Title: The Water Supply (Water Quality) (Amendment) Regulations 2018 **IA No:** Defra2078 **RPC Reference No: N/A** **Lead department or agency:** Defra **Other departments or agencies: Drinking Water Inspectorate (DWI)**	**Impact Assessment (IA)** **Date:** 21/05/2018 **Stage:** Final **Source of intervention:** EU **Type of measure:** Secondary legislation **Contact for enquiries:** Louise Hunt - Defra Policy - 02082 258467

Summary: Intervention and Options

RPC Opinion: Not Applicable

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANDCB in 2014 prices)	**One-In, Three-Out**	**Business Impact Target Status**
£4.97m	£5.31m	-£0.6m	Not in scope	Non qualifying provision

What is the problem under consideration? Why is government intervention necessary?

Council Directive 98/83/EC (the Drinking Water Directive (DWD)) has been amended by Commission Directive (EU) 2015/1787 (Directive 2015/1787) to align with the World Health Organisation (WHO) principles for the risk based sampling and analysis of drinking water supply, reflecting scientific and technical progress in the protection of public health. To transpose the DWD, the existing Water Supply (Water Quality) Regulations 2016 will require amendment. Regulation is therefore the only method available for transposition and we will be at risk of infraction proceedings if we do not transpose.

What are the policy objectives and the intended effects?

The objectives are to transpose Directive 2015/1787 which will update legislation and introduce a risk based sampling and analysis approach to public water supply across England. This will enable water undertakers and the Secretary of State to make informed and valid decisions for the reduction or cessation of sampling, enabling resources to be focused on higher risk supplies whilst ensuring public health protection is not compromised. Following stakeholder engagement on the 2016 Drinking Water Regulations, other improvements will also be made to the Regulations which will provide clarity on existing requirements making it more readily understood by the water industry.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

As there are no alternatives to regulation, the viable policy options are:
0. Do nothing - this is counter to UK preferred policy and if we fail to transpose we will be in breach of our obligations under EU law, thus giving rise to some risk that the Commission will bring infraction proceedings for non-transposition (this state is the baseline on which costs and benefits have been determined); or
1.Transpose Directive 2015/1787 in full with no further amendments; or
2. (Preferred) Transpose Directive 2015/1787, also incorporating corrections to wording and clarification amendments (as listed in section 5 on page 6) to The Water Supply (Water Quality) Regulations 2016.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 06/2021

Does implementation go beyond minimum EU requirements?		No		
Are any of these organisations in scope?	**Micro** No	**Small** No	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)		**Traded:** N/A	**Non-traded:** N/A	

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible SELECT SIGNATORY: ..... Date: 18 June 2018

Summary: Analysis & Evidence

Policy Option 1

Description: Transpose Commission Directive (EU) 2015/1787 in full with no further amendments.

FULL ECONOMIC ASSESSMENT

Price Base Year 2017	PV Base Year 2017	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low:	**High:**	**Best Estimate:** 4.97

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		3		
High				
Best Estimate	2.5		0.1	**3.7**

Description and scale of key monetised costs by 'main affected groups'

There will be initial costs to water companies to establish the new risk assessment (RA) process of £2.35m over three years (includes Drinking Water Inspectorate (DWI) fees, laboratory charges, improvement work, certification and application) and £1m total costs spread over the period to maintain the system (including increased E.coli sampling, DWI fees and certification process). The DWI will have additional costs of £0.35m to establish the system.

Other key non-monetised costs by 'main affected groups'

None.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		10		
High				
Best Estimate	0		1.0	**8.6**

Description and scale of key monetised benefits by 'main affected groups'

Implementing the new RA process will reduce the number of samples from 1,078,750 to 102,265. Based on the DWI charges to water companies this would save the industry £593,285 by year 3. There would also be a saving in analytical costs which is estimated to be £700,000 by year 3. Savings on analytical services could also be achieved, although these have not been determined, but the worst case scenario would be £0.

Other key non-monetised benefits by 'main affected groups'

None.

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

Monetised costs and benefits have been assumed and sample number reductions have been estimated using intelligence currently available.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0.3	**Benefits:** 0.9	**Net:** 0.6	

Summary: Analysis & Evidence

Policy Option 2

Description: Transpose Commission Directive (EU) 2015/1787, also incorporating corrections to wording and clarification amendments to The Water Supply (Water Quality) Regulations 2016.

