

# Draft water industry national environment programme (WINEP) methodology

July 2021

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## Executive summary

Water companies have a primary role in protecting and enhancing the environment and thereby improving the lives of those within the communities they serve.

Water companies have been challenged by the UK government to create an industry that:

- provides resilient, safe, and affordable water supply and wastewater service for today's users and future generations
- provides a thriving natural environment with increased environmental value, clean rivers and a sustainable eco-system
- consumers trust and that delivers an excellent day to day service, support for vulnerable consumers and acts in the long-term interests of society and the environment

The water industry national environment programme (WINEP) is the programme of work that water companies in England are required to do to fulfil their obligations arising from environmental legislation and UK government policy. These strategic obligations and requirements are set out by the Environment Agency and Natural England in the Water Industry Strategic Environmental Requirements (WISER). The WINEP is the most important programme of environmental investment in England; for 2020 to 2025 it consists of £5.2 billion<sup>1</sup> of asset improvements, investigations, monitoring and catchment interventions. It sets out the water industry's contribution to delivering the wider national objectives for the natural environment as set out in the River Basin Management Plans (RBMPs) and other statutory plans.

This draft WINEP methodology sets out in one place – for the first time – the overarching process for designing, developing and delivering the WINEP.

The water industry has made welcome strides over the last 3 decades through the WINEP and its predecessor, the National Environment Plan (NEP), to improve the environment. For example, two thirds of all beaches are now classed as 'excellent' bathing waters compared to less than a third 25 years ago because of this expenditure. But, as the WINEP taskforce set out in the 'Review of the water industry national environment programme (WINEP) – consultation document' there is a collective ambition for the WINEP to deliver more. More for the environment, for customers and for communities, reflecting society's high expectations and the UK government's own ambition to leave the environment in a better state for the next generation.

To help meet this ambition, the Environment Agency, Defra and Ofwat have come together to lead a taskforce to improve the WINEP in collaboration with representatives from water companies, Natural England, the Drinking Water

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<sup>1</sup> This is made up of the revenue allowances from the 2019 price review final determination cost allowances for WINEP for the water companies operating wholly or mainly in England and the additional funding for green recovery schemes for these companies. See '[PR19 final determinations: Securing cost efficiency technical appendix](#)', Ofwat, December 2019, pp.91 and 100 and '[Green economic recovery: final decisions](#)', Ofwat, July 2021 for details.

Inspectorate (DWI), CCW, and environmental non-governmental organisations (eNGOs). We are grateful to all those who have been involved in the WINEP taskforce, including those on our advisory board, who have given their time to help inform and develop the new approach.

This draft WINEP methodology is designed to:

- focus on delivering outcomes
- support the delivery of wider environmental outcomes
- have a longer-term focus
- accommodate a more systems and catchment-oriented approach that accommodates more innovation and company collaboration, including facilitating a greater use of nature-based solutions
- support co-design co-delivery and co-funding of solutions
- make best use of and improve available data

## Next steps

The publication of this draft WINEP methodology and the accompanying 'Review of the water industry national environment programme (WINEP) – consultation document' marks an important milestone in the development of the WINEP for 2025 and beyond. The WINEP taskforce welcome views in response to the consultation <https://consult.environment-agency.gov.uk/environment-and-business/review-of-the-winep>

The Environment Agency will publish a revised WINEP methodology and WINEP roadmap in autumn 2021. Over the summer of 2021 we will also work collaboratively with Ofwat, water companies, Natural England and others to develop other parts of the WINEP framework, so that these can be made available in autumn 2021. These include supporting technical guidance, optioneering and appraisal guidance and the revised WINEP spreadsheet template.

## About this document

This document is the draft WINEP methodology. It has been developed jointly by the Environment Agency, Defra and Ofwat with the support of others through the WINEP taskforce. The Environment Agency is publishing this document to set out in one place our approach to implementing the WINEP. Our intention is for this to be a simple, easy to follow guide to how the WINEP works that will help ensure a consistent approach is applied across England.

The target audience is water industry practitioners in the Environment Agency, water companies and third parties interested in co-design, co-delivery and or co-funding projects to deliver environmental outcomes through WINEP actions. We also expect this to be a useful resource for other regulators.

The Environment Agency, Defra and Ofwat are consulting on this draft methodology through 'Review of the water industry national environment programme (WINEP) – consultation document', which sets out:

- the long-term ambition for the development of the WINEP
- the main proposals for changes to the WINEP process
- questions on the proposals for consultation

Responses to the consultation will help inform the development of our revised WINEP methodology, which will be an updated version of this document, and the longer-term roadmap for the development of the WINEP. The Environment Agency will publish the updated WINEP methodology in autumn 2021.

## Where to go for more information

This methodology is the responsibility of the Environment Agency. For further information and supplementary guidance please email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

# 1. Introduction

The UK government has declared a climate and environment emergency. If the water sector continues to operate as usual, by 2050 some of our rivers could have up to 80% less water in summer, and it will not be possible to meet the demands of people, industry and agriculture. There will be even greater pressure on the quality of our rivers, lakes, estuaries and wetlands from pollution, a growing population, and climate change. At the same time people's expectations of their local environment have increased, for example more people want to swim outdoors or spend time near a local river.

The UK government's 25 Year Environment Plan sets out an ambition to improve the environment in a generation, including achieving the aim of clean and plentiful water.

The Environment Agency's ambition is to achieve a water environment that is cleaner, healthier and managed in a way that is more resilient to floods and drought and better supports people, wildlife and the economy. Actions by water companies<sup>2</sup> have the potential to greatly enhance the natural environment and support sustainable growth. Equally, their operations can have a detrimental effect on the quality of the natural assets (such as rivers) that water company customers and wider society rely on.

Water companies, regulators, local government and communities together face significant challenges relating to the water environment. These include:

- managing extreme weather and flood risk
- reducing pollution
- increasing urbanisation
- managing ageing assets
- adapting to climate change

In addition to this there are emerging areas of public concern, such as in relation to protecting chalk streams and reducing the impact of storm overflows on the natural environment. These challenges are reflected through existing UK government policy and legislation, and the UK government's ambition to protect the environment is being built on through the Environment Bill.<sup>3</sup>

Water companies have a vital role to play in contributing to achieving the UK government's environment ambition and so water companies have been challenged to create an industry that:

- provides a resilient, safe, and affordable water supply and wastewater services for today's users and future generations
- provides a thriving natural environment with increased environmental value, clean rivers and a sustainable eco-system

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<sup>2</sup> 'Water companies' or 'companies' refer to the wholesale water only, and wholesale water and sewerage companies operating wholly or mainly in England. Where this document refers to 'water and sewerage companies' this includes companies providing both services.

<sup>3</sup> See [Environment Bill - Parliamentary Bills - UK Parliament](#) for more information.

- consumers trust and that delivers an excellent day to day service, support for vulnerable consumers and acts in the long-term interests of society and the environment

The environmental challenge for the sector is huge. Through the WINEP there are opportunities to enhance the environment, create resilient communities, and support economic growth.

## Role of the WINEP

The WINEP, and its predecessor the NEP, have been important mechanisms for delivering benefits to the natural environment. The investment through the WINEP is substantial – £25 billion since 1989 – and between 2020 to 2025 it will account for approximately £5.2 billion of asset improvements, investigations, monitoring and catchment interventions.

The primary role of the WINEP is to provide information to water companies on the additional actions they need to take to meet the environmental legislative requirements that apply to water companies in England.

The ‘what’ of environmental water policy that needs to be delivered through the WINEP is determined by the UK government outside of the WINEP process. It is identified through UK legislation, and will include meeting the legally binding targets around water quality, quantity, and biodiversity proposed in the Environment Bill.

The Environment Agency and Natural England jointly issue the Water Industry Strategic Environmental Requirements (WISER) to provide strategic steer to water companies on the environment, resilience and flood risk obligations and requirements for business planning purposes. The WISER therefore sets the direction for what will be included in the WINEP.

The UK government’s Strategic Policy Statement to Ofwat (the SPS)<sup>4</sup> sets out the UK government’s priorities, including environmental priorities, for Ofwat’s regulation of the water sector in England.

In addition, there are currently several ongoing areas of work to identify and clarify what the environmental priorities for the water sector should be, such as a dedicated taskforce looking at the problems associated with storm overflows and a working group developing a chalk streams strategy.

To inform the development of the WINEP, the Environment Agency and Natural England specify environmental 'drivers' that translate legislation and UK government priorities into reasons for action. By applying these drivers to identify issues and risks and developing actions to address these, the Environment Agency, Natural England, water companies and their partners put together the set of actions that constitute the WINEP. The WINEP forms an important input for water companies in developing

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<sup>4</sup> [The government’s strategic priorities and objectives for Ofwat \(September 2017\)](#), Defra, September 2017.

their business plans and so an updated WINEP is needed ahead of each price review.

The focus of the environmental legislation that the WINEP implements is improving environmental water quality, quantity and biodiversity in England. Most actions for water companies set out in the WINEP are to fulfil legal obligations from UK law. These statutory and statutory plus<sup>5</sup> obligations must be fulfilled by water companies.

The Environment Agency also identify drivers for non-statutory requirements. These are to enable water companies to go beyond the minimum statutory requirements to deliver an environmental need where there is customer support.

The WINEP process determines what actions water companies will need to take – and so be funded for – to meet statutory and statutory plus obligations. However, it does not set the amount of funding water companies can recover from customers to deliver the actions it specifies. Water companies present their funding requirements in their business plans to Ofwat who then assess and challenge these plans to protect customers and set price controls accordingly. This is done separately by Ofwat through the price review process. The price review sets cost allowances for the delivery of the statutory and statutory plus actions identified in the WINEP. Ofwat also reviews the evidence water companies present to support non-statutory actions included in the WINEP and any additional costs to deliver wider environmental benefits for statutory and statutory plus actions. Ofwat determine whether there is sufficient evidence that customers should fund these, and the efficient level of funding, in the same way as it would for other expenditure Ofwat classifies as ‘enhancement’.

It is important to note that the WINEP does not cover all environmental expenditure in the water sector. For example, expenditure on maintenance and supply and demand funding through the price review process are equally important for protecting the environment. The sector invests in reducing leakage and per capita consumption, which reduce the need to abstract water from the natural environment. Another major area of investment is investigating alternative supply solutions to ensure sustainable abstraction through the Water Resource Management Plan (WRMP) process and through the work of the Regulators Alliance for Progressing Infrastructure Development (RAPID).

