

Y Pwyllgor Amgylchedd a Chynaliadwyedd

Lleoliad:
Ystafell Bwyllgora 3 – y Senedd

Dyddiad:
Dydd Mercher, 17 Ebrill 2013

Amser:
09:30

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



I gael rhagor o wybodaeth, cysylltwch â:

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Agenda

- 1. Cyflwyniad, ymddiheuriadau a dirprwyon**
- 2. Polisi dŵr yng Nghymru – Tystiolaeth fideo a gasglwyd gan y tîm allgymorth (09.30 – 10.00)**
- 3. Polisi dŵr yng Nghymru – Tystiolaeth gan Ofwat (10.00 – 11.00)**
(Tudalennau 1 – 21)
E&S(4)-11-13 papur 1

Keith Mason, Uwch Gyfarwyddwr Cyllid a Rhwydweithiau
Steve Roberts–Mee, Materion Corfforaethol
- 4. Papurau i'w nodi** (Tudalennau 22 – 27)
Cofnodion y cyfarfodydd a gynhaliwyd ar 7, 13 a 21 Mawrth
- 5. Llythyr gan y Gweinidog Adnoddau Naturiol a Bwyd – Camau sy'n codi o'r cyfarfod ar 21 Chwefror** (Tudalennau 28 – 39)
E&S(4)-11-13 papur 2
- 6. Nodiadau o gyfarfod gyda BAE (Ymchwiliad polisi dŵr yng Nghymru)** (Tudalennau 40 – 42)
- 7. Cynnig o dan Reol Sefydlog 17.42 i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer y canlynol: Eitem 8**

8. Blaenraglen Waith



Polisi Dŵr yng Nghymru: Tystiolaeth i'r Pwyllgor Amgylchedd a Datblygu Cynaliadwy

Rhagarweiniad

Ofwat yw rheoleiddiwr economaidd y sectorau dŵr a charthffosiaeth yng Nghymru a Lloegr. Ein prif ddyletswyddau yw:

- gwarchod buddiannau defnyddwyr, lle bynnag bo hynny'n briodol drwy hyrwyddo cystadleuaeth effeithiol; a
- galluogi cwmnïau dŵr a charthffosiaeth effeithlon i gynnal ac ariannu eu swyddogaethau.

Mae gennym hefyd ystod o ddyletswyddau eilaidd. Mae'r rhain yn cynnwys:

- cyfrannu at ddatblygu cynaliadwy;
- hyrwyddo darbodusrwydd ac effeithlonrwydd;
- sicrhau nad oes unrhyw wahaniaethu gormodol yn erbyn cwsmeriaid penodol; a
- rhoi ystyriaeth i egwyddorion arfer rheoleiddio gorau.

Rydym yn atebol i Gynulliad Cenedlaethol Cymru pan fyddwn yn gweithredu polisi dŵr a amlinellir gan Lywodraeth Cymru.

Ers preifateiddio ym 1989 mae ein model rheoleiddiol wedi cynorthwyo'r sectorau dŵr a charthffosiaeth i sicrhau gwelliannau mawr i gwsmeriaid ac i'r amgylchedd tra'n cadw biliau blynyddol cwsmeriaid £120 yn is nag a fyddent wedi bod fel arall. Mae hyn wedi cynnwys buddsoddiad gwerth £8 biliwn yng Nghymru, sydd wedi rhoi gwelliannau gwasanaeth mawr i gwsmeriaid dŵr Cymru ynghyd ag amgylchedd dŵr glanach a gwell.

Mae'r sector nawr yn wynebu casgliad gwahanol o heriau o ganlyniad i'r tan-fuddsoddiad cronig a oedd yn broblem mewn preifateiddio. Mae effeithiau newid hinsawdd a newid demograffig, ar adnoddau dŵr yn arbennig, yn ogystal â newid o ran disgwyliadau gan gwsmeriaid, yn golygu ein bod angen dull gwahanol o weithio.

Er bod ein model hanesyddol, cyson o reoleiddio economaidd dros y ddau ddegawd diwethaf wedi ei ddisgrifio fel 'y safon aur' ar gyfer denu ariannu a delio â than-fusoddi yn dilyn preifateiddio, mae peth tystiolaeth nad yw bob amser wedi annog y dulliau mwyaf cynaliadwy gan gwmnïau ac mae'r budd o ran effeithlonrwydd yr ydym wedi eu cael ar gyfer cwsmeriaid ym mhob adolygiad pris wedi lleihau'n araf¹.

Er mwyn bodloni heriau'r dyfodol rydym yn addasu ein model rheoleiddio er mwyn sicrhau ei fod yn cefnogi'r canlyniadau mwyaf cynaliadwy ac yn parhau i ysgogi gwelliannau effeithlonrwydd yn y cwmnïau er mwyn cadw biliau'n fforddiadwy i gwsmeriaid. Bydd y fframwaith diwygiedig hwn yn cynnwys defnydd o fentrau newydd.

Rydym yn cefnogi cynnig Llywodraeth y DU i gyflwyno dewisiadau ar gyfer cwsmeriaid dibreswyl a mwy o fasnachu dŵr camau cyntaf. Mae cyfoeth o dystiolaeth ddamcaniaethol ac empirig sy'n awgrymu bod dulliau seiliedig ar y farchnad yn fwy effeithiol na rheoleiddio er mwyn ysgogi effeithlonrwydd². Yn arbennig, mae mecanweithiau marchnad yn gweithio'n dda mewn dyrannu adnoddau prin mor effeithlon â phosibl – sy'n her allweddol yr ydym yn ei hwynebu o ran adnoddau dŵr – ac annog arloesedd.

Rydym yn cydnabod yn llwyr bod penderfyniadau ynglŷn ag a ddylid cyflwyno mecanweithiau marchnad ai peidio, ac ynglŷn â sut y dylai'r fframwaith deddfwriaethu gael ei sefydlu a'i weithredu, yn gyfrifoldeb ar Gweinidogion Cymru a Llywodraeth Cymru. Rydym hefyd yn cydnabod bod y rhain yn benderfyniadau arwyddocaol nad sydd heb risg. Felly, croesawn y cyfle i ymateb i'r Pwyllgor er mwyn sicrhau y gall y penderfyniadau hyn gael eu cefnogi gan y sail dystiolaeth gryfaf.

¹ Yn Future price limits – a consultation on the framework. Appendix 1: draft impact assessment, http://www.ofwat.gov.uk/consultations/pap_con201111fpl_app01.pdf (tud.27), dangosom fod yr enillion effeithlonrwydd cymharol y mae ein model rheoleiddio wedi eu sicrhau i gwsmeriaid wedi bod yn lleihau, ac yn ystod y cyfnod rheoli asedau pum mlynedd diwethaf (AMP 4) rhoddodd ein her effeithlonrwydd enillion werth 1.6% o ran effeithlonrwydd ar gostau gweithredu dŵr ac enillion gwerth 1.5% ar gostau gweithredu carthffosiaeth o gymharu ag enillion gwerth 3.1% ar draws y ddau faes gweithredu costau yn yr AMP blaenorol. Yn yr un modd, roedd effeithlonrwydd gwariant cyfalaf yn 2.4% ar gyfer dŵr yn AMP 4 a 2.7% ar gyfer carthffosiaeth; unwaith eto, mae'r ffigurau hyn yn cymharu â 4.2% ar gyfer dŵr a 6.2% ar gyfer carthffosiaeth yn AMP 3. Mae'r lleihad mewn enillion effeithlonrwydd hefyd yn rhan o'r rheswm am newid dull.

