and the nationally significant infrastructure needed to meet this, will be confirmed by the government following the publication of final WRMPs”.¹⁴⁷ The National Infrastructure Planning Association (NIPA) argued that “it is not clear where such a confirmation will be provided - for example in the final NPS or in a Ministerial statement - nor the status and weight that

140 Ofwat, ‘[Regulators collaborate to support strategic water transfers and joint infrastructure projects](#)’, 28 March 2019

141 Environment Agency ([NPS0010](#)), paras 8 and 17

142 Wildlife & Countryside Link ([NPS0007](#)), para 1.2

143 Wildlife & Countryside Link ([NPS0007](#)), para 3.1

144 The Chartered Institution of Water and Environmental Management ([NPS0021](#)), para 22

145 [Q61](#) [Hannah Freeman]

146 Environment Agency ([NPS0010](#)), para 20

147 Department for Environment, Food and Rural Affairs, [Draft National Policy Statement for Water Resources Infrastructure](#), (November 2018), para 2.4.3

would be attached to it”.¹⁴⁸ Arup called for clarification of “how and when government will confirm the water resource NSIPs that are needed and their relationship to policy of the NPS and to the determination of DCO applications”.¹⁴⁹

73. Price Review 2019 requires companies to report a performance commitment against the probability of severe drought, calculated at 0.5 per cent annual probability (or a “1 in 200” resilience level).¹⁵⁰ The Minister told us that increasing resilience will be considered further as part of the Environment Agency’s national framework, and will compare the cost of achieving resilience against a severe drought (1 in 200) and an extreme drought (1 in 500).¹⁵¹ She stated that this would be clarified in the final NPS.¹⁵²

74. While the level of Government activity addressing future infrastructure needs is welcome, we are disappointed that a fully integrated approach will not be possible until the next round of WRMPs is finalised in 2024. *The NPS should set out explicitly how it is integrated with the national framework for water resources, proposed mandatory regional planning and the regulatory alliance.*

75. We do not consider that the final NPS should be delayed until other policies are in place. *However, any development consent applications for water supply infrastructure before 2024 should meet strict criteria. The NPS should require applicants to demonstrate how a proposal is in line with any existing regional plans and, once it is published, the national water resources framework.*

76. We welcome the commitment to provide clarification on the national level of resilience. However, the current phrasing that “the nationally significant infrastructure needed to meet this, will be confirmed by the government” could be seen to prejudge the outcome of development consent applications, if it refers to specific projects. *The final NPS should explicitly state how the confirmation of the required national level of resilience will bear upon development consent applications.*

148 The National Infrastructure Planning Association (NIPA) ([NPS0019](#)) para 4.6

149 Ove Arup and Partners Ltd (Arup) ([NPS0004](#)) para 1.15

150 Ofwat, *PR19 initial assessment of plans: Summary of test area assessment*, (January 2019,) p 45

151 Department for Environment, Food and Rural Affairs ([NPS0026](#)). The definitions of drought resilience levels are given in National Infrastructure Commission, *Preparing for a drier future: England’s water infrastructure needs*, (April 2018), p 5

152 Department for Environment, Food and Rural Affairs ([NPS0026](#))

7 Conclusions

77. The draft NPS is a timely step toward addressing the drought resilience challenge facing the UK. We welcome the range of initiatives currently being taken forward in water policy by Government and regulators. An NPS for supply infrastructure appropriately complements national and regional frameworks for identifying need, provided these initiatives are fully and explicitly integrated. The Government has consulted effectively on the draft NPS, and the drive toward achieving environmental net gain is to be commended.

78. However, streamlining the planning process for large-scale supply infrastructure should not obscure the need to mitigate the requirement for new supply as far as possible. Demand management, leakage reduction and a catchment-based approach all have critical roles as part of a twin-track approach to achieving resilience. The Government should strengthen the NPS to ensure that these measures are not neglected, and that any proposal for large-scale supply infrastructure is genuinely necessary.