At each price review the WINEP has evolved. For the 2024 price review (PR24) there will be a step change in approach and collectively the regulators and UK government have ambition to go further in future price reviews.

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<sup>5</sup> Statutory plus obligations are legal requirements where specific aspects of economic evidence forms part of the decision making process, that is the balance of costs and benefits, and affordability considerations. In cases where action is considered disproportionately expensive to meet statutory plus obligations, alternative objectives or timescales to meet them may be set.



## Review of the WINEP

Implementation of the improvements to the WINEP have been directed through a dedicated cross-organisation WINEP taskforce involving regulators, water companies, environmental NGO's and other stakeholders. The WINEP taskforce has developed this draft WINEP methodology that will cover the period 2025 to 2035, and will inform water companies' business plans for the 2025 to 2030 price review period – PR24 – also known as the Asset Management Period 8 (AMP8).

The aim of the WINEP taskforce was to enable a step change in the quality of the water environment and deliver greater value for money. The WINEP taskforce challenged itself to improve the way the WINEP works across 6 main areas identified from lessons learnt from the previous iteration of the WINEP. These areas were to ensure the WINEP:

- is outcomes focused
- supports the delivery of wider environmental outcomes
- has a longer-term focus
- accommodates a more systems and catchment-oriented approach that accommodates more innovation and company collaboration, including facilitating a greater use of nature-based solutions
- supports co-design co-delivery and co-funding of solutions
- makes best use of and improve available data

Most importantly, the WINEP process is evolving to become more outcome driven. We are introducing a tiered approach in which actions taken through the WINEP will deliver tier 1 outcomes, tier 2 goals and tier 3 outputs. Where specific actions are required, they can be defined at tier 3, but where companies can provide sufficient evidence to support a more flexible approach, companies can be set actions at a tier 1 outcome level (for non-permitted actions) or a tier 2 goals level. This will also provide greater line of sight from actions to the ultimate aims of the WINEP, for example water bodies reaching good ecological status. Greater flexibility will also be created by giving water companies more ownership and accountability for the design and development of the solutions to be implemented through the WINEP.

The WINEP is also evolving to explicitly support wider environmental outcomes. Water companies will be required to develop best value options that deliver wider benefits, including restoring and enhancing the natural environment through biodiversity net gain, net zero, catchment and flood resilience and providing value for money for communities through improved engagement, amenity and access.

The WINEP will have a longer-term focus as the planning horizon will be extended from the current 5 years to 10 years plus. The WINEP will continue to be updated every 5 years to ensure that it accounts for the latest data and legislation, and for the purposes of the price review process. This longer-term focus will enable planning to allow more effective and faster progression of environmental monitoring to investigations to interventions. It will also enable greater use of nature-based

solutions where these require a lead in time to achieve outcomes following construction.

The WINEP will accommodate a more systems and catchment-oriented approach, including facilitating a greater use of nature-based solutions. Water companies will be required to consider Catchment and Nature Based Solutions (C&NBS) solutions where feasible as part of their option development and appraisal for the WINEP. To facilitate this shift, we have set out C&NBS principles for companies to follow in the 'Review of the water industry national environment programme (WINEP) – consultation document'.

In addition, Ofwat are considering whether and how to change their approach to nature-based solutions in price controls, so that companies are not dis-incentivised through the cost assessment framework to take C&NBS approaches.

The overall approach will also support co-design, co-delivery and co-funding of solutions. The creation of this draft WINEP methodology will increase transparency for all stakeholders and so enable greater involvement of third parties. Increasing the ownership and accountability of water companies for the design and development of the WINEP actions will also enable them to actively pursue cooperative solutions with third parties. We are also consulting on introducing requirements for companies to use co-design, co-funding and or co-delivery for some of their WINEP actions. Water companies will remain fully accountable for the delivery of any co-designed, co-funded or co-delivered solutions. Ofwat is considering whether any changes to the price review are necessary to facilitate greater partnership working.

Finally, the WINEP taskforce has made some progress on how to make the best use of and improve available data in the WINEP. We consider there is more work to be done in this area, by developing the WINEP spreadsheet to capture data linking actions to outcomes and to understand costs better. Data requirements will be considered further in the optioneering and appraisal guidance that we will develop over summer 2021 to support the WINEP process.

## **The WINEP methodology**

This draft WINEP methodology is intended to enhance the transparency of the WINEP process. It is designed for use by practitioners in the Environment Agency, other regulators, water companies and their partners. Its aim is to explain the overarching WINEP process – what needs to be done at each stage and by who. Our intention is for it to show how the various strands of guidance on different aspects of the WINEP come together into a single methodology and to capture the recommendations of the WINEP review. This is the first time the Environment Agency has done this for the WINEP in a single published document. We are consulting on it to make sure it does this well.

## The WINEP process

The WINEP will be delivered through a collaborative and iterative process. This document sets out the stages of the process in chapter 4. But the stages of the process will happen at different times for different environmental drivers. This is due to the availability of data and because of links with related processes, such as the WRMP that runs to a different timescale. Nevertheless, the Environment Agency considers setting out the stages of the process will enable stakeholders to engage more effectively in the development of the WINEP.

### Stage 1: Setting the framework

The first stage is to set the framework for the WINEP. In broad terms this involves taking the requirements of legislation, Ministerial and the UK government's priorities and translating this into a regulatory framework for delivery. There are several layers to this framework – the WISER will set the strategic direction, the WINEP methodology will set out how the overarching process will work and the various guidance documents provide the detail to enable all parties to implement the WINEP process.

### Stage 2: Collaboratively identifying risks and issues

The second stage is to identify the environmental risks and issues that need to be addressed by the WINEP programme. This is a collaborative stage led by the Environment Agency and informed by the WISER. This stage will involve water companies and other environmental stakeholders, including Natural England. These stakeholders will collaboratively form an initial view of the risks and issues to be addressed through the WINEP.

### Stage 3: Proposing solutions

The third stage is to develop options to address these risks and issues, appraise the options and propose solutions – in the form of actions to be included in the WINEP – to the Environment Agency. For the next iteration of the WINEP for 2025 onwards, for some drivers the water companies will lead on this step, with input from the Environment Agency. For other drivers, work to identify solutions will be collaborative but led by the Environment Agency as in previous price reviews.

We expect water companies to work collaboratively with other stakeholders, including actively seeking co-designers, co-deliverers and co-funders of solutions at this stage. Depending on the driver, it may be appropriate to propose actions at the tier 1 (for non-permitted actions), tier 2 or tier 3 level. The driver guidance will contain more detail. All of the actions proposed will link directly to delivering tier 1 outcomes.

Water companies will need to provide high quality evidence to support their proposed solutions and assurance that those solutions are appropriate. We expect and encourage water companies to take a collaborative approach to delivery, although water companies will remain responsible and accountable for fulfilling their statutory and statutory plus obligations.

#### **Stage 4: Assess proposals**

The fourth stage is for the Environment Agency, with support from others including Natural England to assess the proposals received from water companies. This will include assessing the quality of the evidence presented. At this stage the Environment Agency will indicatively confirm at what tier each action will be set. We may informally consult Ofwat on the costs and evidence, including on customer support.

The WINEP spreadsheet represents the main end product used to define what each water company will deliver. It will be maintained to a common format across all companies. It is intended that the developing WINEP spreadsheets will be visible to water companies and the Defra group, through the Environment Agency's SharePoint online site. In addition, it will be issued formally to companies in 2 iterations: during autumn 2022 and March 2023. The WINEP spreadsheet issued to water companies at the end of this fourth stage, in March 2023, should be the version water companies use for their business plans for submission to Ofwat.

#### **Stage 5: Price review**

The fifth stage is the Ofwat led price review, which sits outside of the scope of this methodology. However, there are important links between the price review and the WINEP methodology. In this stage Ofwat determines the cost allowances for the water companies for the delivery of the WINEP. This will include consideration of funding for non-statutory actions and components of actions.

#### **Stage 6: Delivery**

The sixth stage is the delivery of the actions in the WINEP by water companies. This stage will include any ongoing management, for example where the Environment Agency needs to alter actions in the WINEP. The WINEP spreadsheets will be maintained as 'live' data sets and copies of the WINEP spreadsheets will be issued to water companies at the end of each financial year.

After the WINEP has been delivered, the Environment Agency will undertake an evaluation exercise to identify how effective it has been, and how it could be improved in future.

## Using this document

The remainder of this document is structured as follows:

- chapter 2 sets out the WINEP basics including planning principles, its relationship with other strategic planning frameworks, WINEP drivers and the role of the WINEP spreadsheet
- chapter 3 describes the elements of the WINEP approach that are new for this iteration
- chapter 4 describes the 6 stages of the WINEP process, setting out the purpose of each stage, the approach, who is involved, what the expected outputs and or outcomes are, and provides information about related documents
- chapter 5 sets out how we plan to evaluate the WINEP in future

## 2. WINEP basics

This chapter sets out the basics of how the WINEP works including planning principles, its relationship with other strategic planning frameworks, what WINEP drivers are, the role of the WINEP spreadsheet and the timetable for delivery of the WINEP. A summary of the terms used in the WINEP is included in Annex 1.

### Environmental principles

At a high level the WINEP will follow the UK government's 5 environmental principles for building a greener future. These were consulted on in '[Consultation on the draft policy statement on environmental principles](#)', Defra, March 2021, and will be finalised in due course. The draft environmental principles are:

- the integration principle is the principle which states that policymakers should look for opportunities to embed environmental protection in other fields of policy that have impacts on the environment
- the prevention principle means that government policy should aim to prevent, reduce or mitigate harm
- the rectification at source principle means that if damage to the environment cannot be prevented it should be tackled at its origin
- the polluter pays principle is the principle that those who cause pollution or damage to the environment should be responsible for mitigation or compensation
- the precautionary principle states that where there are threats of serious or irreversible environmental damage, a lack of scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation

These principles will support opportunities to prevent environmental damage whilst supporting innovation and sustainable development.

The Environment Agency is developing the WINEP process in line with these principles to ensure it meets the aim of offering the best opportunity to achieve environmental improvement.

### Strategic planning

Water management within the water sector is governed by 4 statutory planning frameworks. These are River basin management plans (RBMP), Water Resource Management Plans (WRMP), Drainage and Wastewater Management Plans (DWMP) and Flood Risk Management Plans. All 4 have, or will have, an influence on development of the WINEP.