² Gweler fel enghraifft, Office of Fair Trading, Productivity and competition: an OFT perspective on the productivity debate, 2007, http://www.of.gov.uk/shared_of/economic_research/oft887.pdf a Y Zhang, D, Parker and C Kirkpatrick, Assessing the effects of privatisation, competition and regulation on economic performance: the case of electricity sector reform. Adran Economeg, SCAPE, Working Paper Series, 2005 Papur Rhif. 2005/11, <http://ideas.repec.org/p/sca/scaewp/0511.html>

Rydym yn edrych ymlaen at y Strategaeth Ddŵr a gyhoeddir yn fuan gan Lywodraeth Cymru, a fydd yn adeiladu ar y Datganiad Gweinidogol ar Ddŵr a gyhoeddwyd ym mis Rhagfyr 2011.

Asesu goblygiadau'r Mesur Dŵr drafft ar gyfer Cymru, yn arbennig o ran cystadleuaeth yn y farchnad ddibreswyl

Croesawom gyhoeddiad y Mesur Dŵr drafft ym mis Gorffennaf 2012. Rhown sylwadau isod ar ddarpariaethau penodol yn y Mesur drafft. Fodd bynnag, nodwedd allweddol o'r Mesur drafft yn gyffredinol yr ydym yn ei chroesawu yw'r pecyn o newidiadau a fydd yn rhoi dewis i bob cwsmer dibreswyl yn Lloegr. Ar wahân i'r gefnogaeth eang am fwy o ddewis ynglŷn â'u darparwr gwasanaeth ymhlith saith o bob deg cwsmer busnes³, bydd y newidiadau hyn yn galluogi'r sector dŵr i ymateb i'r heriau yr ydym wedi eu hamlygu.

Gan edrych ar brofiad yn yr Alban, bydd y newidiadau yn annog cwsmeriaid dibreswyl i ddefnyddio dŵr yn fwy cynaliadwy a hefyd ysgogi effeithlonrwydd, arloesedd a gwelliannau mewn gwasanaeth cwsmeriaid, gan roi twf economaidd. O'u hystyried gyda'i gilydd, bydd y newidiadau hyn yn cynorthwyo i gefnogi'r canlyniadau cynaliadwy.

Ysgogi defnydd dŵr cynaliadwy

Rydym yn cydnabod safle cyfredol Llywodraeth Cymru o ran polisi a'i bwriad i beidio â chynnwys rhagor o gystadleuaeth i'r farchnad ddŵr a gwastraff dŵr ar hyn o bryd. Fodd bynnag, ein barn ni yw pe bai'r newidiadau hyn yn cael eu cyflwyno yng Nghymru byddent yn rhoi ystod o fanteision cadarnhaol i gwsmeriaid Cymru. Un o fanteision allweddol cyflwyno dewis manwerthwr ar gyfer cwsmeriaid dibreswyl yn yr Alban fu gostyngiad mewn biliau a defnydd dŵr drwy well effeithlonrwydd dŵr.

³ Canlyniadau wedi eu seilio ar ddwy astudiaeth ymchwil a gomisiynwyd gan CCWater ac Ofwat rhwng 2007 a 2010. Seiliwyd ymchwil cwsmeriaid busnesau mawr ar arolygon ffôn gyda 684 o fusnesau mawr yng Nghymru a Lloegr a gynhaliwyd gan MVA ym mis Mehefin 2007. Dangosodd hyn bod 84% yn cefnogi cystadleuaeth mewn egwyddor. Seiliwyd ymchwil busnesau bach a chanolig ar arolygon ffôn a gynhaliwyd gan Accent ym mis Mehefin 2010 gyda 1,515 o fusnesau oedd â llai na 250 o weithwyr. Dangosodd hyn bod 69% yn cefnogi cystadleuaeth mewn egwyddor. Gweler www.cewater.org.uk.

Mae profiad yr Alban yn dangos yn glir bod y manwerthwr unigol, sy'n cystadlu am fusnes cwsmeriaid dibreswyl, yn cael ei annog i gynnig mwy o wasanaethau gwerth ychwanegol a chyingor effeithlonrwydd dŵr nag y byddent wedi ei wneud o dan fodel cwmni dŵr 'ffynhonnell i'r tap' integredig⁴.

Mae astudiaeth o farchnad yr Alban yn awgrymu y bydd busnesau'r Alban erbyn 2020-21⁵ wedi arbed £50-£55 miliwn drwy arbed dŵr, o'i gymharu â lefelau presennol defnydd dŵr. Hefyd, deilliodd ymarfer caffael sector cyhoeddus diweddar ar draws yr Alban ar arbedion cost o hyd at £25 miliwn. Fel rhan o'r ymarferiad cytunodd y cynigydd buddugol i osod technoleg Darllen Mesuryddion Awtomataidd ym mhob safle sector cyhoeddus ar draws yr Alban - gan gefnogi gwelliannau sylweddol mewn effeithlonrwydd dŵr. Mae cystadleuaeth rhwng manwerthwyr yn rhoi'r fantais o gostau is i fusnesau'r Alban (a fydd yn cynorthwyo i ysgogi twf) a hefyd defnydd mwy cynaliadwy o adnodd gwerthfawr.

Y tu hwnt i ddewis manwerthwr, bydd y diwygiadau camau cyntaf a gynigir yn y Mesur drafft yn eistedd ochr yn ochr â'n cynigion rheoleiddio ni i annog cwmnïau i ddefnyddio cyflenwadau dŵr prin mor effeithlon â phosibl drwy fasnachu rhagor o ddŵr a chreu mwy o ryng-gysylltiad rhwng eu rhwydweithiau. Bydd hyn yn sicrhau gwytnwch yn y dyfodol ac yn osgoi buddsoddiadau cyflenwadau newydd aneffeithlon ac anghynaliadwy lle bynnag y bo hynny'n bosibl⁶.

Bydd y Mesur Dŵr drafft yn sicrhau y gellir ystyried yr **holl** adnoddau dŵr yn rhan o'r dull hirdymor i gyflawni gwytnwch a sicrhau'r defnydd mwyaf effeithlon ar ddŵr yn Lloegr. Bydd y cynigion ar gyfer diwygiadau camau cyntaf yn sicrhau pan fydd gan drydydd parti ddŵr y gellir ei ddefnyddio er mwyn sicrhau gwytnwch cyflenwadau dŵr yn y dyfodol, ac y gall ddarparu'r cyflenwadau hynny yn fwy effeithlon na'r cwmni dŵr presennol, bydd ganddo'r cyfle i wneud hynny. Byddant hefyd yn rhoi dewis ehangach i gwmnïau dŵr ynglŷn â sut a lle i dynnu dŵr o'r amgylchedd er mwyn bodloni galwadau gan eu cwsmeriaid fel rhan o'u cynlluniau rheoli adnoddau dŵr. Gyda mwy o ddewis o ffynonellau dŵr, gall cwmnïau ddewis y ffynonellau rhataf (gan gadw biliau'n is) a'r rheiny sydd yn fwyaf amgylcheddol gynaliadwy.

⁴ Gweler Grant Thornton, Comisiwn y Diwydiant Dŵr ar gyfer yr Alban: Asesiad Cost a Budd, Mai 2010, <http://www.watercommission.co.uk/UserFiles/Documents/Competition%20report%20-%20final.pdf>

⁵ Ibid

⁶ Ers 1997 mae lefelau masnachu dŵr rhwng cwmnïau yng Nghymru a Lloegr wedi aros yn sefydlog ar 4-5% o'r cyfeintiau. Mae hyn er gwaethaf yr heriau cynyddol o ran prinder dŵr mewn rhai rhannau o Gymru a Lloegr a buddsoddiadau newydd sylweddol o fewn rhwydweithiau cwmnïau. Rydym yn ystyried bod yn rhaid i gwmnïau, er mwyn sicrhau cyflenwadau dŵr cynaliadwy yn y dyfodol, gael eu hannog i edrych y tu hwnt i'w rhanbarthau eu hunain a chreu rhyng-gysylltiad gwell rhwng eu rhwydweithiau eu hunain a rhai cwmnïau cymdogol.