Conclusions and recommendations

Introduction

1. We are satisfied with the quality of the Government's public consultation. (Paragraph 4)

Need for an NPS

2. Meeting the challenge of drought resilience needs direct and ambitious Government action. Ensuring a resilient water supply requires significant infrastructure alongside crucial demand management measures. We agree that an NPS for water resources infrastructure is needed as part of a twin-track approach. The more pressing issue is how best to achieve the additional capacity required. (Paragraph 10)

Projects to be supported

3. We are not convinced by the Government's justifications for excluding effluent reuse from the NSIP definition, given the broad support for its inclusion in the Government's own public consultation. The potential of effluent reuse must not be undervalued, and while we do not propose a further amendment to the Planning Act 2008, we believe that the NPS should encourage reuse projects. The Secretary of State should give serious consideration to directing effluent reuse proposals to follow the development consent route. (Paragraph 18)
4. *The final NPS should clearly set out the potential for effluent reuse to achieve policy objectives. The NPS should explicitly state that the Secretary of State ought to give serious consideration to a development consent application for such schemes.* (Paragraph 19)

Development consent

5. We support, in principle, the Government's proposal to treat water resources management plans as the basis for development consent applications. However, these company plans have not yet adequately delivered a twin-track approach to increasing drought resilience, and the NPS should form part of Government action toward redressing this imbalance. (Paragraph 31)
6. Seven months after we recommended a target for reducing per capita consumption, it is still not clear when a final target will be set. It is therefore conceivable that applications under WRMP19 for large-scale new supply infrastructure will be progressed before the Government has clarified its expectations on reducing demand. The final NPS should ensure that any applications in this period demonstrate a commitment to demand reduction. The NPS also presents an opportunity to further incentivise ambitious leakage reduction by water companies. (Paragraph 32)
7. *The NPS should require that a company proposing significant new supply infrastructure has a clear strategy in its water resources management plan to mitigate as far as possible the need for it. This should include ambitious demand management, leakage*

reduction and catchment management measures as appropriate. This consideration should figure prominently in the final NPS as a fundamental requirement for demonstrating need. (Paragraph 33)

8. We are interested in how the proposed environmental land management scheme might reduce the need for new abstraction and supply infrastructure by promoting a catchment-based approach to managing water in the environment. *As a statement of Government policy on the need for water supply infrastructure, the NPS should cross-reference the future agricultural policy in the context of promoting catchment management and investment in natural capital. (Paragraph 34)*
9. *The NPS should be redrafted to clarify in what circumstances a company may need to revise its water resources management plan. The example of a plan being “out of date” should be elaborated to make clear what implications this would have for a development consent application. (Paragraph 36)*
10. It is not clear whether a water resources management plan will definitively establish the need for a specified project, or whether this can be revisited during a development consent application. (Paragraph 41)
11. We agree that, together, the WRMP and development consent processes provide ample opportunity for public consultation. However, there is uncertainty about what is being consulted on at each stage of the process. This is because the NPS does not make clear what level of “need” is deemed to have been demonstrated by a WRMP, and therefore what scope there may be to revisit the proposal during the development consent application. (Paragraph 42)
12. *The NPS should clarify that the need for a specified scheme is deemed to have been established at the WRMP stage. The Government should be clear that a WRMP needs to demonstrate that a scheme can meet the requirements of the NPS better than any other option available, and that effective consultation and assessment of sustainability have informed this determination. The need for that scheme having been established, the NPS should then provide guidance to the Examining Authority on the scope of any subsequent examination at application stage. (Paragraph 43)*
13. *The NPS should clarify how need is to be established for projects which the Secretary of State decides to treat as requiring development consent under section 35 of the Planning Act 2008. (Paragraph 44)*
14. We remain concerned that the five-year price review period does not sufficiently support long-term planning in the water industry. This includes investment in large-scale infrastructure when necessary as part of a twin-track approach. We welcome Ofwat’s support for direct procurement for consumers in PR19, and this move toward greater competition should be reiterated in the NPS. The NPS should acknowledge that NSIPs are likely to require a mixed funding model, in order to avoid unacceptably high costs being passed on to customers. (Paragraph 48)
15. *The final NPS should provide more detail on the funding process for water infrastructure projects, to provide guidance to the Secretary of State on the mix of funding models likely to be required in the delivery of an NSIP. The role of Ofwat in ensuring the financial sustainability of a proposal should be given greater emphasis,*

with specific reference made to the potential for competitive tendering as supported in the 2019 price review. Ofwat should also provide a response to this recommendation. (Paragraph 49)