FULL ECONOMIC ASSESSMENT

Price Base Year 2017	PV Base Year 2017	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low:	**High:**	**Best Estimate:** 4.97

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		1 3		
High				
Best Estimate	2.5		• 0.1	**3.7**

Description and scale of key monetised costs by 'main affected groups'

Same as policy option 1.

Other key non-monetised costs by 'main affected groups'

None.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		10		
High				
Best Estimate	0		1.0	**8.6**

Description and scale of key monetised benefits by 'main affected groups'

Same as policy option 1.

Other key non-monetised benefits by 'main affected groups'

Some regulatory provisions will be made clearer and should therefore be more readily understood by the industry.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5

Same as policy option 1.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 0.3	**Benefits:** 0.9	**Net:** 0.6	

Evidence Base

1. Introduction

Public drinking water supply is provided by water undertakers (the 26 incumbent water supply companies) and by water supply licensees (generally newer companies that have been appointed since the industry was privatised). Approximately 99% of the population of England use water supplied by a water company. The remaining 1% is supplied by private water supplies which can originate from a range of sources including; boreholes, natural springs and watercourses.

The Drinking Water Inspectorate (DWI)
The main role of the DWI is to check that the water companies in England and Wales supply safe drinking water that is acceptable to consumers and meets the standards set down in law. Tap water is tested by the water companies who have responsibility for ensuring the water they supply is safe and wholesome. DWI inspectors independently check water company testing and audit water companies.

Drinking water standards
The legal standards for UK drinking water are very stringent and are set down in national regulations; drinking water policy is completely devolved so separate and independent regulations are implemented for England, Northern Ireland, Scotland and Wales. The health based standards are based on expert global opinion documented in World Health Organisation (WHO) guidelines. England, as with other parts of the UK, also has some additional national standards set to maintain the high quality of its drinking water.

Powers and duties
The DWI is made up of inspectors and the Chief Inspector of Drinking Water, who are appointed by the Secretary of State for Environment, Food and Rural Affairs to exercise certain functions on the Secretary of State's behalf. The legislation is set out in the Water Industry Act 1991 as amended by the Water Act 2003 and the Water Act 2014. The DWI also operates in Wales, where it is appointed and acts on behalf of the Welsh Ministers. Other equivalent regulators exist in Scotland and Northern Ireland.

WHO Collaborating Centre for Drinking Water Safety
The Inspectorate has been re-designated for a further four years (until January 2022) as a World Health Organisation (WHO) Collaborating Centre for Drinking-water Safety (Ref UNK-232). This recognises DWI knowledge of implementing risk based regulation in the field of drinking water supply, practically implementing the WHO water safety plan approach that was first promulgated as drinking water policy globally in 2004. An important function of DWI collaborating centre role is to provide support in the form of regulatory and technical knowledge through WHO organised workshops, training programmes, benchmarking projects and research studies.

Regulations governing public water supplies
The European Union Drinking Water Directive (Council Directive 98/83/EC) concerns water intended for human consumption and sets out the standards and requirements for drinking water. This Directive is transposed into National Regulations and enforced in respect of public water supplies in England and Wales through The Water Supply (Water Quality) Regulations 2016 which came into effect on 27 June 2016. The Water Industry Act 1991, the primary national legislation, defines the powers and responsibilities of the DWI.

2. Problem under consideration

Directive 2015/1787 updates the monitoring programme in the Drinking Water Directive (DWD) which sets a minimum frequency of sampling and analysis but also introduces a new risk assessment approach. Comprehensive monitoring and analysis incurs significant costs, especially where a large number of parameters need to be considered. Risk assessed flexible monitoring frequencies present potential cost-saving opportunities and reduces the collection of data that provides little or no information on the quality of drinking water but also protects public health by targeting high risk supplies.

For a water company to qualify for a monitoring variation the risk assessment implemented will need to be certified against set criteria. This may require water companies to review and improve their risk approach to achieve certification, however, introducing a risk assessment will provide more effective use of water companies' resources whilst maintaining confidence in the quality of the water.

Directive 2015/1787 also introduces a change to the method of analysis of different chemical and indicator parameters. Laboratories will require guidance on the method to ensure a consistent approach and an appropriate amount of time will need to be provided for them to adapt to the new approach.

All of these problems have been explored and considered below.

3. Rationale for intervention

The quality of public drinking water is monitored by water companies in order to protect public health and safeguard the welfare of individual consumers. The economic case for this intervention is based partly on the positive externalities (benefits for the general population) of preventing water-borne illness reaching any individual. In addition there is the equity or 'merit good' consideration that every individual deserves to receive wholesome water as a basic necessity and right, whether or not they are in a position to appreciate what the involves and demand it from their supplier. Water companies provide assurance to water consumers about the safety of water supplied to them both in their own home and in other commercial or public premises. Particular characteristics or parameters of the supply are monitored, for example specified bacteria and metals within the water that are potentially harmful in high concentrations.

