Message from the Chair of our Board

Board Assurance Statement

This Statement has been produced in support of Dwr Cymru Welsh Water's first Drainage and Wastewater Management Plan (DWMP), in line with Welsh Government's Guiding Principles for Drainage and Wastewater Management Planning, and the Water UK DWMP Framework.

It builds on our 2050 Vision, Directions from our Regulators, our Stakeholders and Customers. The plan reflects Welsh Government's strategic steers set out to us in August 2023, which identify that evidence produced by DWMPs must be used to strategically assess and address the need for rapid progress to develop resilient drainage systems, which in turn protect the environment and support the people and the economy of Wales.

We have sought to reflect the Guiding Principles and the DWMP Framework (including "PR24 and beyond: Long-term delivery strategies and common reference scenarios") published by OFWAT on 17th November 2021.

We recognise that the output of this 1st DWMP cycle is indicative of how we will need to develop the drainage system over the next 25 years and the scale of required investment, given in particular the impact of climate change and population growth, rather than being a definitive plan of what we will invest in when. With over 800 discrete wastewater catchments that comprise our system it has made it necessary to extrapolate conclusions based on detailed modelling of a sample of highest priority catchments (44) that is small in number but covers 80% of our population. We anticipate that by the time of the 2nd cycle to be published in 2028 we will have more detailed models for all our catchments. This first non-statutory cycle has, however, allowed us to develop, and subsequently consult on, the planning framework and methodology that will form the basis for future cycles of the DWMP.

The conclusions of this 1st cycle as to what needs to be done to provide a resilient drainage system and avoid flooding and pollution are also based purely on hydraulic modelling of the sample catchments to assess the capacity of the system. In assessing what needs to be planned for storm overflows the model does not, therefore, reflect the quality of the water in the receiving watercourse, and hence does not allow Storm Overflow investment to be prioritised on the basis of ecological harm, as required by Welsh Government policy. It is not, therefore, possible to derive the AMP8 enhancement programme for Storm Overflows from the DWMP, something that has been required by Ofwat. By the time of the 2nd cycle, we anticipate that we will have completed the assessment of water quality pertaining to each of our SOs discharging into rivers, along with developing a process to assess quality impacts for coastal discharges and this data will, therefore, be able to be introduced into the models supporting the DWMP allowing it to form the basis of the enhancement investment programme for subsequent AMPs.

The methodology we have developed seeks to ensure customer wellbeing and economic development, whilst meeting regulatory requirements and complying with environmental laws to ensure that ecosystems are preserved. Whilst engagement has been varied during the consultation process, depending on the audience, we have developed a multifaceted information process that ensures that a broad range of stakeholders have had a chance to comment on the planning framework and methodology.

The scale of re-engineering of our sewer network that is required to reduce storm overflows and also flooding of customers, at a time of increasing climate change, is enormous, so the DWMP indicates a multi-Amp approach to this challenge, which is supported by our customers.

The Board endorses the DWMP as indicative of the strategic direction required for our wastewater services, particularly in the context of climate change, and of the scale of likely investment over the next 25 years. It recognises that this first cycle has made useful progress in establishing a methodology and planning framework that can be developed further in the second cycle due to be published in 2028. It also recognises that until the ecological assessment of the receiving waters for storm overflows has been completed, and the data integrated into the DWMP alongside the underlying hydraulic modelling of the sewerage system, the enhancement investment for AMP planning will not be able to be derived from the DWMP – it is planned for this to be achieved for AMP9. The next cycle will also complete the hydraulic modelling of our 834 waste catchments and remove the need, as in this first cycle, for there to be significant extrapolation of the results of a limited number of 44 highest priority catchments, albeit covering 80% of our population.

The Board further recognises that innovation, and changing regulation, should make possible alternative solutions to the required investments that will result in a lower both financial and carbon cost, in particular the incorporation of nature-based solutions whose regulatory consents are still under development between DCWW and NRW.

The Board notes the assurance processes outlined below, including its enquiries of the Managing Director of Wastewater Services, regular updates provided to the Board, and assurance on specific aspects from Jacobs. Subject to the limitations implicit in this being at this stage an indicative plan given the need to extrapolate the results of modelling a limited catchment sample and the unavailability of comprehensive SOAF data across our Storm Overflow population, the Board is satisfied that the plan meets the Guiding Principles as set out in Appendix 1, and conforms with the Water UK DWMP Framework and takes on board the guidance and recent Strategic Steers from Welsh Government.