## River basin management plans

RBMPs establish an integrated approach for the protection and sustainable use of the water environment. They set the environment quality objectives for groundwater and surface waters (including estuaries and coastal waters) and summarise the programmes of measures needed to meet these objectives. Water companies must ensure that current and future activities, such as abstraction or the return of treated wastewater, support the achievement of these objectives and prevent deterioration in water bodies.

## Water resource management plans

WRMPs ensure that water resources are adequate to meet the present and future demands of customers. The duty to prepare and maintain a WRMP is set out in Section 37A-37D of the Water Industry Act 1991. Companies must plan to make sure that there is a reliable water supply for people and businesses, and to protect the environment. The solutions needed to achieve WRMP outcomes form the supply-demand component of business plans and need to balance managing demand, improving how water resources are allocated and developing new resources. Creating sustainable abstractions and managing the risk of deterioration and serious damage to the environment are an integral part of the WRMP process. For the first time, the WRMP must also accommodate the regional water resource plans as required in the national water resources framework.<sup>6</sup> This sets a longer planning horizon and will incorporate strategic resource options for 2050 and beyond as well as a regional environmental destination.

## Drainage and wastewater management plans

DWMPs are being developed to ensure the sustainability of drainage infrastructure and the services it provides to customers and the environment.<sup>7</sup> They will set out how water and sewerage companies intend to extend, improve and maintain a robust and resilient drainage and wastewater system over the long term. In June 2022 water companies will publish their draft DWMPs and finalise these in March 2023. DWMPs will support the development of water companies' business plans for PR24. The WINEP, supply-demand and capital maintenance elements of the DWMPs will build on the principles of the '[Drainage Strategy Framework](#)' (Ofwat and Environment Agency, May 2013). These principles are intended to ensure companies deliver collaborative and integrated long-term planning by working with other organisations that have responsibilities relating to drainage, flooding and protection of the environment.

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<sup>6</sup> For more information, see '[Meeting our future water needs: a national framework for water resources](#)', Environment Agency, March 2020.

<sup>7</sup> For more information, see '[Working together to improve drainage and environmental water quality: An overview of Drainage and Wastewater Management Plans](#)', Atkins, September 2019.

DWMPs will be re-assessed and produced on a cycle consistent with the price review cycle and sufficiently in advance of the submission of the companies' business plans. The current cycle of DWMPs is non-statutory, however the Drainage and Sewerage Management Planning requirement of the Environment Bill as drafted will create a statutory duty for companies to prepare plans enabled through development of drainage and sewerage management plans.

## Flood risk management plans

The Flood Risk Regulations 2009 require the Environment Agency and lead local flood authorities (LLFAs) to do a statutory review of Flood Risk Management Plans (FRMPs) every 6 years. The plans explain the risk of flooding and set out how risk management authorities (RMAs) will work with stakeholders and communities to manage flood risk. The second cycle FRMPs will contain objectives and specific actions, known as measures, setting out how RMAs will manage and plan for significant flood risks between 2022 and 2027. The plans will support achieving the goals of the [National Flood and Coastal Erosion Risk Management Strategy](#) for England, for example by identifying integrated water management and nature based solutions.

## Environment Bill

The transformative [Environment Bill](#) will help ensure that we collectively maintain and improve our environmental protections now that the UK has left the European Union. It will build on the UK's strong track record and sets out a comprehensive and world-leading vision to allow future generations to prosper. Environmental principles will be enshrined in law and measures will be introduced to improve air and water quality, tackle plastic pollution and restore habitats so plants and wildlife can thrive.

The proposed legislation will also create legally binding environmental improvement targets. A new independent Office for Environmental Protection will be established to scrutinise environmental policy and law, investigate complaints and take enforcement action against public authorities, if necessary, to uphold our environmental standards. The office's powers will cover all climate change legislation and hold the UK government to account on its commitment to reach net zero emissions by 2050. By also championing nature-based solutions, the Environment Bill demonstrates the UK's commitment to tackle climate change.

The 2021 Environment Bill will also introduce a new place-based spatial planning framework, Local Nature Recovery Strategies, new biodiversity duties for water companies and make DWMP's statutory plans all of which will have a strong links to the WINEP.



## The WINEP

The primary role of the WINEP is to provide information to water companies on what additional actions they need to take to meet the environmental legislative requirements that apply to water companies in England.

The Environment Agency is responsible for the development of the WINEP. However, the Environment Agency expects water companies and their partners to play a greater and increasing role in the development of the WINEP now and into the future. For example, water companies and their partners will play an active role in developing the definitions of environmental risks and issues the WINEP programme should address, and in proposing solutions to address them.

It focusses on actions to meet new environmental obligations, or existing environmental obligations where following an investigation evidence shows that action needs to be undertaken.

There are 3 types of environmental obligations and requirements on the water companies:

- statutory obligations
- statutory plus obligations
- non-statutory requirements

### Statutory obligations

Statutory obligations are obligations on the water companies. They are set out in primary or secondary legislation. Water companies must carry out actions identified in the WINEP to fulfil statutory obligations. These actions are not subject to a cost benefit test.

### Statutory plus obligations

Statutory plus obligations are obligations on the water companies set out in primary or secondary legislation but that include an added element of cost benefit assessment, and in some cases an additional step of affordability testing. In cases where action is considered disproportionately expensive to meet statutory plus obligations, alternative objectives or timescales to meet them may be set.

### Non-statutory requirements

Non-statutory actions are those that are not required by primary or secondary legislation, but for which there is Environment Agency published driver guidance.

Non-statutory requirements included in the WINEP are actions the companies have customer support to do that go above and beyond their statutory obligations. There may be a public need or desire but this may not be underpinned by a specific Act or piece of legislation. These actions to meet non-statutory requirements may also be required to meet the UK government's environmental ambition.

There are 2 types of non-statutory requirements.

1. Actions to deliver additional or enhanced environmental outcomes in relation to a statutory scheme that go beyond the statutory requirements of that scheme. This could include for example reaching excellent bathing water status beyond a required level of sufficient status, or delivering the same standard against the statutory obligation, but greater contributions to 1 of the 4 identified wider environmental outcomes – natural environment, net zero, catchment resilience or access, amenity and engagement. The wider environmental outcomes are discussed in the next chapter.
2. Actions that are not required by primary nor secondary legislation, but for which there is Environment Agency published driver guidance.

## WINEP drivers

The WINEP drivers are the environmental reasons for actions to be included in the WINEP. A driver is essentially a code used within the WINEP that makes the link from the statutory obligation or the non-statutory need to the actions water companies need to take. Each driver will be described in a 'driver guidance' document that explains what water companies should do to meet the need for action in relation to a specific driver.

For further information on individual drivers please see the relevant driver guidance documents that set out how each driver should be applied. Currently these can be accessed by emailing [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk). The driver guidance documents will specify what actions are statutory, statutory plus and non-statutory.

It is important to note that if a proposal does not meet the criteria of any of the WINEP driver guidance then the action cannot be included in the WINEP. For example, we do not expect components of business plans that would normally fall under supply-demand balancing or maintenance to be included in the WINEP.

## The WINEP spreadsheet

The actions for the WINEP are recorded and shared in an individual Microsoft Excel spreadsheet specific to each company.

It defines what the water companies must include in their business plans. Water companies have flexibility to propose how they deliver the required legislative

outcomes providing their proposals are compliant with legislation and in accordance with Environment Agency position statements.

The water company must deliver the programme and report to the Environment Agency on completion of actions as the programme is delivered.

The Environment Agency will revise the WINEP spreadsheet template to accommodate feedback from the previous iteration of the WINEP and incorporate the changes arising from this consultation. For PR24, this is intended to be an evolution of the current spreadsheet-based system, rather than a wholesale system change, to ensure we have something in place for autumn 2021.

### 3. Main methodology changes for consultation

This chapter sets out the main changes to the WINEP and new approaches that the Environment Agency is proposing to adopt for the next iteration of the WINEP that will cover 2025 to 2035.

#### WINEP programme time horizon

To ensure that the programme of environmental action that water companies propose considers the long term, the time horizon for the WINEP will be 10 years plus. The WINEP will be set to include:

- 5 years of ‘firm’ actions that align with the next price review period (financial years 2025 to 2030)
- a set of ‘indicative’ actions for the following 5 years (2030 to 2035)
- any actions that the water company or the Environment Agency considers are helpful to specify beyond that

This will enable delivery of options with a longer lead time, such as C&NBS, to be planned into the programme of work more effectively.

We expect companies to consider how to deliver programmes of work most effectively – from monitoring to investigations to interventions – within this longer-term planning horizon. Although it will not be possible to specify the actions needed at each subsequent step, we expect to see the decision points planned into the longer-term programme of work. This should enable the WINEP to avoid a ‘stop-start’ cycle. It will be important for water companies to cross reference their internal functional programmes to ensure best value solutions are identified and no conflicts occur given the longer-term planning horizons.

The statutory deadlines for delivering improvements and actions to ensure no deterioration of the environment are not currently set for all drivers over a 10 year plus horizon. Therefore, it will not be possible to set the WINEP over a 10 year plus horizon for all drivers for this WINEP cycle. Our aspiration is to do this where possible and extend the scope of the 10 year horizon in future cycles of the WINEP. The driver guidance will specify where the 10 year plus horizon should be applied.

#### Wider environmental outcomes

Our ambition is for the WINEP to deliver greater environmental benefits. This means delivering the same improvements in a different way – that accounts for wider environmental benefits – rather than the WINEP delivering different improvements solely focussed on the wider environmental outcomes.

The WINEP will remain the programme of actions for water companies to meet their statutory environmental obligations and delivering non-statutory environmental improvements through carrying out their functions. All actions included in the WINEP must link to either meeting a statutory or statutory plus obligation or delivery against a water company’s statutory functions.

These wider environmental targets and their relative priority are set out in the table 3.1. The Environment Agency expects companies to explain how their WINEP schemes have been optimised to deliver wider environmental outcomes. They should take account of the contribution to delivering these wider environmental outcomes made by each option considered when assessing options and deciding which solutions to propose.

The Environment Agency expects water companies to take account of how different approaches to delivering the WINEP will impact on wider environmental outcomes. We will provide further information on how to take these into account in the optioneering and appraisal guidance. As the wider environmental outcomes are not primary drivers for environmental action we will not produce driver guidance for them.