Y dadansoddiad mwyaf cynhwysfawr o effeithiau'r diwygiadau hyn sydd ar gael hyd yma yn Lloegr yw'r asesiad effaith camau cyntaf a gwblhawyd gan Lywodraeth y DU⁷, sy'n awgrymu y gellid cael gwerth tua £2 biliwn o fudd pe byddent yn cael eu cyflwyno. Gan ddefnyddio'r un fethodoleg a'r tybiaethau â'r asesiad effaith, rydym yn cyfrifo pe bai'r diwygiadau hyn yn cael eu hailadrodd yng Nghymru y gallent roi budd net o £87 miliwn dros 30 mlynedd.

Effeithlonrwydd, twf a lleihau beichiau rheoleiddiol

Mae'r Mesur drafft yn cynnig budd y tu hwnt i'r £87 miliwn o effeithlonrwydd o ganlyniad i ddiwygiadau camau cyntaf a hyrwyddo defnydd dŵr mwy cynaliadwy. Byddai cymhwyso'r Mesur Dŵr drafft yng Nghymru, fel bod dewis o ran manwerthwyr ar gael i gwsmeriaid dibreswyl, yn cefnogi effeithlonrwydd a thwf pellach yng Nghymru, drwy:

- well effeithlonrwydd a biliau is;
- arloesedd mewn cyflenwi gwasanaeth; a
- gwasanaethau wedi eu teilwra'n well a'u gwella i gwsmeriaid.

Bydd caniatáu i gwsmeriaid busnes ddewis eu cyflenwr yn rhoi llais llawer cryfach i'r cwsmeriaid hynny ynglŷn â'r math o wasanaeth a phris y gwasanaethau y maent yn eu derbyn. Bydd hyn yn galluogi iddynt reoli eu costau mewnbwn eu hunain ac felly bod yn fwy cystadleuol - gan gynorthwyo i ysgogi twf yn yr economi drwy ddarparu arbedion y gellir eu hail-fuddsoddi mewn busnesau yng Nghymru. Dywedodd adroddiad Policy Exchange yn 2011 y gallai cwsmer gyda 1,400 o safleoedd unigol arbed £80,000-£200,000 drwy dderbyn un bil dŵr a charthffosiaeth integredig gan un cyflenwr yn hytrach na'r 4,000 bil gwahanol y mae'n ei dderbyn ar hyn o bryd⁸.

⁷ Gweler <http://archive.defra.gov.uk/environment/quality/water/documents/wwp-ia-upstream-1347.pdf> Er bod bob amser anawsterau yn gysylltiedig â darogan effeithiau a chyfleoedd i wella'r dadansoddiad yn y dyfodol, cynhaliwyd proses sicrwydd ansawdd ar y dadansoddiad hwn gan y Pwyllgor Polisi Rheoleiddio (RPC), a roddodd raddiad 'gwyrd' i'r asesiad effaith, y graddiad uchaf y gall ei roi ac un a geir fel arfer dim ond gan tua 1/3 o'r asesiadau effaith y bydd y RPC yn eu hadolygu.

⁸ Policy Exchange, 2011, Still Hobson's Choice, The case for water retail services market reform in England and Wales, tud.2-3, <http://www.policyexchange.org.uk/images/publications/water%20retail%20services%20competition%20in%20england%20and%20wales%20-%20jul%2011.pdf>

Cynhaliwyd gwahanol astudiaethau i gost a budd cyflwyno dewis o ran manwerthu i gwsmeriaid dibreswyl yng Nghymru a Lloegr, neu yn Lloegr yn unig. Mae'r rhain yn cynnwys gwaith a gwblhawyd gan adolygiad Cave⁹, Oxera¹⁰, Policy Exchange¹¹, Comisiwn y Diwydiant Dŵr ar gyfer yr Alban¹², Ofwat¹³ a Deloitte¹⁴, ac asesiad effaith manwerthu Llywodraeth y DU¹⁵. Mae'r astudiaethau hyn yn cynnig ystod o ffigurau ar gyfer y costau a budd tebygol o gyflwyno dewis o ran manwerthu i gwsmeriaid dibreswyl, gyda rhai'n rhoi canlyniadau meintiol ac eraill yn edrych ar agweddau penodol o'r achos cost/budd. Fel y mae gyda'r diwygiadau camau cyntaf, nid ydym yn ymwybodol o unrhyw astudiaethau penodol ar gyfer Cymru.

⁹ Cave, M, Independent Review: of competition and innovation in Water Markets: Interim Report, Tachwedd 2008,

<http://archive.defra.gov.uk/environment/quality/water/industry/cavereview/documents/cavereview-report.pdf> a Cave, M, Independent Review: of competition and innovation in Water Markets: Adroddiad Terfynol, Ebrill 2009,

<http://archive.defra.gov.uk/environment/quality/water/industry/cavereview/documents/cavereview-finalreport.pdf>

¹⁰ Oxera, Competition in the Water Sector: a review of the cost-benefit analysis knowledge base, 2011, <http://www.oxera.com/main.aspx?id=9560> gweler hefyd Cave, M, Comment on Oxera report on 'Competition in the water sector: a review of the cost-benefit analysis knowledge base', Ebrill 2011.

¹¹ Policy Exchange, 2011, Still Hobson's Choice, The case for water retail services market reform in England and Wales,

<http://www.policyexchange.org.uk/images/publications/water%20retail%20services%20competition%20in%20england%20and%20wales%20-%20jul%2011.pdf>

¹² Gweler <http://www.watercommission.co.uk/Blogs/post/Costs-and-savings-of-retail-competition.aspx> a hefyd Comisiwn y Diwydiant Dŵr ar gyfer yr Alban, Retail Competition in Scotland: An audit trail of the costs incurred and the savings achieved, 2011,

[http://www.watercommission.co.uk/UserFiles/Documents/WICSAuditTrail\(B\)%20\(2\).pdf](http://www.watercommission.co.uk/UserFiles/Documents/WICSAuditTrail(B)%20(2).pdf)

¹³ Ofwat, Review of the evidence base for retail competition and separation, 2011

¹⁴ Deloitte, Lessons for the water and sewerage industry from retail competition in the utility sector, 2011,

http://www.deloitte.com/view/en_GB/uk/industries/eiu/water/24dca3dd6f90e210VgnVCM2000001b56f00aRCRD.htm

¹⁵ Asesiad effaith Llywodraeth y DU ('Introducing retail competition in the water sector', Llywodraeth EM, 2011, <http://archive.defra.gov.uk/environment/quality/water/documents/wwp-ia-retail-1346.pdf>