The specific conditions to perform the monitoring of parameters at appropriate frequencies and the range of monitoring techniques need to be reviewed in the light of scientific progress. The WHO has developed the water safety plan approach which is based on risk assessment and risk management principles, laid down in its Guidelines for Drinking Water Quality. Those Guidelines, together with standard EN 15975-2 concerning security of drinking water supply, are internationally recognised principles on which the production, distribution, monitoring and analysis of parameters in drinking water is based. The DWD has therefore been amended accordingly by Directive 2015/1787 and the intention is to amend The Water Supply (Water Quality) Regulations 2016 (2016/614) so the regulations are aligned to the updates of the latest WHO principles.

The revised Annex II of the DWD establishes the criteria under which risk assessed decisions are made which will enhance confidence in the protection of public health through further assurance for the quality of public water supplies. In providing for a consistent approach, it will also enhance confidence at national level (DWI and the Secretary of State for Environment, Food & Rural Affairs) in the robust nature of the risk assessments being undertaken.

The revised Annex III of the DWD provides the specifications for the method of analysis of different parameters in light of scientific and technical progress. Member States may extend the use of the current method of analysis (which uses 'trueness', 'precision' and 'limit of detection') until 31 December 2019. This is to provide laboratories with sufficient time to adapt to the proposed changes to the approach to 'uncertainty of measurement' (UoM) under the amendments for Annex III.

4. Policy objectives

The objectives are to:

- Update legislation to be aligned with the updates of the latest WHO principles for the sampling and analysis of public drinking water supplies; and,
- Make other technical and drafting improvements to the legislation, following stakeholder engagement on the 2016 Drinking Water Regulations, which will provide clarity on existing requirements.

5. Description of options considered

The suggested options are as follows:

Option 0 - Do nothing. This is counter to UK preferred policy and would be a missed opportunity to update our drinking water legislation in the light of scientific and technical progress. Failure to transpose would also be in breach of our obligations under EU law, thus giving rise to some risk that the Commission will bring infraction proceedings for non-transposition.

Option 1 - Transpose Commission Directive (EU) 2015/1787 in full with no further amendments. This would meet the main objective of updating legislation to be aligned with the latest WHO principles for the sampling and analysis of public drinking water supply.

Option 2 - Transpose Commission Directive (EU) 2015/1787, incorporating amendments appropriate to the needs for UK public water supplies. As for option 1, this would meet the main objective of updating legislation to be aligned with the latest WHO principles for the sampling and analysis of public drinking water supply. It would also make improvements to the Regulations that would provide better clarity of existing requirements, are cost neutral, but would be beneficial for the practical application of the Regulations. They include:

- improvements to definitions where current definitions have been determined as ambiguous through consultation and review;
- changes to terminology to align with the DWD; and
- where requirements are conditional, that the conditions are clear and mutually exclusive.

6. Costs and benefits of each option

Compared to the status quo baseline, quantified costs and benefits are identical for options 1 and 2 so the explanation and workings are set out only once here. Option 2 is expected to deliver minor unquantified benefits to the water companies through making some regulatory requirements clearer.

Monetised costs to DWI

The DWI will have to complete a number of tasks in order to establish all the necessary processes and procedures to operate, monitor and maintain the new system. They include changes to the database which holds water sample data and the setting up of a scheme for the certification of water company risk assessments.

The DWI aims to have all processes and procedures in place including guidance and processes to be delivered through third party providers (Risk Assessment (RA) certification scheme) in place when the 2017 Regulations come into force.

	Deliverable	Cost
1	Project management - drafting legislation, determining procedures, producing guidance	0.25 full time G7 for a total of 13 months (£25,000)
2	Policy development	0.25 SPTO for a total of 13 months (£37,240 x1.08 x 0.25 = £3,724)
3	IBM database development	£200,000
4	Support for policy and guidance development	0.4 SPTO for a total of 3 months (£37,240 / 4 x 0.4 = £3,724)
5	Risk Assessment (RA) certification scheme to be established with the United Kingdom Accreditation Service (UKAS)	£15,000
6	Blue book method* development for Uncertainty of Measurement (UoM)	0.1 SPTO and 0.1 Grade 7 for a total of 8 months (£37,240 x 0.67 x 0.1 = £2,495) + (£50,000 x 0.67 x 0.1 = £3350) = £5,845
	Total costs	£253,000 plus 50% overhead/contingency = £350,000

* This is the Standing Committee of Analysts (SCA) blue books, specifically the methods for the examination of water and associated materials which can be found here.