**Table 3.1 Wider environmental outcomes**

Wider environmental outcome	Description
<b>Natural environment</b>	Improvements to the natural environment through the protection restoration and enhancement of the environment, biodiversity and habitats. The net impact of actions should be taken account of when assessing WINEP options. This is a primary outcome.
<b>Net zero</b>	Contributions to achieving a balance between the amount of greenhouse gas (GHG) emissions put into, and the amount taken out of, the atmosphere. The net embedded and operational GHG emissions of actions should be taken account of when assessing WINEP options. This is a primary outcome.
<b>Catchment resilience</b>	Contributions to catchment flood and or drought resilience, better surface and groundwater management, restoring or increasing environmental capacity, and securing sustainable alternative water resources. This is an important outcome, but the natural environment and net zero take primacy over catchment resilience.
<b>Access, amenity and engagement</b>	Contributions to improving access to, amenity of and engagement with the natural environment to support customer and community wellbeing. This is an important outcome, but the natural environment, net zero and catchment resilience take primacy over access, amenity and engagement.

## Three tier outcomes approach (3TO)

The WINEP is about improving and protecting the environment. Historically, the line of sight from the actions required under WINEP to the environmental outcomes being delivered has not been clear in all cases. But this link has always existed. For example, monitoring may not lead directly to improvements, but it is essential to understanding the problem and designing the right solution. There is broad agreement across regulators that focusing on outcomes will give companies more choice as to how they fulfil their WINEP obligations. Greater flexibility in the programme will also drive innovation and help secure wider benefit for the environment and for society.

In this WINEP we propose introducing a new 3-tiered outcomes approach (3TO).

The 3TO approach aims to give companies' more responsibility for the development of their programmes of work. It will add transparency to the process and provide a better understanding of the outcomes associated with the WINEP. The approach complements the Environment Agency and Ofwat's existing regulatory frameworks. Where required, water companies' actions will still need to be permitted under the appropriate regulatory regime and companies will need to provide Ofwat with information on costs and benefits as part of the price review process.

We will start to use the 3TO approach during development of the WINEP for PR24 and will refine it in future WINEP investment periods. For PR24, water companies will be able to choose from a list of tier 1 outcomes, created by the Environment Agency working with water companies. Companies will be able to propose how their obligations in these areas will be reflected in the WINEP; either as a tier 1 outcomes (for non-permitted actions), tier 2 goals, or tier 3 outputs. Every tier 2 goal or tier 3 output will also be linked to a tier 1 outcome.

**Table 3.2 Outcome tiers**

Tier	Description
<b>Tier 1: outcomes</b>	The water company's contribution to delivering an outcome for a specified location. Any geographical area may have multiple tier 1 outcomes.
<b>Tier 2: goals</b>	The goals are the specific elements required to deliver an outcome. All tier 2 goals will contribute to a tier 1 outcome.
<b>Tier 3: outputs</b>	The outputs are the site or asset specific actions required to deliver the higher tiers of environmental outcomes. These may be in relation to a statutory or non-statutory driver. Often the Environment Agency carry out regulation at the tier 3 level.

Each action in the WINEP will link to this 3TO approach. The purpose of this is to improve the line of sight from what is delivered through the WINEP to the ultimate aims that are important to the environment and to customers and communities.

## Tier 1: outcomes

Tier 1 outcomes are the highest level. These set the water company's contribution to delivering an overall outcome. Examples of tier 1 outcomes could include:

- water company delivers its polluter pays sector level contribution to achieving the water body objectives in the [named] catchment
- water company reduces groundwater abstraction in [named] catchment in line with regional water resources management plan

Tier 1 outcomes will relate to the 25 Year Environment Plan or a wider government steer, such as from the work of the Storm Overflows Task Force. As far as possible, all parts of a water company's programme should link to at least one tier 1 outcome. This includes investigations and monitoring actions as these will gather data towards achieving tier 1 outcomes. Tier 1 outcomes can be set at a variety of geographical scales such as catchment or protected area.

The template for the WINEP spreadsheet will include a list of possible tier 1 outcomes.

## Tier 2: goals

Tier 2 allows companies to propose goals for addressing specific issues associated with water company activities, and the wording will be agreed collaboratively between the water companies and the Environment Agency. Goals contribute to achieving the tier 1 outcomes.

Examples of tier 2 goals could include:

- reduce water company contributions to the phosphorus load in the [specific] catchment by [x]%
- reduce abstraction in the [specific] catchment to ensure compliance with the environmental flow indicator
- ensure water company assets do not impact on the movement of fish in the [specific] catchment

More information will be provided in the driver guidance documents on where it is appropriate to set outcomes at a tier 1 or tier 2 rather than a tier 3 level.

## Tier 3: outputs

Tier 3 outputs are the site or asset specific actions that are required to deliver the tier 1 outcomes and tier 2 goals.

Examples of tier 3 outputs could be:

- a licence change

- reflected as a permit limit in the WINEP, with the associated measure being an asset or site based action such as grey infrastructure improvements, a site-specific nature-based solution, or sustainable urban drainage
- monitoring
- asset or site specific investigation

The Environment Agency expects companies to identify where actions can be defined at the tier 1 or tier 2 level and thus where a more outcomes-based approach can be adopted. For 2025 to 2030, tier 1 and tier 2 proposals will be appropriate for some, rather than all, drivers.

When the Environment Agency assesses the solutions put forward by water companies in the WINEP, it should look at what evidence a company presents to support the proposal. To encourage the use of less traditional interventions, the Environment Agency may – at its discretion – allow actions to be included in the WINEP where the actions are not linked to a specific tier 3 output and are instead set as a tier 2 goal or a tier 1 outcome (for non-permitted actions). Sufficient evidence will need to be provided by the company to support the benefits of setting an action at tier 1 or tier 2 level. Companies will need to provide evidence that:

- there are benefits to the environment, customers or communities of setting proposals at the tier 1 or tier 2 level instead of the tier 3 level
- they have followed the relevant guidance, including the optioneering and appraisal guidance and Environment Agency position statements
- they have established an approach to measuring and, where appropriate, permit the delivery of the action with the Environment Agency
- they have an approach to managing risks to ensure customers and the environment are protected

## Co-design, co-delivery and co-funding

The Environment Agency expects water companies to consider solutions that are co-designed, co-delivered and co-funded. They should include such proposals in their plans to deliver the WINEP. We are proposing that water companies target at least 20% co-funding of non-statutory actions and seek further co-funding beyond this level at their discretion.

Though we expect an increasing role for partner organisations in the delivery of WINEP actions, water companies will remain fully responsible and accountable for the delivery of their statutory obligations. Water companies' customers will not be expected to meet any shortfall in funding caused by a co-funder withdrawing support. The Environment Agency expect water companies to have plans to make sure they can deliver on all statutory obligations if co-funding or support from a co-delivery partner does not materialise. Such issues will not be considered an acceptable



justification for failure to meet a delivery date or to request a delivery date extension beyond any delivery date based on legislation.

## **Catchment and nature-based solutions (C&NBS)**

C&NBS are an established part of the WINEP. Their use is focussed on a small number of drivers. We expect water companies to consider using C&NBS more broadly, wherever they can deliver whole or part of the environmental outcome. Proposed C&NBS should have a plausible mechanism for delivering the required outcomes to the natural environment.

As part of the WINEP review, C&NBS principles have been proposed which set out when and how C&NBS should be considered. C&NBS will not always be appropriate, and the aim should always be to meet the driver requirements in a timely manner. C&NBS will be subject to regulatory permits where appropriate.

The C&NBS principles are set out in the consultation document and will be captured in the optioneering and appraisal guidance.

Not all water companies will be able to use all types of C&NBS as qualifying criteria apply for some C&NBS, for example in relation to catchment nutrient balancing. Further details can be found in the Environment Agency position statements.

## **The WINEP optioneering and appraisal guidance**

To support water companies when they develop and assess their options for the WINEP, the Environment Agency, working Ofwat and other stakeholders, will produce an optioneering and appraisal guidance document.

The guidance document will expand on the requirements set out in this draft WINEP methodology document. It will provide clarity on the Environment Agency's expectations of water companies. It will set out what evidence is needed when proposing actions for inclusion in the WINEP. The guidance will aim to provide instruction on approaches to evaluation of costs and benefits to maximise the consistency of evidence across water companies and across England.

The Environment Agency will use the optioneering and appraisal guidance when it assesses the quality of the evidence water companies provide to support their proposals.

The Environment Agency will lead, in collaboration with other regulators and the water sector, on the development of the optioneering and appraisal guidance over the summer of 2021. The guidance will be published alongside the finalised methodology in the autumn 2021.

## Managing uncertainty

The Environment Agency is reviewing how uncertainty should be managed within the WINEP for the 2025 to 2030 investment period. We will set out our approach as part of the finalised methodology in autumn 2021.

## WINEP timetable for delivery

The WINEP brings together the actions that need to be taken by water companies to protect and improve the environment. Many of these actions come from other strategic planning documents, such as WRMPs, RBMPs and DWMPs. These plans are not all produced at the same time, which means the actions that emerge from them are not all available to go into the WINEP at one time.

Developing the WINEP will therefore be an iterative process. In many cases more information on the actions will be required before they can be included in the WINEP. Because the water sector is starting to move to a new way of working for PR24, this may mean even further iterations as we improve the WINEP process. Therefore, while we have set out how we expect the WINEP to progress in the next chapter, we recognise that not all these stages will happen in parallel and there will be some overlap of the stages. Our initial view of the timetable for the WINEP is:

- winter 2021 to 2022: SPS and WISER to be published
- autumn 2021: revised WINEP methodology published with some supporting documents, including optioneering and appraisal guidance, profiling guidance, driver guidance and overarching planning principles
- October 2021 to July 2022: Water companies collaboratively define the risks and issues and propose solutions for areas where evidence and data is available. We recognise that because of the COVID 19 pandemic some investigations have been delayed resulting in some data not being available until later in the WINEP development process
- March 2022 to March 2023: The Environment Agency, with support from others will assess proposals. The Environment Agency will present an initial view of the WINEP during autumn of 2022 for those areas where data is available
- March 2023: The Environment Agency submits the version of WINEP to be used for business plan development to water companies
- 2 October 2023: Date proposed by Ofwat for submission of business plans by water companies
- March 2024: Updated version of the WINEP created for Ofwat's final determinations
- 1 April 2025: WINEP goes live and is managed under the alterations process

We will set out further detail on the timeline for different environmental requirements in the profiling and driver guidance documents. The profiling guidance will set

deadlines for the delivery of environmental outcomes. This will be separate from the driver guidance documents. The driver guidance will set out further detail on milestones for individual drivers, and will specify where we consider actions should be set over the 10 year plus horizon.