Tabl 1 Astudiaethau i ddewis manwerthu dibreswyl a chanlyniadau

Astudiaeth	Canlyniadau	Nodiadau
Aseiad effaith adwerthu adolygiad Cave	Budd gwerth £617 miliwn net (NPV dros 30 mlynedd)	Mae'r canlyniadau yn cwmpasu Cymru a Lloegr ac wedi eu seilio ar gynigion i wahanu'n gyfreithlon weithgareddau manwerthu. Tystiolaeth wedi ei seilio'n bennaf ar ddefnydd ceidwadol o'r profiad yn yr Alban a gyda data cyfyngedig ar y sail cost manwerthu gwirioneddol.
Deloitte yn gweithio ar ran Water UK	Budd gwerth £1,351 miliwn net (NPV dros 30 mlynedd)	Mae'r canlyniadau yn cwmpasu Cymru a Lloegr ac wedi eu seilio ar ddefnydd uniongyrchol cynigion adolygiad Cave (yn cynnwys gwahanu manwerthu yn gyfreithlon). Er gwaethaf y canlyniad cyffredinol, mae'r adroddiad yn rhoi peth naratif amheugar ynglŷn â chyflawni rhai o'r manteision a ddyfynnir, yn arbennig budd 'gorlif' i fanwerthu ar gyfer preswylwyr a'r busnes 'cyfanwerthu'.
Comisiwn y Diwydiant Dŵr ar gyfer yr Alban	Budd gwerth £750 miliwn—£2 biliwn net (NPV dros 30 mlynedd)	Mae'r canlyniadau yn cwmpasu Cymru a Lloegr ac yn y bôn yn seiliedig ar ddefnydd uniongyrchol profiad yr Alban i Gymru a Lloegr (yn cynnwys gwahanu gwasanaethau manwerthu).
Aseiad Effaith cystadleuaeth manwerthu Llywodraeth y DU	Budd gwerth £190 miliwn net (NPV dros 30 mlynedd)	Mae'r canlyniadau'n cwmpasu Lloegr yn unig ac maent wedi eu seilio ar ddim gwahanu manwerthu o unrhyw fath. Seiliedig ar ystod o dystiolaeth a ffynonellau.
Policy Exchange	D/G	Mae'r canlyniadau wedi eu seilio ar gyfres o astudiaethau achos gyda chwsmeriaid busnes ac adolygiad desg o astudiaethau eraill.
Oxera	D/G	Rhoddir peth trafodaeth feirniadol ynglŷn â dadansoddiad a thybiaethau tanategol adolygiad Cave.

Gyda'i gilydd, mae'r astudiaethau hyn yn awgrymu y gallai canlyniadau net cyflwyno dewis manwerthu ar gyfer cwsmeriaid dibreswyl roi rhywle rhwng £190 miliwn a £2 biliwn o fudd net. Maent hefyd yn amlygu ystod o risgiau allweddol, megis yr angen i gynnal hyder buddsoddwyr - y mae Llywodraeth y DU wedi ei nodi fel rheswm allweddol dros beidio â datblygu argymhelliad adolygiad Cave i'w gwneud hi'n ofynnol i wahanu gweithrediadau manwerthu cwmnïau dwr.

Gan ddefnyddio'r un dull a'r tybiaethau ag asesiad effaith manwerthu Llywodraeth y DU, sydd ymhlith y darnau mwyaf ceidwadol o ddadansoddiad ac sy'n cwmpasu'r holl astudiaethau a restrir uchod, rydym yn cyfrifo y byddai budd posibl i Gymru o ymestyn dewis cyflenwr i gwsmeriaid busnes yn tua £18 miliwn dros 30 mlynedd¹⁶.

Lle mae dewis yn effeithiol mewn rhoi effeithlonrwydd ar gyfer cwsmeriaid, byddwn hefyd yn gallu rheoleiddio darpariaeth gwasanaethau manwerthu dŵr i fusnesau mewn ffordd llai manwl nag a wnawn ar hyn o bryd a gallem o bosibl ddadreoleiddio'r gweithgareddau hyn yn llwyr ar ryw adeg yn y dyfodol. Bydd hyn yn lleihau baich rheoleiddio ar fusnesau manwerthu presennol y cwmnïau dŵr, gan roi mwy o ryddid iddynt ymateb i'w cwsmeriaid.

Goblygiadau cyffredinol ar gyfer Cymru

Pe bai Llywodraeth Cymru yn gweithredu darpariaethau'r Mesur drafft sy'n rhoi dewis o ran cyflenwr i gwsmeriaid dibreswyl, rydym yn ystyried y byddai hyn yn arwain at fanteision i gwsmeriaid busnes Cymru o'r gwelliannau o ran effeithlonrwydd a gwasanaeth a ddisgrifir uchod, defnydd mwy cynaliadwy ar ddŵr a biliau is.

Rydym yn cydnabod bod hon yn set gymhleth o benderfyniadau sydd â rhywfaint o risgiau ac felly efallai na fydd Llywodraeth Cymru yn dewis cymhwysu'r darpariaethau hyn yng Nghymru. Os felly, byddwn yn parhau i reoleiddio darpariaeth gwasanaethau manwerthu i gwsmeriaid busnes yn wahanol yng Nghymru er mwyn sicrhau bod y cwsmeriaid, cyn belled ag y bo hynny'n bosibl, yn cael unrhyw fudd a ddaw o newidiadau yn Lloegr. Ni fyddwn yn gallu ysgafnhau'r baich rheoleiddio ar gwmnïau o Gymru oherwydd os na fydd ganddynt ddewis bydd y cwsmeriaid hyn yn parhau i fod angen eu diogelu gan y fframwaith rheoleiddio er mwyn ysgogi effeithlonrwydd mewn cwmnïau yng Nghymru.

Er enghraifft, er mwyn sicrhau bod cwmnïau yng Nghymru yn parhau i wella mewn modd sy'n gymharus â chwmnïau Lloegr mae'n debygol y bydd angen i ni gasglu mwy o dystiolaeth gan Dŵr Cymru a Dyffryn Dyfrdwy er mwyn sicrhau y gallem eu cymharu gyda'r cwmnïau sy'n perfformio orau yn y farchnad gystadleuol yn Lloegr. Byddai hon yn gost ychwanegol i'r cwmnïau yng Nghymru a'u cwsmeriaid.

Rydym yn barod i weithio gyda Llywodraeth Cymru ar unrhyw ymchwil ynglŷn â datblygiad posibl marchnadoedd yn y sector dŵr yng Nghymru.

¹⁶ Adolygwyd yr asesiad effaith hwn hefyd gan yr RPC a derbyniodd raddiad 'oren' (bydd yr RPC yn adolygu pob asesiad effaith a ddaw allan o Lywodraeth y DU a bydd yn rhoi graddiad naill ai 'gwyrd', 'oren' neu 'goch' i bob un ohonynt).

Asesu'r cynnydd a wneir gan Lywodraeth Cymru mewn mynd i'r afael â fforddiadwyedd Dŵr

Cadarnhaodd Ddatganiad Polisi ar Ddŵr Llywodraeth Cymru bod:

“Cadw biliau dŵr ar lefelau fforddiadwy yn flaenoriaeth ar gyfer Llywodraeth Cymru. Rydym am i gwsmeriaid gael dewis o opsiynau codi tâl a fydd yn gwella effeithlonrwydd, yn lleihau materion dyled ac yn rhoi budd i'r holl gwsmeriaid tra'n diogelu grwpiau agored i niwed.”

Rydym wedi cefnogi Llywodraeth Cymru wrth iddi lunio'r polisi y mae'n ei ffafrio yn y maes hwn drwy ddarparu canlyniadau ein hymchwil a'n hymchwiliadau i rai o'r dewisiadau ar gyfer mynd i'r afael â fforddiadwyedd dŵr yng Nghymru.

Bwriadwyd i'r gwaith hwn lywio, asesu a rhoi dewisiadau posibl i'w hystyried gan lunwyr polisi, a gwaith Llywodraeth Cymru yw gwneud penderfyniadau ar y polisiâu priodol i'w mabwysiadu. Amlinellodd becyn tri rhan ar gyfer cynorthwyo cwsmeriaid, a fyddai'n disodli tariff 'Assist' (Dŵr Cymru) a WaterSure (Dyffryn Dyfrdwy), ac un a fyddai'n targedu cefnogaeth yn fwyaf effeithiol ar y cwsmeriaid hynny sydd ei angen fwyaf. Roedd y pecyn hwn yn cynnwys:

- ymgyrch mesuryddion wedi ei thargedu ar gyfer preswylwyr unigol ar fudd-daliadau a/neu greydau treth neu osod cap ar filiau yn seiliedig ar asesiad realistig o ddefnydd ar gyfer cartrefi sy'n amharod i gael mesurydd neu sy'n methu cael un;
- blociau o ddŵr am ddim ar gyfer teuluoedd ar fesurydd sydd ar fudd-daliadau neu fil wedi ei asesu am ddisgownt ar gyfer teuluoedd ar fudd-daliadau sydd ddim ar fesurydd; a
- cap ar fil ar gyfer cwsmeriaid gyda chyflyrau meddygol ar fudd-daliadau sy'n ei gwneud hi'n ofynnol iddynt ddefnyddio mwy na'r cyfartaledd o ddŵr.