Cross-cutting criteria

16. We are generally satisfied with the assessment criteria and generic impacts included in the draft NPS. (Paragraph 53)
17. *The Environment Agency should set out how it will assess and provide guidance on managing the risk of transferring invasive non-native species in large-scale water infrastructure projects. (Paragraph 54)*
18. We welcome the Government's promotion of environmental net gain (ENG) in the draft NPS. *It would be helpful if the NPS provided guidance to water companies on how best to demonstrate that a proposal would deliver ENG. Given the Government's cross-cutting commitment to ENG, it should give consideration as to whether this is best included in the WRMP itself as well as any subsequent statement only required for a development consent application. (Paragraph 57)*
19. We welcome the Government's commitment to biodiversity as a priority over other environmental net gain factors. *However, we believe the NPS itself should have a clearer commitment to biodiversity, because NSIPs are specifically excluded from the Government's proposals on mandating biodiversity net gain in the planning process. The Government is relying on the NPS to deliver biodiversity gains for such projects, and the NPS should therefore be revised to reflect this. (Paragraph 63)*
20. It is appropriate that the biodiversity mitigation hierarchy be extended to the NPS. Site-specific gains should always be prioritised. If mitigation measures are proposed, the NPS currently leaves it to the Secretary of State to decide what conditions should be attached to a development consent to ensure delivery of biodiversity outcomes. We consider that the NPS should put more of an onus on the applicant to propose such ongoing management measures. (Paragraph 64)
21. *The NPS should give greater prominence to biodiversity enhancement as a requirement for demonstrating environmental net gain, not simply as part of a list of generic impacts. The NPS should explicitly link the mitigation hierarchy to decisions on development consent, clarifying that the potential for site-specific gains should be prioritised over gains elsewhere or compensation. This site-specific calculation should form part of the applicant's environmental statement. If mitigation measures are proposed, the applicant should set out how they will be managed on an ongoing basis to ensure biodiversity outcomes. (Paragraph 65)*

Integration with wider policy

22. While the level of Government activity addressing future infrastructure needs is welcome, we are disappointed that a fully integrated approach will not be possible until the next round of WRMPs is finalised in 2024. *The NPS should set out explicitly how it is integrated with the national framework for water resources, proposed mandatory regional planning and the regulatory alliance. (Paragraph 74)*

23. We do not consider that the final NPS should be delayed until other policies are in place. *However, any development consent applications for water supply infrastructure before 2024 should meet strict criteria. The NPS should require applicants to demonstrate how a proposal is in line with any existing regional plans and, once it is published, the national water resources framework.* (Paragraph 75)
24. We welcome the commitment to provide clarification on the national level of resilience. However, the current phrasing that “the nationally significant infrastructure needed to meet this, will be confirmed by the government” could be seen to prejudge the outcome of development consent applications, if it refers to specific projects. *The final NPS should explicitly state how the confirmation of the required national level of resilience will bear upon development consent applications.* (Paragraph 76)

Conclusions

25. The draft NPS is a timely step toward addressing the drought resilience challenge facing the UK. We welcome the range of initiatives currently being taken forward in water policy by Government and regulators. An NPS for supply infrastructure appropriately complements national and regional frameworks for identifying need, provided these initiatives are fully and explicitly integrated. The Government has consulted effectively on the draft NPS, and the drive toward achieving environmental net gain is to be commended. (Paragraph 77)
26. However, streamlining the planning process for large-scale supply infrastructure should not obscure the need to mitigate the requirement for new supply as far as possible. Demand management, leakage reduction and a catchment-based approach all have critical roles as part of a twin-track approach to achieving resilience. The Government should strengthen the NPS to ensure that these measures are not neglected, and that any proposal for large-scale supply infrastructure is genuinely necessary. (Paragraph 78)

Formal minutes

Tuesday 23 April 2019

Members present:

Neil Parish, in the Chair

Alan Brown Dr Caroline Johnson

John Grogan David Simpson

Draft Report (*Draft National Policy Statement for Water Resources Infrastructure*) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 78 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Thirteenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till tomorrow at 9.15 a.m.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 13 March 2019

Richard Aylard, External Affairs and Sustainability Director, Thames Water, **Trevor Bishop**, Organisational Development Director, Water Resources South East, **Hannah Stanley-Jones**, Head of Water Resources, Anglian Water

[Q1–42](#)

Hannah Freeman, Chair, Blueprint for Water, **Rob Lawson**, Chair of Water Resources Specialist Panel, Chartered Institution of Water and Environmental Management

[Q43–67](#)

Wednesday 20 March 2019

Dr Thérèse Coffey MP, Parliamentary Under-Secretary of State for the Environment, Department for Environment, Food and Rural Affairs, **Margaret Read**, Interim Deputy Director Water Resources, Department for Environment, Food and Rural Affairs, and **Paul Hickey**, Deputy Director of Water Resources, The Environment Agency

[Q68–153](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

NPS numbers are generated by the evidence processing system and so may not be complete.