## 4. Stages in developing the WINEP

This chapter provides an overview of the WINEP process. Looked at as a whole, the WINEP process starts with consideration of the legislative framework and Ministerial and UK government steer and ends with the reporting of successful outcomes by water companies to show they have delivered environmental improvements. Within this, we have divided the WINEP process into 6 stages as described in chapter 1 and shown in Figure 4.1.

Over the following 6 sections we walk through each stage of the process and set out:

- the context and objective of the stage
- the approach and what needs to be done
- who needs to be involved
- what the expected outcomes and outputs of the stage are and their timing
- what related documents there are that expand on the details of how the stage will be implemented

Figure 4.1 Stages of the WINEP



## 4.1 Stage 1: Setting the framework

### Context

This stage of the process will set the framework for the delivery of the WINEP. The framework will include the WINEP methodology and supporting documents.

### Approach

The first element of the WINEP framework is the WISER. The WISER sets the strategic ambition for the WINEP to deliver. It is being developed by the Environment Agency and Natural England and is the overarching strategic document that drives the WINEP. The Environment Agency wants to see a transparent and accountable water industry, which rises to the challenges set out in the WISER.

This draft WINEP methodology is the next element of the framework. The role of the WINEP methodology is to set out the overall approach to implementing the strategic direction from the WISER through the WINEP. We are consulting on this draft WINEP methodology to seek views on how to ensure it is as effective as possible.

Beneath the WINEP methodology there will be several guidance documents that will provide further detail. This includes for example driver guidance, profiling guidance and the optioneering and appraisal guidance. The driver guidance documents will explain how legislative and policy direction should lead through to actions for inclusion in the WINEP. The profiling guidance will provide information on the delivery deadlines for environmental outcomes. The optioneering and appraisal guidance will set out the evidence required to support options being taken forward into actions. The Environment Agency will engage with stakeholders where appropriate to develop these guidance documents.

The WINEP process will result in actions that companies will include in their business plans. Decisions on funding for these actions will be taken by Ofwat through the price review process, which is separate to the WINEP process. Ofwat have a critical role in developing a robust price review framework that will hold water companies to account as discussed in section 4.5.

### Who is involved?

The WISER is developed by the Environment Agency with Natural England.

Implementation of the improvements to the WINEP, reflected in the WINEP methodology, have been directed through a dedicated cross-organisation WINEP taskforce involving regulators, water companies, environmental NGO's and other stakeholders.

Environment Agency national teams, in consultation with Natural England as appropriate, will develop the specific driver guidance documents.

## Expected outcomes

The framework will include a WINEP methodology that will:

- focus on delivering outcomes
- support the delivery of wider environmental outcomes
- have a longer-term focus
- accommodate a more systems and catchment-oriented approach that accommodates more innovation and company collaboration, including facilitating a greater use of nature-based solutions
- support co-design co-delivery and co-funding of solutions
- make best use of and improve available data

This will be supported by several related documents, as specified in the following sections. Currently these can be accessed by emailing [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk). The Environment Agency is considering options for improving accessibility of these documents in future, and will provide further details in the revised WINEP methodology.

## Related documents

Driver guidance – Updated versions to be made available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

Water Industry Strategic Environmental Requirements (WISER) – Environment Agency and Natural England strategic steer to water companies on the environment, resilience and flood risk for business planning purposes. This is currently under review and a revised version will be published in due course. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

[‘The government’s strategic priorities and objectives for Ofwat \(September 2017\)’](#), Defra, September 2017 – Strategic policy statement setting out the UK government’s priorities for Ofwat’s regulation of the water sector in England.

WINEP spreadsheet – An updated WINEP spreadsheet template to be made available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

## 4.2 Stage 2: Collaboratively identifying risks and issues

### Context

The WINEP driver guidance documents that form part of the WINEP framework will set out the environmental drivers for action. The drivers will then be used to identify the risks and issues to be addressed. These will then determine what actions need to be developed in the following stage – ‘proposing solutions’.

### Approach

The Environment Agency will lead on identifying the risks and issues in collaboration with water companies, Natural England and other stakeholders.

This stage identifies issues that need addressing and risks that require further monitoring and investigation.

The environmental risks and issues will identify where action is required to deliver compliance with statutory and statutory plus obligations. They will also identify where the environment is not meeting stakeholder expectations and so where non-statutory actions may be proposed.

The environmental risks and issues should have a proven link, shown by robust data and supported by modelling where appropriate, between a water company’s activity and a failure to meet requirements.

Where there are signs of deterioration, or risks to a site, but there is not sufficient confidence that these are caused by water company activity, then an investigation may be an appropriate action.

Risks and issues that need addressing should be identified for at least a 10-year time horizon where possible. They need to inform the development of the WINEP that is firm for 2025 to 2030 and indicative for 2030 to 2035, and beyond where appropriate.

Some risks and issues may be defined by different organisations at different times and different scales. For example, the regional WRMPs will set out a long term environmental destination, which is reflected in WRMPs. The identification of risks and issues for developing these plans is needed in advance of other aspects of the WINEP.

We also expect some amount of iteration and refinement of the risks and issues throughout this and the following 2 stages. Further information will be revealed or made available throughout the process and it is important that this is reflected in the WINEP where possible.



## Who is involved?

For water quality risks and issues, work is undertaken by Environment Agency modellers or Area leads who can specify (for many drivers) the water company contribution to the risks or issues.

Environment Agency national teams produce water resources models which provide water body scale flow risks and issues. These are then confirmed by Environment Agency Area leads. The Environment Agency will give water companies this data to determine their contribution to the issue.

Depending on the driver, risks and issues relating to natural environment drivers can be less clearly defined at a national scale. Identification of the risks and issues to be addressed through the WINEP can therefore be more dependent on the knowledge of local Environment Agency staff, Natural England and water companies, and local collaboration with other organisations. For example, Natural England's database of remedies and threats will be used as an input to identify risks and issues.

## Expected outcomes

Datasets will be provided to the water companies at a waterbody or catchment scale to show the environmental risks and issues.

Where a specific risk or issue requires an action that does not require a permit, then an action specification form (ASF) is developed between the Environment Agency area teams and the water company. The ASF will provide a detailed specification for each of the actions. This applies to all WINEP actions that are not associated with permit changes. Specification is the responsibility of the Environment Agency, water companies and Natural England as appropriate. For example, Drinking Water Protected Areas (DrWPA) scopes should be developed by the Environment Agency Area technical leads, but scopes for complex sewerage investigations may need to be developed by technical leads in the Environment Agency's national teams collaboratively with water companies.

Further guidance and templates will be provided on action specification forms. However, the general principle is that these should define the outcome that is required from the solution. Further detail can be included as required to reduce potential dispute over signoff of the delivery of the action. For example, if particularly complex models are required then the ASF should detail the minimum signoff requirements without being unduly prescriptive.

The specification should set out the environmental outcome that is desired at the relevant tier (1, 2 or 3). Where the geographical extent of the solution is important to ensure compliance with legislation then this should be included, alongside a summary of the solutions being used to deliver the environmental outcome.

If feasible, ASFs should be developed in parallel to the WINEP. This will enable companies to have certainty over the actions that they will submit funding requests

for in their final business plan. ASFs that are likely to require complex investigations, models or action should be prioritised over less complex ASFs as these could drive higher costs.

## Related documents

Driver guidance – Updated versions to be made available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

Action Specification Form (ASF) template – To be made available in autumn 2021.

Overarching planning principles – Updated versions to be made available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

## 4.3 Stage 3: Proposing solutions

### Context

In stage 3 'proposing solutions', water companies will lead more of the work as we transition to a more company led WINEP. In PR24, for some drivers, companies will work with others, including the Environment Agency, to identify actions to address the risks and issues identified in the previous stage. For the remaining drivers, the Environment Agency will lead this stage. The relevant driver guidance will specify who will lead the proposing solutions stage for each driver.

The reason for moving to water companies developing more of the solutions is to give them greater ownership and accountability for delivering environmental outcomes and so encourage innovation.

We expect water companies to take ownership of leading on solution identification for all drivers in future price reviews. We therefore expect the development of the WINEP for 2025 to 2035 and beyond to be a transition period where water companies increase ownership of developing solutions to the risks and issues identified.

Alongside proposing solutions, water companies will be required to present evidence to support their proposals. Companies must provide sufficient evidence to show that the environmental obligation is being delivered and must be compliant with Environment Agency guidance and position statements as appropriate.

In future WINEPs, we may consider setting some actions at 'tier 0'. That is, rather than limiting the action to the water company's contribution to meeting an outcome, it could be set for all relevant, responsible parties to deliver the outcome. Setting these would depend on the approach adopted to catchment management.

### Approach

For the drivers where water companies lead on developing solutions, they should submit a proposed set of actions to address the risks and issues identified in stage 2. They will develop these actions through an ongoing process with open communication between the water companies, their partners, the Environment Agency and, where appropriate, Natural England.

Actions should meet environmental requirements for both appropriate geographic coverage and the delivery of environmental outcomes. The water companies are responsible for delivering these actions. However, they may be planned for delivery wholly or partly through partner organisations as discussed in chapter 3 in relation to co-design, co-delivery and co-funding. The actions water companies deliver will set what their delivery will be measured against.

The Environment Agency expect water companies to submit to us:

- a set of proposed actions defined at the tier 1 outcome (for non-permitted actions), tier 2 goal and tier 3 output level that covers – on a ‘best endeavours’ basis – a 10 year plus time horizon and sets delivery dates
- evidence meets the requirements of the Environment Agency leads as indicated in the driver guidance
- actions that comply with Environment Agency position statements and guidance
- ASFs where required
- evidence to demonstrate optioneering and appraisal has been undertaken to a sufficient standard, as will be set out in the optioneering and appraisal guidance, including evidence that alternative solutions have been considered and that proposals for pilots meet the criteria
- assurance of the evidence provided

For the drivers where the Environment Agency lead on developing solutions, we will do so in collaboration with water companies and other stakeholders.

Milestone deadlines will be set for the various drivers to complete this stage in a timely manner to enable the price review process to determine the funding requirements.

## Action tiers

The Environment Agency expects all actions in the WINEP to be mapped to each of the 3 tiers discussed in chapter 3. However, the tier that water companies will be committed to delivering and reporting against will depend on what they propose and the evidence they provide to support their proposals. For some drivers the actions in the WINEP will need to be regulated at the tier 3 level – this will be specified in the driver guidance.

We encourage water companies to use the flexibility offered by driver guidance to propose tier 1 outcomes (for non-permitted actions) or tier 2 goals where appropriate. Defining the actions at this higher level will create a shift towards a more outcomes-based approach that will enable greater flexibility and innovation by water companies and their partners in delivery of the WINEP. For further information on the evidence companies will need to provide, see the discussion of the three tier outcomes approach in chapter 3.