Mae'r tri llinyn hwn wedi eu cynllunio i'w darparu fel pecyn cefnogaeth i gwsmeriaid ar fudd-daliadau a (neu) greydau treth. Gyda'i gilydd gallent gryfhau'r negeseuon ar gyfer defnydd effeithlon ar ddŵr, darparu cefnogaeth mewn modd sy'n deg ac sy'n mynd i'r afael â risgiau fforddiadwyedd dŵr.

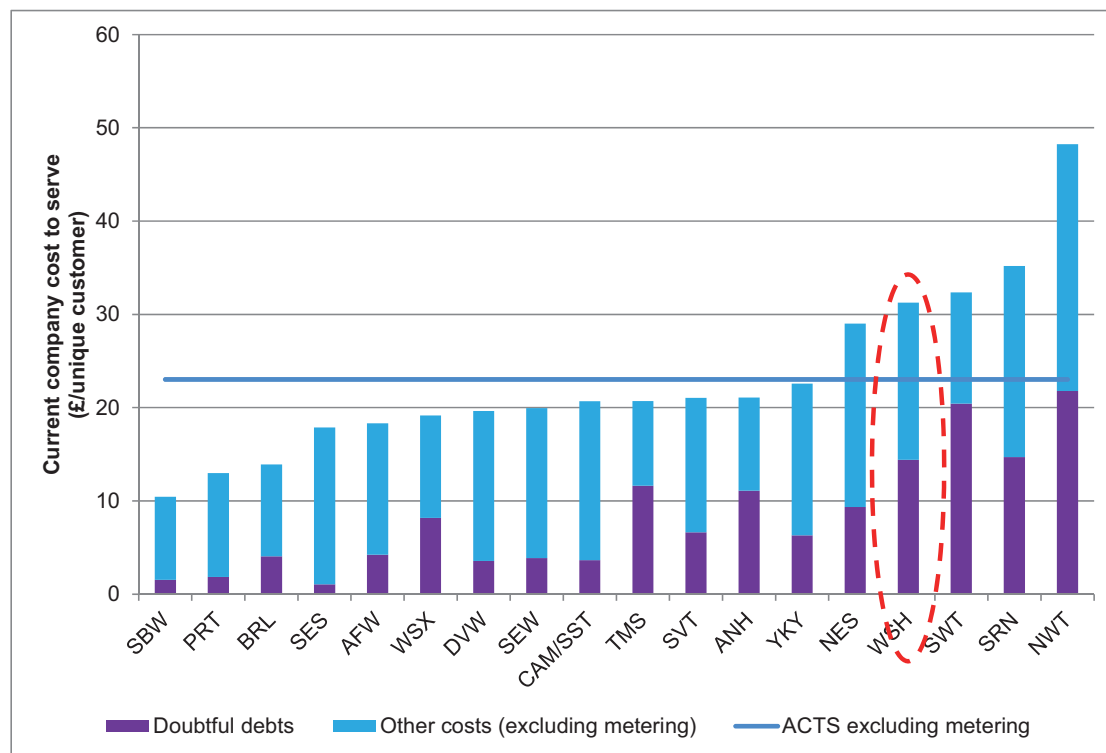
Rydym yn hapus i rannu'r ymchwil a'r pecyn mesurau hwn gyda'r Pwyllgor.

Edrychwch ymlaen at gyhoeddiad Llywodraeth Cymru o'i ganllawiau tariffau cymdeithasol, y disgwyliwn iddynt roi eglurder polisi yn y maes hwn, a byddwn yn parhau i weithio i weithredu'r polisi hwnnw.

Rydym hefyd yn awyddus i sicrhau bod ein fframwaith rheoleiddiol yn helpu i fynd i'r afael â'r her fforddiadwyedd sylweddol yr ydym yn ei hwynebu. Mae lefel y ddyled ddrwg sy'n bodoli ar hyn o bryd yn y sector yn fater fforddiadwyedd allweddol. Bu hon yn broblem gynyddol yn y sector ac rydym yn amcangyfrif bod dyled ddrwg erbyn hyn yn cyfrif am tua £15 ar fil pob cwsmer. Mae gan Dŵr Cymru gostau dyled ddrwg arbennig o uchel o gymharu â chwmnïau eraill yn y sector¹⁷.

Mae'r graff isod yn dangos y gwahaniaethau rhwng lefelau dyled ddrwg cwmnïau a 'costau i wasanaethu' manwerthu cyffredinol ar gyfer pob cwsmer. Mae gan Dŵr Cymru (sydd wedi ei labelu fel 'WSH') gostau manwerthu sydd yn uwch na chyfartaledd y diwydiant a lefelau cymharol uchel o ddyled ddrwg. Yn ein hymgyngoriad diweddar ar y fethodoleg ar gyfer adolygiad prisiau 2014, gwnaethom gynnig cyflwyno rheolaethau pris ar wahân parthed gwasanaethau cyfanwerthu a manwerthu. Rydym yn ystyried y bydd rheolaeth pris manwerthu ar wahân yn rhoi her gryfach i gwmnïau sydd â chostau dyled ddrwg uchel i fynd i'r afael â hwy a thrwy wneud hyn, cynorthwyo i fynd i'r afael â materion fforddiadwyedd.

Ffigur 1 Manwerthu a dyled ddrwg ar draws y sector¹⁸



¹⁷ Rydym yn nodi y gallai fod rhesymau gwahanol am hyn y tu hwnt i effeithlonrwydd ac mae'r cwmni wedi dadlau bod ei lefel o ddyled ddrwg wedi ei dylanwadu, ymhlith ffactorau eraill, gan y sail cwsmeriaid lleol a lefel yr amddifadedd yn ei ardal.

¹⁸ Ffynhonnell: Dadansoddiad Ofwat o ddata cost fwyaf diweddar a gyhoeddwyd gan gwmnïau, wedi eu haddasu i adlewyrchu gwahanol lefelau o dreiddiad o ran mesuryddion.

Gwnaethom ymateb i ymgynghoriad Llywodraeth Cymru ar adolygiad Walker. Gellir gweld ein hymateb ar ein [gwefan](#)¹⁹.

Gwnaethom hefyd ymateb i ymgynghoriad Llywodraeth Cymru ar dariffau cymdeithasol. Gellir gweld hwn hefyd ar ein [gwefan](#)²⁰.

Casgliad

Pe bai Llywodraeth Cymru yn gweithredu darpariaethau'r Mesur drafft sy'n rhoi dewis o gyflenwr i gwsmeriaid dibreswyl, byddai hyn yn annog defnydd mwy cynaliadwy ar ddŵr a thwf economaidd. Gallai manteision cyflwyno cystadleuaeth manwerthu ddod i gyfanswm o £18 miliwn yng Nghymru dros 30 mlynedd. Pe na ddatblygir y cynigion hyn, er mwyn diogelu cwsmeriaid bydd yn rhaid i ni reoleiddio cwmnïau dŵr sy'n gweithredu'n gyfan neu'n rhannol yng Nghymru mewn ffordd wahanol i sut y byddwn yn rheoleiddio yn Lloegr a gallai hyn roi baich a chostau ychwanegol ar gwmnïau yng Nghymru.

