LONG-TERM PLANNING

THE WATER SECTOR NEEDS MORE JOINED-UP STRATEGIC PLANNING FRAMEWORKS TO EFFECTIVELY MANAGE LONG-TERM CHALLENGES.

WHERE WE ARE

The challenges the water sector faces are long-term: population growth, climate change and emerging environmental issues. Not only are the problems dependent on long time horizons, in many cases the solutions are too – it takes many years to take a new reservoir from inception to completion. It is therefore right that the water sector invests significantly in long-term planning.

The Water Resource Management Plans (WRMPs) have been required since privatisation and provide a 25 year plus view of how supply and demand for water should be balanced. This process is mature, but evolving, for example to incorporate a greater role for regional water resource planning.

Water companies produced their first Drainage and Wastewater Management Plans (DWMPs) for PR24. These fulfil a similar function for drainage and are now a statutory requirement as of cycle 2, which will inform Business Plans for 2030-35.

The Long Term Delivery Strategy (LTDS)[i] process Ofwat introduced in PR24 (the price review in 2024) has created a framework for bringing together the investment needed across these other strategic planning frameworks. This has given us for the first time a much clearer idea of how much investment will be needed over the next 25 years at a company level, and what the impact on this may be in terms of additional equity needed and the impact on customer affordability.

But through developing our LTDS we identified some areas the existing strategic planning frameworks should cover better.[ii]

While drinking water quality continues to be a top priority for water companies, the Drinking Water Inspectorate's (DWI) long-term planning process to maintain quality in the face of climate change and other challenges does not have the same standing as WRMP or DWMP. This potentially leaves Ofwat with insufficient evidence to consider long-term drinking water quality investments, including the impact of climate change and customer-side lead replacement, in its decision-making process.

We also identified two cross-cutting areas – asset health and climate change mitigation and adaptation – where we expect extra costs across the business in the long-term, but where there is limited agreement at a sector level on how these should be assessed and planned for.

The sector needs to plan for the long-term management of microplastics, anti-microbial resistance (AMR) and persistent organic pollutants (POPs) including per- and polyfluoroalkyl substances (PFAS). At PR24 there was not enough information available to fully address these issues in our planning activities.

There are also some planning assumptions that were not common across all strategic planning frameworks, for example on climate change and population forecasts.

Finally, the timetables for the strategic planning frameworks need to be better aligned. At PR24 the timetables did not mesh well, meaning Business Plans could not account for all investment and needed to be updated between draft and final determinations; this was partly driven by delays to guidance being issued by government and the Environment Agency (EA).

WHERE WE WANT TO BE

The water sector is complex, and detailed analysis is important. It is necessary to use the current approach where plans are developed for each key investment area and brought together through a LTDS.

We also want to see better coordination between planning processes. This means using a common approach to asset health and climate change, both mitigation and adaptation. It also includes agreeing on shared planning assumptions and aligning timetables. Regulators should stick to these timelines so that Business Plans can be built using the most complete data available.

It is important that we maximise opportunities to use water resources across company boundaries. Regional water resource groups are facilitating this, but there could be a role for a national group to help coordinate long-term planning and bulk-supply variations to address severe water shortages in the short term. What is needed is stronger links between existing plans, not a 'national grid for water'. Due to the low value density of water (i.e. it is heavy relative to its value) a national grid as exists for electricity and gas is not a practical solution. But opportunities to create flexible bulk supplies across company boundaries may enhance resilience and reduce the need for some new water resources.

Water companies need to play their part in addressing emerging environmental risks such as microplastics, AMR and POPs. But a strategy is needed at the national level as the most effective way to manage these risks may be by limiting use of chemicals / materials as is being done in Denmark[iii] and France[iv]. We welcome the PFAS inquiry[v] and encourage the development of national strategies to address all of these issues.

We also want to see drinking water quality investment given the same level of consideration as WRMP and DWMP, along with emerging environmental issues.