Some actions specified at tier 2 within the WINEP may need to be refined further, to a tier 3 level later to enable appropriate permitting to take place under the Environmental Permitting Regulations.

## WINEP programme time horizon

As discussed in chapter 3, companies will need to propose:

- 'firm' actions for the 5 years that align with the next price review period (2025 to 2030)
- a set of 'indicative' actions for the following 5 years (2030 to 2035)
- any actions that the company or the Environment Agency considers are helpful to specify beyond that

The Environment Agency will consider the impact of the extended time horizon on the approach to managing uncertainty in the WINEP.

## Delivery dates

All actions must include a delivery date that is in line with the profiling guidance. Where solutions cover multiple drivers with different delivery deadlines there is a requirement to ensure that the earliest delivery deadline is met.

## Action specification forms (ASF)

In addition to providing a version of the WINEP spreadsheet, for some drivers companies will also need to submit initial ASFs. These will set out further detail on how actions will be delivered. What is required for each driver will be specified in the relevant driver guidance document, but in general:

- single actions can be added to the WINEP without a ASF where driver guidance does not require one
- where a prescriptive action is not required, such as a conventional permit limit, then a ASF should be used to capture the detail of what is proposed

## Optioneering and appraisal

Water companies will be required to undertake optioneering and appraisal to identify preferred options to propose as solutions. The Environment Agency will set out detailed guidance and our expectations for this process in an optioneering and appraisal guidance document, which we will make available in autumn 2021.

In developing their options and carrying out their appraisal, we expect companies to:

- consider a range of potential options, including alternative approaches such as C&NBS or behaviour change programmes where feasible
- appraise options on best value rather than on least cost
- take a proportionate approach

- conduct their optioneering (wherever possible) in consultation with other stakeholders such as catchment partnerships to explore wider benefits and solutions:
  - in particular, actions required in certain protected areas must be developed in consultation with Natural England
- take account of contributions to the wider environmental outcomes described in chapter 3 unless specifically excluded in driver guidance
- develop proposals in line with Environment Agency position statements and framework documents, such as Catchment Nutrient Balancing or Integrated Constructed Wetlands as appropriate
- identify actions to meet required sustainability reductions in water resource in line with WRMP guidance:
  - for 2025 to 2030, the WRMP will also incorporate the delivery of strategic resource options and the regional plans as required under the National Water Resources Framework<sup>8</sup>
- take account of the impact of actions across a range of drivers as specified in driver guidance – but in particular for:
  - Protected Area especially revised Common Standards Monitoring Guidance
  - Eels Regulations
  - Drinking Water Protected Areas linked to Hydrological Regime

Effective working between water companies and local stakeholders is essential for designing and delivering catchment approaches to prioritise environmental improvement. This is especially evident when land use changes are essential to meet environmental standards, but water companies do not own the land, as they will need to work with landowners to ensure delivery of the optimal solution. We recognise an increased appetite in the sector to work with others and increase the range of benefits delivered through the WINEP and aim to support this.

The options must be developed in a way that is mindful of the implications of the environmental principle of ‘polluter pays’ for legislative outcomes. Under the Environment Agency’s application of the polluter pays principle for water quality planning, the water company will remain accountable and responsible for delivering their proportionate component of the required pollution reduction. Delivery of obligations will be tracked to inform the Environmental Performance Assessment (EPA) AMP delivery metric.

## Assurance

As part of their submissions, water companies will need to provide assurance of the evidence presented in their options appraisal. This will be assessed as part of stage

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<sup>8</sup> See [‘Meeting our future water needs: a national framework for water resources’](#), Environment Agency, March 2020.

4. The optioneering and appraisal guidance will provide further detail on the assurance requirements.

## Alternative solutions

The Environment Agency encourages water companies to use innovative solutions, including C&NBS, to meet outcomes. There are a large variety of C&NBS solutions that can be implemented such as sustainable drainage systems (SuDS) to reduce spill frequency, catchment nutrient balancing – including trading – and wetlands. We have not provided a definitive list of alternative solutions because we want to encourage innovative thinking.

Water companies can use Environment Agency innovative permitting approaches to support using alternative solutions including C&NBS. Further guidance on how to assess different options will be provided in the optioneering and appraisal guidance. This will include the finalised version of the C&NBS principles discussed in the ‘Review of the water industry national environment programme (WINEP) – consultation document’.

We expect companies to propose solutions that they have confidence will deliver all their statutory obligations, whether using traditional or innovative alternative solutions. Water companies will remain fully responsible and accountable for the delivery of their statutory obligations. Water companies’ customers will not be expected to fund additional costs caused by any proposed solutions failing to deliver, beyond the flexibility allowed through the price review cost sharing mechanisms. Use of alternative approaches will not be considered an acceptable justification for failure to meet a delivery date, or to request a delivery date extension beyond any delivery date based on legislation. However, to encourage greater uptake of alternative approaches, we are extending the planning horizon for WINEP to enable solutions with longer lead in times, for example C&NBS solutions that require time to mature. And water companies can propose pilots for genuinely innovative solutions, as explained in the Pilots section.

## Pilots

The Environment Agency expects the WINEP to include some pilot schemes or trials. These are useful to build the understanding of the sector and to gather data on the effectiveness of the techniques.

The Environment Agency use a trials approach for some innovative permitting approaches, such as Catchment Nutrient Balancing, or Catchment Permitting to reduce the risk to the environment and the regulatory risk for the water companies. These trials may be run as full scale solutions. There is a lot of uncertainty around innovative permitting approaches. To alleviate this the Environment Agency work with the water company to develop a viable scheme and then allow a period of time to trial both the permitting approach and the efficacy of the scheme. During this trial

period there is a lesser risk to the water company of non-compliance associated with the trial which is regulated through the OTA. All other elements of the permit are subject to the normal compliance assessment. Taking this approach allows adjustment of the scheme if there is any under-delivery while still supporting novel schemes which have the potential to deliver much wider benefits.

We hope that by enabling trials we encourage greater take up of C&NBS. We recognise that these are novel and that solutions vary significantly according to geographical locality. If the trials are successful then they will become full solutions.

We encourage water companies to learn from trials such as completed innovative permitting trials or trials in other sectors – for example land management pilots run through Environmental Land Management Schemes (ELMS). We expect water companies to share results, learnings and best practice from trials with other water companies in England and Wales.

The Environment Agency may facilitate national scale trials, working with the UK water industry research group (UKWIR), where they are deemed appropriate and supported by Defra. These trials can be used to enable water companies to share the cost of trials between them and share their learning. Examples include the successful 2014 price review ‘phosphorus in effluent’ technology trials and the chemicals investigation programme.

If the trial is successful it can be followed by further implementation of the solution. Unsuccessful trials may require the implementation of a fall back solution in the next iteration of the WINEP, for example for catchment nutrient balancing.

## Who is involved?

Development of some solutions is likely to be led more by the water companies, and others by the Environment Agency. However, there are many other parties with a vested interest in the aquatic environment and its improvement, including the catchment-based approach (CaBA) group, eNGOs, developers, landowners, businesses and people living near to or visiting natural amenity sites. Many are investing in making environmental improvements that benefit the environment or are keen to do so.

Further detail will be available in the driver guidance. However, in all cases work should be transparent and shared frequently so there are ‘no surprises’.

## Expected outcomes

The expected outcome of this stage is for water companies to have submitted their proposed set of WINEP actions to the Environment Agency alongside their supporting evidence, including on options appraisal and assurance.



## Related documents

Driver guidance – Updated versions to be available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

Environment Agency position statements – These will include for example: Catchment Nutrient Balancing, Catchment permitting, and associated ‘live’ framework documents. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

Action Specification Form (ASF) template – To be made available in autumn 2021.

Optioneering and appraisal guidance – To be made available in autumn 2021.

Overarching planning principles – To be made available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

WINEP profiling guidance – Updated WINEP profiling guidance to be made available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

WINEP spreadsheet – A new WINEP spreadsheet template will be available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

[‘Water Abstraction Plan 2017’](#), Defra, December 2017, updated September 2020 – Sets out how the government will reform the way we manage water abstraction, to protect the environment and improve access to water.

## 4.4 Stage 4: Assessing proposals

### Context

The Environment Agency, with support from other organisations such as Natural England, DWI and Ofwat, will assess the water company proposals outlined in the WINEP spreadsheet and ASFs and in their supporting evidence.

This is a necessary stage of the WINEP process to ensure that the regulatory needs are being met by the proposals and that best value options have been identified.

The assessment can and should be an iterative process to ensure best possible outcomes and remove a burden of peak workloads over a short time period.

### Approach

Once the proposals have been provisionally assessed the actions will be incorporated into the WINEP. The Environment Agency area teams hold responsibility for this update to the WINEP. The update must include a sufficient level of detail to:

- enable the Environment Agency's National Permitting Service to permit or licence actions in a resource efficient manner
- enable on-the-ground delivery of the actions to be assessed for the purpose of Environmental Performance Assessment (EPA) AMP delivery metric key performance indicator

For actions relating to the water framework directive (WFD) 'pathway to good', these go through a high-level technical feasibility and cost benefit assessment.

The assessment of some actions relating to water resources is done through the WRMP statutory process. In reviewing the WRMP the Environment Agency will ensure that where the company has identified a licence change is needed to deliver the environmental outcome (as identified by WISER) that these are met within the plan. WRMPs cover supply and demand balance and so there will not be a complete overlap between the water resources actions in WINEP and the WRMP. For example, the WINEP will include non-licence change actions that do not appear in the WRMP.

Under WFD not all investigations, monitoring, no deterioration, and protected area actions will require a cost benefit analysis requirement. However, to ensure that the most cost effective options are selected and evidenced for the price review, cost benefit analysis may be required as part of the wider business planning process.

When the Environment Agency assesses the water companies' proposed solutions, a full signoff and or approval will not be given due to additional steps required later in

the process. At this stage solutions will remain indicative, supported in principle or both.

The Environment Agency will review the proposed solutions and seek to provide 'support in principle' providing that the water company has provided sufficient information and evidence for us to have initial confidence that the proposal will deliver the legislative requirement.

A case with supporting evidence should be proposed to the Environment Agency if a water company wish to use a tier 2 catchment nutrient balancing outcome instead of a tier 3 output approach.