Pe bai Llywodraeth Cymru yn derbyn y diwygiadau camau cyntaf yng Nghymru, byddai hyn yn ysgogi dyraniad mwy cynaliadwy o adnoddau prin, a rhagor o arloesedd. Gallai'r budd o'r diwygiadau camau cyntaf ddod i gyfanswm o £87 miliwn dros 30 o flynyddoedd.

Mater i Lywodraeth Cymru yw'r penderfyniad a yw am ddatblygu'r darpariaethau yn y Mesur Dŵr drafft. Rydym ni wedi ymrwymo i barhau i ddiogelu cwsmeriaid yng Nghymru, a sicrhau bod y cwmnïau dŵr yng Nghymru yn gwella eu gwasanaethau iddynt.

Rydym wedi gweithio gyda Llywodraeth Cymru i ddatblygu pecyn i gefnogi ei gwaith mewn mynd i'r afael â fforddiadwyedd dŵr, sy'n cynnwys system mesuryddion wedi ei thargedu, blociau o ddŵr am ddim a chap ar filiau ar gyfer rhai grwpiau cwsmeriaid. Edrychwn ymlaen at gyhoeddiad ei chanllawiau tariff cymdeithasol.

Ofwat
Mawrth 2013

¹⁹ Gweler http://www.ofwat.gov.uk/regulating/charges/res_ofw20110704wgdwalker.pdf

²⁰ Gweler http://www.ofwat.gov.uk/future/customers/metering/affordability/res_ofw201102wagsocial.pdf

Mae cyfyngiadau ar y ddogfen hon

Eitem 4

Y Pwyllgor Amgylchedd a Chynaliadwyedd

Lleoliad: **Ystafell Bwyllgora 4 - Tŷ Hywel**

Dyddiad: **Dydd Iau, 7 Mawrth 2013**

Amser: **09:30 - 15:05**

Gellir gwyllo'r cyfarfod ar Senedd TV yn:

http://www.senedd.tv/archiveplayer.jsf?v=cy_800000_07_03_2013&t=0&l=cy

http://www.senedd.tv/archiveplayer.jsf?v=cy_500000_07_03_2013&t=0&l=cy

Cynulliad
Cenedlaethol
Cymru

National
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Wales



Cofnodion Cryno:

Aelodau'r Cynulliad:

Dafydd Elis-Thomas (Cadeirydd)
Mick Antoniw
Keith Davies
Russell George
Vaughan Gething
Llyr Huws Gruffydd
William Powell
David Rees
Antoinette Sandbach

Tystion:

Prof Kevin Anderson, Canolfan Tyndall
Tony Bosworth, Cyfeillion y Ddaear
Dr John Broderick, Canolfan Tyndall
Gareth Clubb, Cyfeillion y Ddaear Cymru
Dr Shaun Lavis, Clean Coal Limited
Naomi Ludhe-Thompson, Cyfeillion y Ddaear
Professor Peter Matthews, Cyfoeth Naturiol Cymru
Dr Emyr Roberts, Cyfoeth Naturiol Cymru
Gerwyn Williams, UK Onshore Gas Limited

Staff y Pwyllgor:

Alun Davidson (Clerc)
Catherine Hunt (Dirprwy Glerc)
Graham Winter (Ymchwilydd)

TRAWSGRIFIAD

[Trawsgrifiad o'r cyfarfod.](#)

1. Cyflwyniadau, ymddiheuriadau a dirprwyon

Tudalen 22

1.1 Cafwyd ymddiheuriadau gan Julie James. Nid oedd neb yn dirprwyo.

2. Nwy siâl a nweiddio – tystiolaeth gan UK Onshore Gas Limited

2.1 Bu Gerwyn Williams yn ateb cwestiynau gan aelodau'r Pwyllgor a chytunodd i ddarparu gwybodaeth ychwanegol ar gais y Pwyllgor.

3. Nwy siâl a nweiddio – tystiolaeth gan UCG Association a Clean Coal Limited

3.1 Bu Shaun Lavis yn ateb cwestiynau gan aelodau'r Pwyllgor.

4. Cyfoeth Naturiol Cymru

4.1 Bu Peter Matthews ac Emyr Roberts yn ateb cwestiynau gan aelodau'r Pwyllgor a chytunodd y ddau i ddarparu gwybodaeth ychwanegol ar gais y Pwyllgor.

5. Nwy siâl a nweiddio – tystiolaeth gan Ganolfan Tyndall

5.1 Penderfynodd y Pwyllgor dorri Rheol Sefydlog 17.45 gan fod problemau technegol gyda'r cyfieithu yn golygu na fyddai modd cynnal y sesiwn dros gynhadledd fideo yn Gymraeg.

5.2 Bu'r tystion yn ateb cwestiynau gan aelodau'r Pwyllgor.

6. Nwy siâl a nweiddio – tystiolaeth gan Cyfeillion y Ddaear

6.1 Bu'r tystion yn ateb cwestiynau gan aelodau'r Pwyllgor a chytunwyd y byddent yn darparu gwybodaeth ychwanegol ar gais y Pwyllgor.

7. Papurau i'w nodi

7.1 Nododd y Pwyllgor gofnodion y cyfarfod a gynhaliwyd ar 21 Chwefror.

Y Pwyllgor Amgylchedd a Chynaliadwyedd

Lleoliad: **Ystafell Bwyllgora 3 – y Senedd**

Dyddiad: **Dydd Mercher, 13 Mawrth 2013**

Amser: **09:30 – 12:06**

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Gellir gwyllo'r cyfarfod ar Senedd TV yn:

http://www.senedd.tv/archiveplayer.jsf?v=cy_400000_13_03_2013&t=0&l=cy

Cofnodion Cryno:

Aelodau'r Cynulliad:

Dafydd Elis-Thomas (Cadeirydd)
Mick Antoniw
Keith Davies
Russell George
Vaughan Gething
Llyr Huws Gruffydd
William Powell
David Rees
Antoinette Sandbach

Tystion:

Christianne Glossop, Y Prif Swyddog Milfeddygol
Adrian Green, Llywodraeth Cymru
Huw Jones, Llywodraeth Cymru
Yr Athro Martin Cave

Staff y Pwyllgor:

Alun Davidson (Clerc)
Catherine Hunt (Dirprwy Glerc)
Lisa Salkeld (Cynghorydd Cyfreithiol)
Graham Winter (Ymchwilydd)
Nia Seaton (Ymchwilydd)
Elfyn Henderson (Ymchwilydd)
Caitlin Pearson (Ymchwilydd)

TRAWSGRIFIAD

[Trawsgrifiad o'r cyfarfod.](#)

1. Cyflwyniad, ymddiheuriadau a dirprwyon

1.1 Cafwyd ymddiheuriadau gan Julie James.

2. Cynnig o dan Reol Sefydlog 17.42(vi) i benderfynu gwahardd y cyhoedd o'r cyfarfod ar gyfer eitem 3

2.1 Cytunodd y Pwyllgor i gynnal eitem 3 mewn sesiwn breifat.

3. Bil Rheoli Cŵn (Cymru) – Sesiwn friffio technegol gan swyddogion Llywodraeth Cymru

3.1 Cafodd y Pwyllgor sesiwn friffio ar y Bil Rheoli Cŵn (Cymru) arfaethedig gan y Prif Swyddog Milfeddygol a swyddogion o Lywodraeth Cymru.