Assurance Process

We applied a three lines of assurance approach to the assurance of the DWMP. This process has been designed to give the Board the confidence it requires in order to confirm this Assurance Statement:

- In the first line, management has accountability for identifying risks and managing these by developing and maintaining sound processes, systems and controls to support the development of the DWMP.
    - Monthly review sessions by the DWMP Manager and by the Head of Service for Wastewater Assets, to ensure the undertaking of key DWMP Stages in line with the Water UK Framework. This included the review and approval of drainage outputs to the recognised standard (ISO9001).

- Second line has been provided by the relevant internal and external Steering Groups which have provided oversight and challenge to the development of the DWMP;
    - The DWMP Internal Steering Group
    - Regular checks on the development of the Plan undertaken by the Drainage Policy Group (the internal cross business group charged with matters relating to drainage across our operating area and the different policies and regulations in England and Wales).
    - Review by the Independent Environment Advisory Panel (IEAP) which benefits from a broad membership which includes Welsh Government, Local Authorities, Natural

Resources Wales, as well as other specialist stakeholders such as The Canal & Rivers Trust, Universities, and the National Trust.
    - The detailed modelling underlying the DWMP is performed by specialist modellers employed by external consultancies that have their own quality assurance processes whereby there is a separate review of the work of individual modellers by another.

- Third line is provided by the Company's Internal Audit Function on a risk basis. In addition, Internal Audit reviewed in March 2023, the broader PR24 governance framework. This rated PR24 controls as Satisfactory covering governance processes for the preparation, scrutiny and formal sign off of the PR24 business plan.

- In addition to the three lines:

    - The Board have provided oversight of, and received regular reports on, the DWMP. This has allowed Board Members to assist in shaping the approach and direction of our Plan. The Board has been provided with the constructive feedback received from stakeholders and customers, following our consultation on the draft Plan, and have subsequently provided further direction on the development of our Final Plan. Specific consideration of the DWMP has taken place with the board on:

        - 2nd December 2021
        - 1st June 2022
        - 7th July 2022
        - 1st December 2022
        - 4th May 2023
        - 6th September 2023

    - We have also consulted closely with the Independent Challenge Group (ICG), local authorities and other key stakeholders such as the Consumer Council for Water, to seek their views on what they see as the important factors to consider within the Plan.

    - We have continued to engage with the National Water UK DWMP Steering Group, including our Regulators, which has influenced best practice and engagement with other companies,

    - A final consultation on our draft Plan ran for 10 weeks from 27 July 2022 to 7 October 2022. All responses were assessed and either used to amend the current plan or form the strategic direction of the next cycle.

    - Independent assurance provided from Jacobs via the Annual Performance Review in respect of the progress achieved in delivering the DWMP, itself one of Ofwat Measures of Success, which was undertaken Annually.
        - 4th May 2021
        - 23rd May 2022
        - 22nd May 2023
    - Jacobs also reviewed annually the work to generate our MOS FT2 – “Risk of Sewer Flooding in a Storm” measure. This measure records the percentage of the region’s population at risk from internal hydraulic sewer flooding from a 1 in 50-year storm, based on modelled predictions. The inputs and the models themselves used in the

production of the DWMP are the same ones used in the production of this measure and these have received A-grade audits as part of the APR process.

How we Developed our Plan

During this non-statutory learning phase, we have placed significant emphasis on developing our Management Planning approach to our wastewater systems. We have focused on trialling different methodologies and driving innovation to support our recommendations for future investment with the expectation that future DWMP cycles, when statutory, will benefit from having a more prescriptive methodology.

We have supplemented assessments normally carried out for wastewater systems with the creation of supply demand balances for both dry weather flow and rainfall, driven innovative approaches to forecast environmental river quality assessments and combined these together with hydraulic modelling to prepare the catchment level models for cycle 2. This work contributes to the key objective for DWMPs set out in the Environment Act, which is for companies to understand the capacity of their drainage and sewerage systems.

The DWMP is made up of 4 elements within the overall plan, a Sewerage Plan – how the network operates in normal conditions, a Drainage Plan – how the networks deals with rainfall, a Flooding Plan – how the network deals with excessive rainfall and surface water, and a Consents Plan – how our assets interact with their receiving waters and how quality standards are improved through the review of new environmental permits.