In the unfortunate circumstance of the Environment Agency believing that a companies' proposed solutions are insufficient to meet legislative requirements then the Environment Agency can require a company to deliver fallback solutions to ensure legislative compliance by directly populating the WINEP.

In accordance with the forthcoming optioneering and appraisal guidance the Environment Agency will:

- assess that statutory delivery dates are met in line with the profiling guidance
- ensure actions related to protected area European sites and other relevant designated sites have been set in agreement with Natural England
- check that wherever possible that water companies have considered nature based solutions and the wider environmental benefits within their optioneering and that there are plausible mechanisms for delivery of those
- check that where appropriate water companies have consulted with other stakeholders in determining the most cost effective and beneficial solutions
- confirm that proposed options meet with other statutory programmes such as WRMP, DWMP and FRMP
- confirm the process of assessing water resources sustainability reductions is conducted in line with the WRMP process

### **Actions, audit, and assurance**

To assess the impact of proposed actions, Environment Agency area teams will use internal systems and models and advice from the relevant Environment Agency national teams. Input will also come from Natural England for Sites of Special Scientific Interest (SSSI), Conservation of Habitats and Species Regulation sites as well as other nature conservation sites. In the case of WFD Regulation measures, actions should be identified which are technically feasible and cost beneficial. Statutory actions do not require cost benefit analysis to justify an action being needed. However, we expect companies to assess the costs and benefits of different

solutions to ensure the best value approach is adopted where different technical solutions are possible. Investigations, monitoring, prevent no deterioration, and most protected area schemes also do not have a cost benefit analysis requirement.

To review and audit proposed actions and ensure consistency before publication to water companies, Environment Agency national teams will conduct technical peer reviews, while an 'administrative' review of the list will be conducted by the Environment Agency area teams. Environment Agency water company account managers will review the list from the perspective of customers. An Environment Agency national consistency panel will be convened by the WINEP Programme Board to review the list of all actions with the objective of ensuring driver guidance has been appropriately applied and schemes meet the main criteria.

When the Environment Agency assesses and audits the water companies' proposed solutions this is not a guaranteed signoff or approval of them. Agreement to a tier 2 goal is not an agreement to the underlying tier 3 outputs until these are specified in the Operating Techniques Agreement (OTA). All actions remain indicative at the stage of WINEP production until the solutions are delivered. For example, during the permitting process there are additional steps which may be required. Until these additional steps are complete the actions within the WINEP remain indicative.

## Who is involved?

The Environment Agency will review the proposed solutions with Natural England and the DWI as appropriate.

Assessment of most proposals and economic appraisals (where required) will be carried out at the local level for most drivers, with the support of Natural England and assurance from Environment Agency national teams.

The water resources part of this assessment will be done through the WRMP statutory process where the plans are initially reviewed by Defra and then by the Environment Agency.

## Expected outcomes

Although this process is iterative and on a rolling timeline, milestones in the process must be adhered to to ensure Ofwat has sufficient evidence to make funding decisions through the price review and so that delivery deadlines are met.

The version of the WINEP that will be used by water companies to inform their business plans for submission to Ofwat will need to be complete by 31 March 2023.

The Environment Agency National Permitting Service will put appropriate solutions through the permitting process. Once the solutions have been through these final steps the actions will be finalised.

For tier 2 catchment nutrient balancing proposals or catchment permitting proposals the details of the proposals will be confirmed after the 31 March 2023 WINEP spreadsheet. The details of the OTA, and supporting documents, will be finalised after March 2023 by working collaboratively with the water companies.

The WINEP will include firm actions for 2025 to 2030, and indicative actions for 2030 to 2035 and beyond where appropriate.

## Related documents

Price Review – overarching planning principles – To be made available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

WINEP Profiling guidance – To be made available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

Water appraisal guidance: assessing costs and benefits for river basin management planning – To be made available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

Optioneering and appraisal guidance – To be made available in autumn 2021.

Overarching planning principles – To be made available in autumn 2021. For further information email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

## 4.5 Stage 5: Price review

### Context

The programme of actions set out in the WINEP will be used by water companies to inform the development of their business plans. These business plans will be submitted to Ofwat for assessment, with the date for submission proposed to be 2 October 2023. Ofwat will then assess the business plans before setting the first draft. Then, following consultation, final determinations of companies' price controls, in spring 2024 and December 2024 respectively.<sup>9</sup> The price controls will specify the revenues companies will be allowed to collect, and the outcomes they are required to deliver for customers, communities and the environment.

### Approach

What is included in the WINEP will be determined by the Environment Agency in collaboration with others, including Natural England and water companies, as set out in stages 1 to 5.

The efficient level of funding for delivering statutory obligations will be determined by Ofwat through the price review process. Ofwat will also determine whether the evidence presented that customers support funding discretionary expenditure is sufficient, and what the efficient level of funding for this expenditure is. Ofwat may also set financial incentives for the water companies to deliver outcomes and price control deliverables.

The methodology for PR24 is under development by Ofwat as discussed in the related documents section.

### Who is involved?

Water companies will need to include the WINEP in the development of their business plans. Ofwat will assess the business plans to set the price control determinations. These are therefore the main stakeholders for this stage.

Water customers also need to be involved in the process of developing water companies' business plans. In the context of the WINEP, this will be particularly important where non-statutory actions or best value options are proposed over least cost approaches. This is because water companies will need to provide evidence of customer support for expenditure for WINEP actions that goes beyond delivery of statutory obligations.

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<sup>9</sup>Ofwat, '[PR24 and beyond: Creating tomorrow, together](#)', May 2021, pp.123-125.

Water companies will also need to engage with co-funders in the development of their WINEP proposals and ahead of submitting business plans so that they can demonstrate how co-funding can be assured. They will also need to propose an approach to ensuring customers are protected if co-funders do not provide the requisite funds.

Ofwat is keen to engage with the Environment Agency, DWI and CCW both before and after the submission of business plans. Ofwat has also stated that it is considering how it can best input into the WINEP processes ahead of business plan submission. One option would be for Ofwat to feed in to the WINEP assessment (stage 4) as an informal consultee, in a similar way as is done for the WRMP, although on a non-statutory basis. This will help foster a more joined up approach across regulators.<sup>10</sup>

## Expected outputs and outcomes

What water companies need to deliver to fulfil their statutory obligations will be indicatively determined in stage 4 by the Environment Agency. The version of the WINEP used by water companies in their business plans represents an indicative or 'in principle' agreement by the Environment Agency for the required actions, dependent on the solutions passing successfully through all required stages. Permitting of WINEP solutions comes after Ofwat's final determination and may result in alterations to the proposed solutions.

The price review process will ensure that water companies are allowed funding from customers for the efficient costs to deliver their statutory obligations. PR24 will determine funding for expenditure for the financial years 2025 to 2030 – aligned with the period covering firm actions in the WINEP. Ofwat is considering how it can regulate to best support the long term as part of its methodology for PR24.<sup>11</sup>

To ensure that customers are protected, Ofwat will assess and challenge the proposed costs of all actions included in the WINEP to ensure that customers only fund the efficient costs of delivery.

For non-statutory expenditure to be funded by customers it must be activity carried out in the course of the companies' statutory functions, as set out in the Water Industry Act 1991 and other relevant legislation. Ofwat will scrutinise water company business plans to ensure that non-statutory WINEP actions satisfy this condition and the evidential requirements for expenditure classified as 'enhancement' by Ofwat.

For the 2019 price review (PR19) the evidential requirements for non-statutory expenditure were included in ['Delivering Water 2020: Our final methodology for the 2019 price review. Appendix 11: Securing cost efficiency'](#), Ofwat, December 2017 pp.14 to 15, and included the requirement to provide evidence on:

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<sup>10</sup> Ofwat, ['PR24 and beyond: Creating tomorrow, together'](#), May 2021, pp.69-71.

<sup>11</sup> Ofwat, ['PR24 and beyond: Creating tomorrow, together'](#), May 2021, pp.30-42.

- the need for investment
- the options proposed being the best option for customers
- the robustness and efficiency of costs
- how customers would be protected should the investment be cancelled, delayed or reduced in scope
- the impact on affordability
- board assurance on the robustness and deliverability of proposals, and that a proper appraisal of options has been undertaken

Ofwat will develop the criteria that will need to be evidenced through its development of the methodology for PR24.

The price controls will also consider how best to manage the funding for actions included in the WINEP where there is uncertainty around the need for, or amount of, expenditure required. As discussed in chapter 3, the Environment Agency is reviewing how to manage uncertainty within the WINEP for the 2025 to 2030 investment period. Ofwat has commented that the price review will also need to consider how the 6 year duration of RBMP (and FRMP) and consequential revised plans in 2027 should be accounted for in the design of PR24.<sup>12</sup>

The Environment Agency, Defra and Ofwat encourage companies to work in partnership and coordinate with organisations, both inside and outside the sector, to deliver common aims. And we expect more partnership delivery in future. Of course, companies should not use customer money to pay for work beyond their own functions, but by working in partnership with third parties picking up a fair share of costs, there is the potential to deliver better outcomes overall. Solutions delivered in partnership allow companies to leverage input from third parties. Funding should be allocated such that each partner pays its fair and efficient share of the costs of solutions. This should take into account the relative benefits of the solution to water companies and third parties, and the incremental costs compared to a solution the water company would implement to address only its requirements. Ofwat will take account of co-funding in the design of the price controls and will reflect this desire for more partnership delivery while ensuring customers are adequately protected. Ofwat will consider how it can incentivise partnership working including in terms of co-design, co-delivery and co-funding.

Finally, Ofwat will consider what mechanisms are needed to incentivise the delivery of WINEP outcomes. This could take the form of outcome delivery incentives, price control deliverables with associated financial incentives or some other mechanism.

## Related documents

[‘PR24 and beyond: Creating tomorrow, together’](#), Ofwat, May 2021. – Outlines initial views on the framework for PR24 and future price reviews. This document sets out their plan to publish a consultation on the PR24 draft methodology in June or July

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<sup>12</sup> [‘PR24 and beyond: Creating tomorrow, together’](#), May 2021, pp.69.



2022 and the PR24 final methodology in December 2022. Further details of the development of the PR24 approach are available on Ofwat's website, on the [2024 price review](#) page.

## 4.6 Stage 6: Delivery

### Context

The WINEP will be developed over an 18 month period by the Environment Agency with the involvement of water companies and Natural England. It will be issued to water companies before they submit their business plans. The WINEP issued to companies on 31 March 2023 will represent the baseline against which delivery is measured.