4. Polisi dŵr yng Nghymru – gwybodaeth gefndirol

4.1 Trafododd y Pwyllgor y gystadleuaeth o fewn y diwydiant dŵr gyda'r Athro Martin Cave.

5. Papurau i'w nodi

5.1 Nododd y Pwyllgor gofnodion y cyfarfod a gynhaliwyd ar 27 Chwefror 2013.

Environment and Sustainability Committee

Meeting Venue: **Committee Room 3 – Senedd**

Meeting date: **Thursday, 21 March 2013**

Meeting time: **09:30 – 12:25**

This meeting can be viewed on Senedd TV at:

http://www.senedd.tv/archiveplayer.jsf?v=en_400000_21_03_2013&t=0&l=en

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Concise Minutes:

Assembly Members:

**Mick Antoniw
Keith Davies
Russell George
Vaughan Gething
Llyr Huws Gruffydd
William Powell (Chair)
David Rees**

Witnesses:

**Nigel Annett, Managing Director, Dŵr Cymru
Mike Davis, Dŵr Cymru
Andrew Fairburn, Severn Trent Water
Diane McCrea, Consumer Council for Water
Tony Smith, Consumer Council for Water**

Committee Staff:

**Alun Davidson (Clerk)
Catherine Hunt (Clerk)
Mike Lewis (Deputy Clerk)**

TRANSCRIPT

View the [meeting transcript](#).

1. Motion under Standing Order 17.22 to elect temporary Chair

1.1 William Powell was elected as temporary Chair.

2. Introductions, apologies and substitutions

1.1 Apologies were received from Dafydd Elis-Thomas, Julie James and Antoinette Sandbach.

3. Water policy in Wales – Evidence from Dŵr Cymru

3.1 The witnesses responded to questions from members of the Committee and agreed to provide additional information as requested.

4. Water policy in Wales – Evidence from Severn Trent Water

4.1 Andrew Fairburn responded to questions from members of the Committee.

5. Water policy in Wales – Evidence from Consumer Council for Water

5.1 The witnesses responded to questions from members of the Committee.

6. Motion under Standing Order 17.42(vi) to exclude the public from the meeting for item 6

6.1 The Committee agreed the Motion.

7. Forward work programme

7.1 The Committee discussed the forward work programme.

Eitem 5

Alun Davies AC / AM
Y Gweinidog Adnoddau Naturiol a Bwyd
Minister for Natural Resources and Food



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref SF-JG-0399-13

Lord Dafydd Elis-Thomas AM
Chair
Environment and Sustainability
Committee

27 March 2013

Alun Davies

SCRUTINY SESSION OF 21 FEBRUARY 2013

I write in response to your letter of 4 March to the then Minister for Environment and Sustainable Development, which requested further information following his appearance before your Committee on 21 February.

As you know, earlier this month I was delighted to accept the post of Minister for Natural Resources and Food and I am pleased to attach, as an annex, responses to each of the questions raised in your letter.

I have written to you separately concerning your request for further information following my appearance before the Committee as then Deputy Minister for Agriculture, Food, Fisheries and European Programmes on the same day.

I look forward to working closely with your Committee.

Alun Davies

Alun Davies AC / AM
Y Gweinidog Adnoddau Naturiol a Bwyd
Minister for Natural Resources and Food

Natural Resources Wales (NRW)

We would appreciate a summary of the differences between the original Business Case figures and the updated business case costings that are to be agreed with the Natural Resources Wales executive on 1 April 2013. In doing so, can you please set out the following:

- Costs, benefits and net benefits;
- The impact of the pensions decision in terms of costs, benefits and net benefits; and
- The impact of the re-profiling of IT spend decision in terms of costs, benefits and net benefits.

Minister for Natural Resources and Food:

- The new information does not compromise the conclusions of the business case. Benefit after cost remains very positive, and the choice of options is unaffected. However, my officials and NRW staff are working to update the baseline that NRW will work to, taking account of the most up to date information. This work is unlikely to conclude before 1 April, largely because the staff concerned are focussed on ensuring successful delivery of NRW operations on vesting day. I understand that my predecessor has discussed this matter with you and I shall be happy to provide a finalised set of figures and supporting narrative to you and your Committee at the earliest opportunity after that date.

During the session, you told us that that NRW will need to exit support from the UK Environment Agency (EA) and Forestry Commission (FC) earlier than anticipated in the business case. We would appreciate more information on:

- The reasons for this change;
- Whether there is a link between this and the decision to re-profile IT investment;
- Details of any other impact this has on the business case figures; and
- An updated timeline for exiting support from the UK bodies.

Minister for Natural Resources and Food:

- Firstly, as a point of clarification, the earlier exit from IT support refers to the EA, rather than FC. Exit from FC systems will progress over a similar time period to that originally envisaged.
- The business case assumed that access to EA systems would be available for a period of between 3 and 5 years, depending upon the speed of business transformation in the NRW. However Defra's triennial review of service provision in England has identified the amalgamation of EA and Natural England as a possibility (and the review team has already held a meeting with members of the NRW programme team). In this situation continued widespread service provision to Wales would be a complicating factor for the EA.

- Under the circumstances, EA has indicated that it is only willing to provide transitional service support for two years via an ICT gateway to NRW systems. (It has also agreed to continue to provide IT support where it is providing long term services).
- Meeting this shorter timescale will require an accelerated development process as compared with the original assumption. We have therefore re-profiled ICT spend assumptions accordingly.

Action points

You agreed to provide us with:

The latest figures for the pension costs of the single environment body, and in particular the EA scheme's deficit;

Minister for Natural Resources and Food:

- Provision of the live pension scheme for NRW (Principal Civil Service Pension Scheme) is cost neutral for the organisation. There is currently a deficit within the closed section of the Environment Agency Pension Fund (EAPF). This deficit varies from day to day as a result of changing market conditions, and also varies according to the actuarial assumptions used.
- The latest figure shows that the pension fund can currently meet 84% of its liabilities. This deficit will require NRW to increase the level of employer contribution made to EAPF to 33% of payroll costs for ex-EA staff (from the 16.5% EA Wales currently pays). The cash equivalent figure is an additional £4.6m pa from 2014 to 2017. The contribution level after 2017 will be set by the detailed triennial valuation that will be carried out in 2016. As mentioned above, changing market conditions will inevitably lead to further changes to this figure, over the time period, which may be positive and negative.

When the breakeven point included in the business case for the single environment body is now expected to be reached;

Minister for Natural Resources and Food:

- A number of changes to both costs and benefits, both positive and negative, have arisen in the period between the business case completion and the delivery of NRW. As I mentioned above, NRW staff and programme team members are busy updating the business case assumptions including an updated NPV profile, which will provide the break even point. I will write to you after 1 April to clarify this point.

The amount of funding provided by the UK Environment Agency for the laboratory in Llanelli.

Minister for Natural Resources and Food:

- The EA has spent approximately £480,000 in this financial year in preparing the Llanelli laboratory to meet NRW's future needs.

Bovine tuberculosis

Can you please provide us with further information on why this £3.5 million is not required for bovine tuberculosis policy and why it has been transferred to fund Natural Resources Wales restructuring?

Minister for Natural Resources and Food:

- As the then Minister mentioned during the Committee, the majority of the £3.5m budget which was transferred during the supplementary budget motion relates to additional funding available from the European Commission (EC) towards TB testing and TB Compensation. This claim for additional funding is subject each year to approval by the EC of a UK Bovine TB Eradication Plan and is paid out retrospectively. The anticipated income for 2012-13 is £3m. This £3m income along with £0.5m from the £10m Eradication budget was unable to be committed during 2012/13, and so approval was given for funding to be re-allocated to support the NRW ICT Restructuring costs. This is due to NRW's access to the existing legacy systems ceasing after year 2 of vesting date, and as such the delivery of the NRW systems and networks has had to be accelerated, bringing forward increased capital and revenue spend into the programme budget and the first year of NRW's operation.