We are publishing on our website the following documents:

- The DWMP 'Main Plan'
- Technical & Non-Technical Summary
- A 'Customer Friendly' Summary document
- Wastewater 'Catchment' level Summaries for the 44 highest priority catchments
- Strategic Environmental Assessment & Habitats Regulations Assessments
- Statement of Response (setting out how we have taken into account stakeholder comments on our Draft Plan)

In following the Water UK Framework for the development of Drainage and Wastewater Plans, each stage of the development process, as set out below, has been assured by Jacobs as part of their "Annual Performance Review Audit"

- Stage 1 – Setting Direction – The strategic context.
- Stage 2 – Risk Assessment
- Stage 3 – Options Development and Appraisal
- Stage 4 – Draft Consultation Publication
- Stage 5 – Production of the Statement of Response and Final Plan.

Alignment with Ofwat's Guiding Principles & Welsh Government Steers

Welsh Government directed us at the outset in 2019 to undertake trials and pilots to apply the DWMP framework and Flood Plan within the Welsh setting and to adopt the principles of Team Wales. This was additional direction to the principles set out for DWMP in the Environment Bill section 94A Section (3) (a to g).

(3) A drainage and sewerage management plan must address in particular;

a. the capacity of the undertaker's drainage system and sewerage system,

b. an assessment of the current and future demands on the undertaker's drainage system and sewerage system,

c. the resilience of the undertaker's drainage system and sewerage system

d. the measures the undertaker intends to take or continue for the purpose in subsection (2) A drainage and sewerage management plan is a plan for how the sewerage undertaker will manage and develop its drainage system and sewerage system so as to be able and continue to be able to meet its obligations under this part.

e. the likely sequence and timing for implementing those measures,

f. relevant environmental risks and how those risks are to be mitigate, and

g. any other matters specified by the Minister in directions.

We have undertaken periodic reviews of our Plan and reviewed the final Plan prior to publication. Subject to the limitations implicit in this being at this stage an indicative plan given the need to extrapolate the results of modelling a limited catchment sample and the unavailability of comprehensive SOAF data across our Storm Overflow population it is our view that our final Plan meets Ofwat's Guiding Principles (published 2022). In recognition of these principles, and subject to these limitations, we assure that;

1. Our Plan is comprehensive, evidence-based and transparent, aligning with other strategic and policy planning tools and complies with the Water UK DWMP Framework.

2. Seeks to deliver resilient systems that meet operational pressures, as well as minimising system failures. Our Plan incorporates both operational activity and the protection of our operating assets from extreme events, in particular flooding.

3. Considers the impacts of drainage systems on the immediated and wider environmental outcomes, and develops solutions which fully consider environmental net gain and enhancement

4. Our Plan is collaborative, placing emphasis on the benefits of partnership working and sits alongside the ongoing work which we undertake on matters such as Storm Overflows, Phosphorous and Flood & Coastal Erosion Management.

5. Provides leadership to the water sector in Wales on our approach to managaing our wasterwater systems over the 25 year period, whilst also demonstrating collaboration across other strategic planning frameworks such as the Water Resources Management Plans.

6. Improves customer outcomes and awareness of our future plans and investment, which is underpinned by the engagement and customer research outputs

We recognise Ofwat's guidance provided to Companies in April 2022, which set out that the DWMP should inform the Price Review (PR24 process) in respect of wastewater investment. Our capability to deliver this type of plan and outcome has been limited by the model coverage we have across our operational area and the way in which we have developed the plan, focusing on areas of flooding rather than river water quality.

Further, because we are not operating a spills-based assessment of storm overflows, but one based on ecological harm, storm overflows were not part of the hydraulic modelling, as investment in them in Wales is not determined by flow but by harm. There is not, therefore, the same linkage between

the DWMP and PR24 investment as is the case with English companies where a plan to limit high spilling storm overflows means understanding, and then tackling, flows that are derived from the DWMP hydraulic modelling. We will seek to incorporate harm data derived from the SOAF process into the development of our next DWMP by 2028.

Recognising the role that Welsh Government have in the development of our DWMP and the guiding principles from which we have based the plan, we are also satisfied that our DWMP reflects Welsh Government's Strategic Steers set out to us in August 2023 and that it has been produced in line with the behaviours set out in the Wellbeing of Future Generations Act 2015 and contributes positively towards Welsh Government's Wellbeing outcomes. Finally, our Plan sets out how we will deliver against our obligations under the Environment Act 2021 Part 5 Section 79 which enacts the Drainage and Sewerage Management Plan (DSMP, but this is the same as our DWMP) for both England and Wales and this obligation is to be inserted into the Water Industry Act 1991 Section 94A.