- 1 Anglian Water Services ([NPS0012](#))
- 2 Anglian Water Services Ltd ([NPS0023](#))
- 3 Angling Trust ([NPS0005](#))
- 4 Babovic, Filip ([NPS0001](#))
- 5 Barker, Professor Ian ([NPS0008](#))
- 6 The Chartered Institution of Water and Environmental Management ([NPS0021](#))
- 7 Consumer Council for Water ([NPS0015](#))
- 8 Department for Environment, Food and Rural Affairs ([NPS0002](#))
- 9 Department for Environment, Food and Rural Affairs ([NPS0026](#))
- 10 Environment Agency ([NPS0010](#))
- 11 Environment Agency ([NPS0025](#))
- 12 Foresight Group ([NPS0003](#))
- 13 Group Against Reservoir Development ([NPS0020](#))
- 14 Jacobs ([NPS0013](#))
- 15 Lincolnshire County Council ([NPS0016](#))
- 16 National Infrastructure Commission ([NPS0022](#))
- 17 The National Infrastructure Planning Association (NIPA) ([NPS0019](#))
- 18 Ove Arup and Partners Ltd (Arup) ([NPS0004](#))
- 19 Thames Blue Green Economy ([NPS0014](#))
- 20 Thames Water ([NPS0024](#))
- 21 Water Resources East ([NPS0017](#))
- 22 Water Resources South East ([NPS0011](#))
- 23 Waterwise ([NPS0006](#))
- 24 Wildlife & Countryside Link ([NPS0007](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	2 Sisters and Standards in Poultry Processing	HC 490
Second Report	Pre-Legislative Scrutiny of the draft Animal Welfare (Sentencing and Recognition of Sentience) Bill 2017	HC 709
Third Report	Brexit: Trade in Food	HC 348
Fourth Report	Improving air quality	HC 433
Fifth Report	Performance of the Rural Payments Agency	HC 887
Sixth Report	The future for food, farming and the environment	HC 870
Seventh Report	Fur trade in the UK	HC 823
Eighth Report	Regulation of the water industry	HC 1041
Ninth Report	Controlling dangerous dogs	HC 1040
Tenth Report	Scrutiny of the Agriculture Bill	HC 1591
Eleventh Report	Beyond the Common Fisheries Policy: Scrutiny of the Fisheries Bill	HC 1722
Twelfth Report	Pre-appointment hearing with the Government's preferred candidate for Chair of Natural England	HC 1979
First Special Report	Food waste in England: Government Response to the Committee's Eighth Report of Session 2016–17	HC 444
Second Special Report	Forestry in England: Seeing the wood for the trees: Government Response to the Committee's Fifth Report of Session 2016–17	HC 445
Third Special Report	Feeding the nation: labour constraints: Government Response to the Committee's Seventh Report of Session 2016–17	HC 446
Fourth Special Report	Post-legislative scrutiny: Flood and Water Management Act 2010: Government Response to the Committee's Sixth Report of Session 2016–17	HC 447
Fifth Special Report	2 Sisters and Standards in Poultry Processing: Government Response to the Committee's First Report	HC 772
Sixth Special Report	2 Sisters and Standards in Poultry Processing: Food Standards Agency Response to the Committee's First Report	HC 861
Seventh Special Report	Pre-Legislative Scrutiny of the draft Animal Welfare (Sentencing and Recognition of Sentience) Bill 2017: Government Response to the Committee's Second Report	HC 984

Eighth Special Report	Brexit: Trade in Food: Government Response to the Committee's Third Report	HC 1021
Ninth Special Report	2 Sisters and Standards in Poultry Processing: Food Standards Agency Response to the Committee's First Report	HC 1070
Tenth Special Report	Improving air quality: Government Response to the Committee's Fourth Report	HC 1149
Eleventh Special Report	Performance of the Rural Payments Agency: Government Response to the Committee's Fifth Report	HC 1448
Twelfth Special Report	The future for food, farming and the environment: Government Response to the Committee's Sixth Report	HC 1598
Thirteenth Special Report	Fur trade in the UK: Government Response to the Committee's Seventh Report	HC 1675
Fourteenth Special Report	Regulation of the water industry: Government and Ofwat Responses to the Committee's Eighth Report	HC 1856
Fifteenth Special Report	Controlling dangerous dogs: Government Response to the Committee's Ninth Report	HC 1892
Sixteenth Special Report	Pre-appointment hearing with the Government's preferred candidate for Chair of Natural England: Government Response to the Committee's Twelfth Report	HC 2096