Monetised costs to water companies

The key activities for water companies to utilise the reduction in sampling facility and comply with all other new requirements include:

1. Achieving certification of the Risk Assessments;
    a. This may require review and improvement against the criteria set as part of the certification process. Certification is awarded after inspection.
2. Application to the DWI for monitoring reductions;
    a. Companies will be provided with guidance laying out the application process including what information should be submitted;
    b. The DWI will process applications and provide notices to companies confirming any new sampling frequency.
3. Establishment of the appropriate processes within in-house laboratories that follows the DWI's Blue book method for UoM; and
4. Appropriate changes to arrangements with contract laboratories to ensure the UoM Blue Book method has been implemented.

The new risk assessment process is optional, therefore water companies may or may not choose to utilise the new system introduced by Annex I of Directive 2015/1787 which will allow them to reduce sample frequencies (although it should be noted that the Secretary of State has the power to impose it).

1. Those who choose to, will primarily be motivated by the savings that can be made through the reduction of compliance monitoring samples that would have to be taken and submitted to the DWI;
2. Companies that choose not to, may be motivated in the short term to protect their water quality performance measure with Ofwat to ensure they are consistent until the end of 2019. The measure is determined using a calculation which includes the number of samples taken which in the current regulation is a fixed number. However, as this measure will be replaced from 01 January 2020, it is likely that these companies will only delay adoption of the new system and will start to engage with the DWI to reduce sample numbers in around mid 2019;
3. Companies may not be able to utilise the new system due to lack of RA certification. Certification through the new process is likely to be achieved by companies at differing rates depending on how much effort is required to meet the certification criteria.

Most likely phased introduction of reduced monitoring:

Year	**Number of companies**	**Comments**
Year 1 (June '18 – June '19)	10 Companies	The larger water and waste water companies are likely to achieve RA certification within this timescale. The Ofwat performance statistic will change at the end of 2019 so companies should be willing to reduce sample number as of their 2020 sampling programmes onwards. These programmes are determined around October each year.
Years 2 to 3 (June '19 – June '21)	All 26 companies	The remaining smaller water-only companies and inset appointees should be able to achieve RA certification in this time period.

The changes brought about by Annex II to Directive 2015/1787 are cost neutral apart from the introduction of the performance characteristic 'Uncertainty of Measurement'. This requirement has to be met by 31 December 2019, therefore laboratories will spend the time between when the amending regulations come into force and 31 December 2019 putting in place the processes to comply.

Costs to water companies:

Item	**Cost to Company choosing <u>NOT</u> to vary monitoring**	**Cost to Company choosing to vary monitoring**	**Comments**

	frequencies	**frequencies**	
Increase in *E. coli* samples (DWI fees)	14,500/100 x £55 = £7,975 (all companies)	14,500/100 x £55 = £7,975 (all companies)	Monitoring frequencies cannot be varied on *E. coli* samples, therefore there is a cost to companies whether they choose to implement the risk assessment process (which will vary monitoring frequencies) or not. These costs will be yearly.
Increase to standard frequency (DWI fees)	200,000/100 x £55 = £110,000 (all companies)	200,000/100 x £55 = £110,000 (all companies)	Until successful applications for reductions/cessations in sampling are made, these charges will apply. These are expected to apply between years 1 and 3.
Increase in *E. coli* samples (analytical costs)	14,500 x £2 = £29,000 (all companies)	14,500 x £2 = £29,000 (all companies)	It is known that *E. coli* samples cost an average of £2 to analyse. These costs will be yearly.
Increase to standard frequency (analytical costs)	269,930 x £1.31 = £353,608	269,930 x £1.31 = £353,608	This figure is for a full year. Current waivers allow a reduction of 269,930 samples however, until risk assessment methodologies are accredited and the new risk based criteria applied, companies need to revert to standard frequencies. The additional cost is likely to be incurred from April 2018 until successful applications for reductions/cessations are received. For some companies this may be around Oct/Nov 2018 with the rest following in years 2 and 3. The £1.31 is simply the cost to analyse the sample.
Certification of Risk Assessment methodology	Zero	£600 fee to inspection body per company (£15,600 all companies)	Once per company between years 1 and 3 and then once per year thereafter.
Improvement work (e.g. data, systems, etc.) to achieve certification of Risk Assessment methodology	Zero	Range from a negligible additional amount (absorbed into 'business as usual') to £40,000 per company. Large companies are likely to need the least work (10 x 0) with smaller companies requiring the most (16 x £40,000 = £640,000)	Depends on the suitability of the company's current methodology. Once per company between years 1 and 3.
Application process	Zero	Range from zero to	Depends on the number of site