Companies will be expected to complete all the WINEP actions to the agreed specifications by the agreed dates. During the course of the AMP period there will be regular liaison between water companies and the Environment Agency to discuss progress, risks and issues associated with delivery of the WINEP programme and to identify any alterations that may be needed. These could include for example a revised completion date for actions.

For water and sewerage companies, WINEP delivery is a performance metric for the Environmental Performance Assessment (EPA).

### Approach

#### Sign Off Process

The existing process for companies reporting WINEP actions as complete and the Environment Agency signing them off was developed for the 2020 to 2025 period (AMP 7) and issued to companies in February 2021. It is intended to use this process throughout the 2025 to 2030 period (AMP 8).

This process follows an annual timeline for reporting completion of WINEP actions.

- 31 March – end of year for the AMP reporting year
- mid-April – deadline for water companies to report actions completed
- mid-May – deadline for the Environment Agency to review actions and submit final performance figures
- July – for water and sewerage companies the results are published in the '[Water and sewerage companies in England: environmental performance report](#)', Environment Agency, October 2020

Water companies are strongly encouraged to report actions they have completed as soon as possible, rather than wait until the end of the financial year. They report these to the Environment Agency by updating their individual water company WINEP spreadsheet held on the Environment Agency Price Review SharePoint site. This in turn is reported back to Ofwat (if requested), annually by the Environment Agency.

There is a 2-stage process for signing off actions. For stage 1, companies are asked to confirm completion of the action and to provide evidence for this. This evidence

could include for example a copy of the investigation report or confirmation that a permit application has been made. The Environment Agency will check the evidence is acceptable and confirm receipt. For many actions, there will be no further work required, and this will constitute 'sign off'.

For the second stage the Environment Agency may do a further technical review or audit of the action. The action will not be regarded as signed off until this has been completed. The level of technical review or audit will be determined by Environment Agency area teams. It is likely that this will amount to approximately 10% of the programme.

Where the water company and Environment Agency area technical leads cannot agree that an action is satisfactorily completed, referral to the Environment Agency water company account manager will be necessary.

## Alterations process

The WINEP is not a fixed programme and changes do become necessary during the AMP period. The Environment Agency have a process for requesting, agreeing, and recording changes to the WINEP called the alterations process.

Alterations should be agreed by both the Environment Agency and water companies, and where appropriate Natural England and Defra. Where actions are co-funded or co-delivered water companies remain responsible for liaising with appropriate stakeholders before the final alteration agreement. For all but administrative changes a separate written record is kept.

The Environment Agency will not add new actions to the WINEP which increase the cost to companies unless there is agreement from Ofwat and the company involved. The only exception to this being under direction from Defra to incorporate new obligations from the UK government, or to fill gaps that become obvious in achieving legislative compliance.

Where actions are no longer required they can be deleted and removed from the WINEP, where both parties agree. Equally, replacement schemes can be swapped by agreement.

Where a request for an alteration is outside the scope of existing price review guidance it is considered a 'major' alteration and approval from Defra is required.

The WINEP spreadsheets are maintained as a 'live' dataset on an Environment Agency SharePoint online site, which is accessible to water companies, Defra, Ofwat and Natural England.

Alterations can be requested at any time throughout the AMP period, although requests for extensions within 2 months of the agreed completion date are not generally approved.

## Who is involved?

Day to day interactions in the delivery stage occurs between water companies and the Environment Agency, involving the relevant national and area teams.

Depending on the scale and scope of the alterations, Ofwat and Defra may also be involved in the decision making process.

## Expected outcomes

Expected outcomes from this stage include that:

- delivery of the WINEP is tracked and reported in a transparent and auditable manner
- the WINEP dataset is maintained as a live programme with flexibility to change
- progress against delivery of the actions in the WINEP is recorded and reported

## Related documents

The following 2 documents are held on the Environment Agency's Price Review SharePoint online site. These are only currently accessible to Water Companies, Defra and regulatory organisations, although we are looking to improve accessibility.

- '[WINEP measures sign off and audit guidance](#)', Environment Agency, February 2021
- '[AMP 7 Alterations Process](#)', Environment Agency, November 2020

Water and sewerage companies in England: environmental performance report – set out annual progress on delivery of the WINEP for water and sewerage companies and is published annually on the data.gov website. See for example '[Water and sewerage companies in England: environmental performance report](#)', Environment Agency, October 2020.

WINEP spreadsheet – An updated WINEP spreadsheet template to be made available in autumn 2021. For further information email:

[Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk).

## 5. Evaluation of the WINEP

### Context

The Environment Agency recognise the need to demonstrate how WINEP delivers benefits to the environment for every pound invested by water companies. We will therefore develop an evaluation framework to understand the actual cost-effectiveness of WINEP actions. This will inform the implementation and evolution of current and future actions in the WINEP.

### Approach

The Environment Agency will follow the principles set out in the UK government's '[The magenta book](#)' (HM Treasury, April 2020), which provides guidance on evaluation in government.

### Who is involved?

The Environment Agency will develop the evaluation framework collaboratively with Ofwat, Natural England and water companies.

### Expected outcomes

We aim to put in place a framework to evaluate the effectiveness of the WINEP so that we can gather the required data throughout the development and delivery stages of the WINEP. We expect to:

- define the WINEP evaluation framework
- establishing the metrics to be measured (short and long term)
- establish what data will be collected and how

The Environment Agency will present our framework to evaluating the WINEP alongside the final WINEP methodology in autumn 2021.

### Related documents

['The Magenta Book'](#), HM Treasury, April 2020.

## Annex 1 Definition of terms

Term	Definition
WINEP	The Water Industry National Environment Programme. It sets out the programme of work for water companies in England to avoid deterioration in and improve the environment that is associated with the Environment Agency's jurisdiction.
Obligation	Something that water companies are required to do or achieve by legislation.
Statutory obligation	Statutory obligations are obligations on the water companies set out in primary or secondary legislation. Water companies must carry out actions identified in the WINEP to fulfil statutory obligations. These actions are not subject to a cost benefit test to determine whether they should be taken.
Statutory plus obligation	Statutory plus obligations are obligations on the water companies set out in primary or secondary legislation but that include an added element of cost benefit assessment, and in some cases an additional step of affordability testing. In cases where action is considered disproportionately expensive to meet statutory plus obligations, alternative objectives or timescales to meet them may be set.
Non-statutory requirement	<p>Non-statutory requirements are those that are not required by primary or secondary legislation, but for which there is Environment Agency published driver guidance.</p> <p>Non-statutory requirements included in the WINEP are actions the companies have customer support to do that go above and beyond their statutory obligations. There may be a public need or desire but this may not be underpinned by a specific Act or piece of legislation. These actions to meet non-statutory requirements may also be required to meet the UK government's environmental ambition.</p> <p>There are 2 types of non-statutory requirements:</p> <ol style="list-style-type: none"> <li>1. Actions to deliver additional or enhanced environmental outcomes in relation to a statutory action that go beyond the statutory requirements of that action. This could include for example reaching excellent bathing water status beyond a required level of sufficient status, or delivering the same standard against the statutory obligation, but greater contributions to one of the four identified wider environmental outcomes – natural environment, net zero, catchment resilience or access, amenity and engagement.</li> </ol>

Term	Definition
	2. Actions that are not required by primary nor secondary legislation, but for which there is Environment Agency published driver guidance.
Driver	An environmental reason for action. A driver is essentially a code used within the WINEP that makes the link from the statutory obligation or the non-statutory need to water company actions.
Statutory driver	A driver that is linked to a statutory obligation.
Statutory plus driver	A driver that is linked to a statutory plus obligation.
Non-statutory driver	A driver that is linked to a non-statutory requirement. Non-statutory drivers must be linked to the delivery of water companies' legal functions.
Driver guidance	A document that explains what water companies should do to meet the need for action in relation to a specific driver.
Risks and issues	The environmental problems or potential problems which require resolving.
Solutions	The solutions to the risks and issues identified, that is the actions required to deliver the required environmental outcomes.
Wider environmental outcomes	The four wider environmental outcomes that water companies seek to deliver when developing and assessing options for the WINEP: natural environment, net zero, catchment resilience and access, amenity and engagement.
Natural environment	Improvements to the natural environment through the protection restoration and enhancement of the environment, biodiversity and habitats. The net impact of actions should be taken account of when assessing WINEP options. This is a primary outcome.
Net zero	Contributions to achieving a balance between the amount of GHG emissions put into, and the amount taken out of, the atmosphere. The net embedded and operational GHG emissions of actions should be taken account of when assessing WINEP options. This is a primary outcome.
Catchment resilience	Contributions to catchment flood and or drought resilience, better surface and groundwater management, restoring or increasing environmental capacity, and securing sustainable alternative water resources. This is an important outcome, but the natural environment and net zero take primacy over catchment resilience.
Access, amenity and engagement	Contributions to improving access to, amenity of and engagement with the natural environment to support customer and community wellbeing. This is an important outcome, but the natural environment, net zero and catchment resilience take primacy over catchment resilience.
Tier 1: Outcomes	The water company's contribution to delivering an outcome for a specified location. Any geographical area may have multiple tier 1 outcomes.
Tier 2: Goals	The goals are the specific elements required to deliver an outcome. All tier 2 goals will contribute to a tier 1 outcome.

Term	Definition
Tier 3: Outputs	The outputs are the site or asset specific actions required to deliver the higher tiers of environmental outcomes. These may be in relation to a statutory or non-statutory driver. Often the Environment Agency carry out regulation at the tier 3 level.
WINEP actions	<p>The actions are the line items in the WINEP spreadsheet that water companies are required to deliver. These can be defined at the tier 1 outcome, tier 2 goal or tier 3 output levels. These include:</p> <ul style="list-style-type: none"> <li>● actions (to prevent deterioration)</li> <li>● actions (to improve)</li> <li>● investigations</li> <li>● monitoring</li> </ul> <p>Note: actions are not synonymous with tier 3 outputs, as while some actions will be defined as tier 3 outputs, other actions may be defined as tier 1 outcomes or tier 2 goals.</p>
WINEP spreadsheet	The Microsoft Excel spreadsheet that sets out all the WINEP actions that water companies will be held accountable to deliver.
Operating techniques agreement (OTA)	An operating techniques agreement is a document linked to the Environmental Permitting Regulations water discharge activity permit through the operating techniques condition. It is a flexible document which typically includes (but is not limited to including) baseline information, targets, monitoring requirements and compliance rules.
Pilots	Implementation of test actions that are innovative and new to the water sector. These are trials to determine the efficacy of actions. They may be small or large scale.