Finally, we want to see the long-term plans better reflected in price controls. This should include smoothing the impact of investment on customers over time and enabling investment decisions that are optimal for the long-term, for example allowing water supply options that address future as well as current supply needs.

HOW DO WE GET THERE

Issue	Recommendation for
Not all long-term issues are covered in strategic planning frameworks	**Government with regulators:** Review strategic planning frameworks to ensure the right things happen at the right times with the right stakeholders. This should clarify regulator roles and responsibilities. **Government:** Create national water resource planning authority to support pan-company WRMP development and to support the regional WRMP groups. **DWI:** Enhance the DWI long-term planning process to create 'Water Quality Management Plans' (WQMPs) to put long-term water quality planning on the same footing as WRMPs and DWMPs. These should include plans for capital maintenance (see 'Regulating for the long-term: Asset Health'), measures needed to adapt to climate change (see 'Regulating for the long-term: Mitigating and Adapting to Climate Change) and customer side lead replacement. **EA:** Work with stakeholders within and beyond water sector to create national strategy for long-term management of microplastics, AMR and POPs.
Common issues are not considered in a common way across strategic planning frameworks	**Government:** Include guidance on climate change mitigation and adaptation and climate change adaptation in Strategic Policy Statements (SPSs) for regulators (see 'Regulating for the long-term: Mitigating and Adapting to Climate Change').

Issue	Recommendation for
	Government / Regulators: Agree on common planning data to use, for core and scenario assumptions, for population, climate change, total factor productivity growth etc. **Regulators:** Agree common value framework for cost and benefit assessment.
Strategic planning framework **cycles not aligned**	**Government / Regulators:** The review should create a common timeline for all strategic planning frameworks – including for River Basin Management Plans (RBMPs) and Water Industry National Environment Programme (WINEP). This should consider the interlinkages and data flows between plans and whether there are areas that should be moved outside of the planning cycle, such as some enhancement expenditure.
Ofwat does not take sufficient account of long-term priorities in setting price controls	**Government:** Set requirement, potentially through legislation, for Ofwat to report to the Secretary of State (SoS) on progress in delivering against their duties, including in the long-term. **Ofwat:** Retain the LTDS for future price reviews to ensure companies bring together long-term plans at a business level and make this central to the decisions about investment allowances in the price review.

IMPACT ON CUSTOMERS, THE ENVIRONMENT AND WIDER SOCIETY

The WRMP, DWMP and LTDS processes have improved our understanding of long-term challenges for water resources and drainage and the impact on customers. Improving the sectors' planning approach for asset health, climate change mitigation and adaptation and emerging environmental challenges will enable more effective sector level trade-offs to be made.

A common approach to incorporating 2050 net zero targets into the strategic planning frameworks will move us from ambition to a delivery plan that accounts for investments needed to deliver other goals.

Broadening the scope and depth of our long-term planning will help government and the sector make evidence-based decisions about where to prioritise investment, and how to balance short- and long-term affordability. It will also better equip us to engage with customers and other stakeholders to change the narrative around the true cost of a sustainable water and wastewater system.

WAY FORWARD

Some recommendations would be taken forward by developing regulator SPSs alongside other measures proposed in 'Regulating for the long-term: Regulator Accountability'.

The most time-consuming recommendations to implement would be to review and reform the strategic planning frameworks. The results of this review may also require some legislation to implement. Given that water companies are already progressing their WRMP and DWMP plans for PR29 (the price review in 2029), this work would need to start now, recognising that some changes will need to be implemented for the following review cycle.

[i] See '**PR24 and beyond Final guidance on long term delivery strategies**', Ofwat, April 2022.
[ii] See '**Shaping our future: our long-term strategy 2025-50**', Northumbrian Water, Oct. 2023, p.149-150.
[iii] See **First in EU: Denmark launches plan to eliminate PFAS pollution**, State of Green, June 2024.
[iv] See **PFAS ban passed in France**, Chem Trust, February 2025.
[v] See **EAC launches new inquiry to address the risks of PFAS forever chemicals within the UK's regulatory approach**, UK Parliament, April 2025.