(once sample data has been considered and a risk assessment performed, water companies will need to submit an application to reduce/cease monitoring of certain parameters to the DWI)		approximately £540,000 (the average cost to prepare a parameter for the application process is estimated at £6.25. This is per zone. For applications to cover the maximum of all 40 parameters across all 1,584 zones of the industry £6.25 x 40 x 1,584 = £396,000. Plus 6 parameters at 1,096 treatment works £6.25 x 6 x 1,096 = £41,100. Plus 4 parameters at 4,081 service reservoirs £6.25 x 4 x 4,081 = £102,025. Total = £396,000 + £41,100 + £102,025 + £539,125.	and parameter combinations being applied for. Conservative maximum considered to be 40 parameters (those with limit values) but this may increase if we can determine a method for granting variations for parameters without limit values. This cost includes the time and effort for the company to understand the process and its requirements and the production and submission of an application. Once between years 1 and 3 with certification renewal (set by the Secretary of State) thereafter.

Costs to water companies from laboratories:

Item	**Company choosing <u>NOT</u> to vary monitoring frequencies**	**Company choosing to vary monitoring frequencies**	**Comments**
Increase in *E. coli* samples (physical sampling and transportation cost)	Range from zero – to a minimal amount	Range from zero – to a minimal amount	As *E. coli* samples are taken at the same time as other bacteriological samples (the analyses are carried out on the same sample bottle). It is most likely that there will be zero additional cost to physical sampling.
Change of performance characteristics requirement to Uncertainly of Measurement	£20,000 x 26 ÷ 2 companies' set up costs (spread over 2 years) + £1,500 x 26 companies per year maintenance = £260,000 + £39,000 = £299,000 for year 1	£20,000 x 26 ÷ 2 companies' set up costs (spread over 2 years) + £1,500 x 26 companies per year maintenance = £260,000 + £39,000 = £299,000 for year 1	

Total costs to water companies (figures extracted from the above two tables relating to costs that will originate in water companies but also those that will be passed on to water companies by laboratories):

	Company choosing NOT to vary monitoring frequencies	**Company choosing to vary monitoring frequencies**	**Comments**
Totals	£7,975 + £110,000 + £29,000 + £253,608 + £299,000 = approximately £800,000 in year 1	£7,975 + £110,000 + £29,000 + £253,608 + (£15,600 ÷ 2) + (£640,000 ÷ 2) + (£540,000 ÷ 2) + £299,000 = £1,400,000	

Monetised benefits to water companies

The total number of analyses performed in 2015 was 911,085. If the proposed risk assessment approach to determining monitoring frequencies, for those parameters with limit values, had been in place and was fully utilised in 2015 (i.e. a waiver was in place for all parameters and site combinations that met the criteria for a cessation or a 50% reduction), this would have reduced the number of analyses to 102,265 (a difference of 808,820). A limit value is a standard which is a maximum or minimum value and not a range (e.g. between 2 and 20) or a condition (e.g. no abnormal change). Should the DWI be able to determine a method for granting variations for parameters with no limit values e.g. they are measured against a range, this number of analyses could reduce further. The reduction of 808,820 analyses has been calculated by applying the new criteria for reductions and cessations to the complete sample data set for 2015 and considering what would have qualified for variations. This does not include the 269,930 analyses that were already operating at a reduced number so the total number of analyses that could be saved is 808,820 + 269,930 = £1,078,750.

Saving based on DWI charges would be £55.00 for every 100 samples (1,078,750 / 100 = 10,787 x £55.00 £593,285) for the whole industry (£22,818 average per company (of which there are 26)).

The top of the range for the saving on analytical costs is based on a reduction of 1,078,750 samples, taking an average cost of £1.31 for each parameter analysed = £1,413,162. However, it is unlikely that this maximum saving will be realised, as some regulatory samples may be re-graded as 'operational' samples, which must be taken to validate risk assessments. The number of additional operational samples required to achieve certified risk assessments will vary upwards from zero, depending on the extent of the company's current operational monitoring programme (a company may have an extensive operational monitoring programme, therefore they may reduce their regulatory monitoring by waiver, and not re-grade any of those samples to 'operational' samples). The extent to which regulatory samples may be re-graded to 'operational' samples is difficult to determine, as is the potential number of additional samples required to validate risk assessments. A saving of 50% of the maximum (£706,581) reflects this uncertainty.