Signed
Chief Executive Officer

Signed
Chair of the Board

Appendix 1 – Alignment with the Guiding Principles for DWMP

Guiding Principle	How we have incorporated these into our plan
1. Be comprehensive, evidence based and transparent in assessing, as far as possible, current capacity and actions needed in 5, 10 and minimum 25-year periods considering risks and issues such as climate change. Plans should also align, as far as possible, with other strategic and policy planning tools.	Compliance with this Guiding Principle is of necessity limited by the need to base the DWMP on an extrapolation of a sample comprised of the 44 highest priority catchments rather than it representing the output of comprehensive model coverage across all 834 catchments. In preparing the sample models we have carried out several high-level capacity assessments and we have used a range of climate scenarios, ranging between RCP2.6 to 8.5. We have used the supply demand approach as the first step to determine if the wastewater treatment works can handle the total network volume during dry weather flow. This assessment is carried out every five years between 2020 and 2050. Additionally, we have performed the same assessment using four different storm scenarios in our modelling for the same time periods, incorporating Growth and Demand reductions from the WRMP to align with the priorities outlined in publications by Welsh Government and NRW.
2. Strive to deliver resilient systems - that will meet operational and other pressures and minimise system failures.	In response to feedback from our customers and stakeholders, we have incorporated operational buffers into our plan by increasing the capacity of our network. This will allow us to react quickly and minimise any issues experienced by our customers. We have examined approaches to be able model different levels of service for our customers such as levels of flooding protection as well as assessing headroom across the network. We are committed to doing more detailed scenario assessments in future cycles of the Plan, which will assist us in enhancing our understanding of the impacts on costs and solutions across our operating area.
3. Consider the impact of drainage systems on immediate and wider environmental outcomes including habitats and in developing options for preventative measures to include consideration of environmental net gain and enhancement	We have considered whether the framework supports the development of options that can be funded for preventative measures. We have addressed this by introducing a Review of Consents approach at a catchment level. The introduction of the approach with support from our environmental regulator can bring together a more dynamic way to look at where existing environmental permits are not protecting the environment and we need to review those conditions as we forecast changing receiving conditions (low flows) and population growth within the catchments.
4. Be collaborative - recognising the importance of sectors working together to consider current and future risks and needs and to deliver effective solutions, setting out how they will do this, how they have	Throughout the development of our plan, we have engaged with stakeholders and key partners. Every Local Authority within our operating area received drafts of our plan and were encouraged to consult and comment. Through these interactions, we have gained valuable insights into how we can work together to maximise the benefits of the DWMP for

engaged with and responded to stakeholders.	our respective organisations and communities. We have also identified barriers that need to be addressed, such as planning restrictions. While we acknowledge that collaboration requires time and resources (including staff), we remain committed to pursuing our shared goals. We will continue to lead on the development of opportunities and where opportunities overlap, we will look to progress solutions earlier.
5. Show leadership - in considering the big picture for an organisation's operational capacity to develop and deliver the plan, and mindful of linkages with other strategic planning frameworks.	As part of our efforts to improve drainage planning, we have led the development of a National Drainage Programme. We will take on the role of project management as the primary planning lead for specific elements of that plan In addition, we will advocate for new legislation to establish a joint long-term planning function, which will enable us to prepare pipelines of solutions well in advance of delivery. By doing so, we can help meet the Government's overall funding requirements for drainage.
6. Improve customer outcomes and awareness and that solutions and actions provide both value for money and consider societal benefits	We have trialled our approach and we now have a methodology that will show customers the locations where schemes are required in order to meet their requirements and expectations with regard to avoiding pollution and flooding. Our methodology takes into account the unique characteristics of each area and recommends solutions that are best suited to address their specific needs. In some cases, traditional solutions may be appropriate, while other areas may benefit from more sustainable, environmentally friendly alternatives. These solutions are assessed based on their cost-effectiveness and potential societal benefits. We plan to continue to use this methodology with every catchment covered by models by completion of the 2nd cycle.
7. For Welsh companies, DWMPs should also demonstrate how they have been developed in line with the behaviours set out in the Wellbeing of Future Generations Act 2015, and how they will contribute towards the wellbeing outcomes. DWMPs should also set out how they will help the water companies and their stakeholders deliver their obligations under the Environment (Wales) Act 2016.'	We have worked collaboratively with our stakeholders to seek shared, long-term solutions for the benefit of the current and future generations and have ensured inclusivity in the stakeholders and customers with whom we have collaborated. Our customer research included a wide cross-section of society; our public facing materials are produced in formats that are available to all and in both Welsh and English. With respect to the Environment (Wales) Act 2016, we have considered how flows can be best managed within the sewerage network through the sustainable management of natural resources, seeking to target and prevent environmental harm and deal with stormwater in the most sustainable way.