Saving on sampling effort including overhead and fixed costs is very difficult to determine due to the nature of how samples are taken. A single sample is often taken and analysed for multiple parameters. Therefore the cessation of monitoring for a certain parameter, does not necessarily mean that a saving will be made on sampling.

	Company choosing NOT to vary monitoring frequencies	**Company choosing to vary monitoring frequencies**	**Comments**
Reduction in DWI charges	Zero	£593,285 for the whole industry	By year 3
Reduction in laboratory analysis costs	Zero	£706,581 for the whole industry	By year 3

Reduction in sampling costs	Zero	Worst case scenario zero	

7. Risks and assumptions

The following assumptions have been made when compiling this Impact Assessment:

- The £600 inspection fee for RA certification;
- The £40,000 for improvement work to achieve RA certification;
- The £6.25 average cost to prepare a parameter for the application process. This uses the estimate for the recent application process for radioactivity monitoring waivers;
- The £20,000 for laboratories to change to the Uncertainty of Measurement requirement (assuming that the costs to laboratories will be passed on to water companies);.
- The RA application process has been calculated on 40 parameters (there are 59 parameters in total to analyse however, at the moment, only the parameters that have limit values can be granted variations in monitoring); and,
- The sample number reductions are based on an assessment of the current position of the sector by DWI, including the application of a flat reduction of 50% and allowing a cessation in all qualifying cases (the current Regulations allow for a 50% reduction in certain circumstances and, given that variations could be up to 100%, acts as relatively good average reduction figure).

A 6 week consultation was held between 12 September and 24 October 2017 and we received 24 responses. With regard to the risks and assumptions in this document, the following comments were made:

- There were two companies who suggested that on-going costs associated with the maintenance of the RA system, and facilitation time for when they are inspected, needed to be considered in the £600 inspection fee for RA certification. However, another company thought that costs may be able to be absorbed within their current accreditation team (subject to the frequency of on-going surveillance visits). Given this latter comment, facilitation time has not been calculated. Two other water companies provided a range for the inspection fee of between £870 and £1000 so, given the certification scheme is still under development, £600 appears reasonable;
- One company noted that the improvement work to achieve RA certification may depend on whether or not water companies decide to apply to become an inspection body. As this would be a company's choice and is not as a direct result of changes to the DWD these costs will not be captured;
- Only 2 respondents thought the £20,000 estimate for changing to the Uncertainty of Measurement methodology was under estimated. Others said it looked reasonable and that costs would only be known when the SCA blue book method was completed; and,
- One company said that the application of a flat 50% reduction was reasonable but not for all parameters. They estimated the benefit in reduced analytical charges would be <50% as some standards would remain at the standard frequency (at least in the short to medium term). As no other comments were raised, this figure appears reasonable.

8. Direct costs and benefits to business calculations (following BIT methodology)

We are meeting the minimum requirements of Directive 2015/1787, therefore this is a non qualifying regulatory provision and will not contribute towards the Business Impact Target. However, this amendment to regulations clearly results in cost savings to business.

9. Wider impacts

Small and Micro Business Assessment

There are no small and micro sized water companies. Of the 26 water companies, at least 24-25 of the companies are large businesses with 1-2 classed as medium sized businesses.

10. Summary and preferred option with description of implementation plan

Option 2 is the Government's preferred option as we support the principle of the proposals made under Directive 2015/1787 in allowing for a risk assessed approach to monitoring and analysis and changing the performance characteristics of certain parameters via the UoM methodology. This will provide for more effective and proportionate monitoring and analysis with water companies able to focus their efforts in maintaining the quality of public drinking water supply. At the same time, other amendments to the Regulations will provide clarity on existing requirements making it more readily understood by the water industry.

The implementation plan is as follows:

July / August 2017	Pre-consultation clearance
12 September to 24 October 2017	Formal consultation (6 weeks)
November 2017 / March 2018	Collate and issue summary of responses from Consultation and Government response
November 2017 / April 2018	If necessary, update Impact Assessments and draft Statutory Instrument following consultation responses
May 2018	Final clearance
End of May / Start of June 2018	Lay regulations
May 2018	Publish guidance
Mid to late June 2018	Legislation enters into force