We further note that you agreed to look at how the budgets supporting bovine tuberculosis policy are presented and we look forward to seeing clearer budgetary arrangements in place when we come to scrutinise the draft budget for 2014-15 in the autumn.

- Agreed.

Natural Resource Management Programme

Can you please provide us with an update on when we can expect further information on natural resource management and a definition of the ecosystems approach?

Minister for Natural Resources and Food:

- The Programme is working towards the publication of the White Paper and the Environment Bill later this year. This will be our opportunity to explain the ecosystem approach.
- Nonetheless, there is a recognised international definition of the ecosystem approach - the Convention on Biological Diversity (CBD) defines the ecosystem approach as '*a strategy for the integrated management of land, water and living resources that promotes nature conservation and sustainable use in an equitable way recognising that humans with their cultural diversity are an integral part of ecosystems*'.
- An ecosystem approach is therefore about ensuring our decisions are based on an appropriate understanding of ecosystems and the services that they provide.
- This links with the purpose of Natural Resources Wales, as set out in its Establishment Order, to '*ensure that the environment and natural resources of Wales are sustainably maintained, sustainably enhanced and sustainably used*'.

- Embedding the ecosystem approach which offers a framework for natural resource management and decision making processes, including the potential for more integrated approaches to environmental management regimes such as Strategic Environmental Assessment (SEA) and Environmental Impact Assessment (EIA) is an key component of the Natural Resource Management Programme.

The legislative programme

Can you please provide us with:

An updated timeline for the four Bills within your legislative programme, including timelines for consultation and expected dates for introduction;

Minister for Natural Resources and Food:

- As you will be aware, the Minister for Communities and Tackling Poverty will now oversee the introduction of the Sustainable Development (SD) Bill and the Minister for Housing and Regeneration will oversee the introduction of the Planning Bill and Planning Consolidation Bill.
- However, I can advise the following:

SD Bill

The White Paper "A Sustainable Wales Better Choices for a Better Future" was published on 3rd December and the consultation closed on 4 March 2013.

We anticipate that the SD Bill will be introduced in the autumn term.

Planning Bill

A comprehensive evidence base has been assembled to inform the Planning White Paper and underpin the Planning Reform Bill. The White Paper and draft Bill will be published before the end of 2013.

Environment Bill

As noted above, the Environment Bill White Paper will be issued for consultation later this year.

Control of Dogs (Wales) Bill

We published the draft Control of Dogs (Wales) Bill for consultation on the 23 November 2012; the consultation closed on the 1 March 2013 and we are currently considering the responses.

Confirmation of the Bills for which we can expect draft Bills to be published;

- As noted above, the draft Control of Dogs (Wales) Bill was issued for consultation last year. We also propose to issue a draft Planning Reform Bill alongside the Planning White Paper.
- We have published / will be publishing White Papers for the remaining Bills. We welcome the Committee's input into the consultations on our proposals set out in the White Papers.

Details of any plans you may have to divide any of the Bills into consolidation and additional powers Bills.

- We have previously announced our intention to split the proposed Planning Bill into two Bills. The first Bill, the Planning Reform Bill, will be published later this year. It will include new and amending legislation to improve the operation of the planning system. A second consolidating Bill will be introduced later. It will consolidate and re state existing planning legislation, including the Planning Reform Bill to create a single Welsh Planning Act.

Environment Bill

In addition to the confirmation of the timeline and details of the consultation process you have planned for this Bill (as requested above), can you please provide us with a list of policy areas that we can expect to be covered by this Bill?

Minister for Natural Resources and Food:

- In developing the options for the Environment Bill we are considering a range of provisions as part of the scoping work, including proposals for any legislative changes that might be required to support integrated natural resource management and other aspirations set out in the Sustaining a Living Wales Green Paper.
- As the detailed content of the Environment Bill is currently being considered, it is too early to provide a list of the policy areas that will be covered. We envisage however that the Bill will focus on providing for more integrated management of the natural environment in Wales and removing barriers in the current regulatory system that prevent such an approach. This in turn will deliver better long-term environmental benefit, whilst also delivering wider economic and social benefits in a more integrated way.

Control of dogs Bill

We will be receiving a factual briefing from your officials in relation to this Bill on 13 March. In addition to confirmation of the timeline for this Bill, I would be grateful for further information in relation to:

- **How it will interact with the planned breeding and micro chipping regulations; and**
- **The timeline for the introduction of the above regulations**

Minister for Natural Resources and Food:

- The three pieces of dog welfare legislation (Dog Breeding, Compulsory Microchipping and the Control of Dogs Bill) are part of a range of initiatives to promote responsible dog ownership and are set out in the Road Map on Dog Welfare which accompanied the consultation document on the draft Control of Dogs (Wales) Bill
- The Animal Welfare (Breeding of Dogs) (Wales) Regulations are currently in the legal translation process and will be laid in the Assembly in June this year. The Regulations will require licensed dog breeders to meet the high standards set out in the Animal Welfare Act, place a maximum staff: dog ratio in breeding kennels and require all puppies to be microchipped and registered to the breeder before sale.
- To further encourage responsible ownership legislation to require the compulsory microchipping for all dogs in Wales will be introduced. The consultation indicated strong support for compulsory microchipping and officials are considering the details. I welcome

the recent announcement by Defra that England would be introducing compulsory microchipping for all dogs by April 2016 and because of similarity of legislation will ensure that similar rules are in place although it is expected that we would have an earlier commencement simply because of the smaller number of animals to be microchipped.

Environmental Impact Assessment Directive

In light of the European Commission's proposals to review this Directive, we would welcome your views on these proposals.

Minister for Natural Resources and Food:

- I welcome the Commission's stated intention to reduce burdens on developers and competent authorities by reducing the number of projects that should be subject to EIA. However, the proposal as drafted will not achieve that objective. Many of the proposals will add significant time and cost burdens to developers and competent authorities. They also cover matters that go against the principle of subsidiarity and should be left to Member States to decide.
- I agree with the UK Government's stance of avoiding increased burdens on businesses. This fully reflects the Welsh Government's position on creating jobs and enabling growth in these tough times. So we will be probing the Commission about any additional burdens created by their proposal.
- Whilst challenging the Commission's view of the burdens created by their proposal, we do not want to lose sight of the opportunity to improve the application of the Directive, as the principles behind the changes support the Welsh Government's approach to sustainable development and natural resources management.
- We have asked the Secretary of State for Communities and Local Government to ensure Welsh Government officials remain an active part of the negotiation process.
- Officials will consult with key stakeholders from each sector on the Commission's proposal, which will inform future Welsh Government representations on any amended text that is put forward during the negotiation.

Operations of Forestry Commission Wales

You will be aware that the Auditor General for Wales published his follow-up report on the operations of Forestry Commission Wales in January. Can you please provide us with your response to the recommendations made by the Auditor General for Wales?

Minister for Natural Resources and Food:

- The report has been considered by Forestry Commission Wales's (FCW) Audit and Risk Committee (ARC) and NRW's Audit and Risk Assurance Committee (ARAC). An action plan has been developed to address the recommendations made in the report and to chart progress against them.

- Wherever possible, FCW are working to discharge as many of the recommendations as possible by 31 March, 2013. Where recommendations will require work that extends beyond this date, they will be the responsibility of NRW.

Water policy

You will be aware that we are currently undertaking an inquiry into water policy in Wales, with a focus on issues of competition and affordability. Can you please provide:

- Your current views on the introduction of competition into the non-household market in Wales (as outlined in the UK Draft Water Bill) and, should competition be introduced in England and not in Wales, what you will do to ensure that Welsh customers are not disadvantaged;

Minister for Natural Resources and Food:

- To date, we have not seen evidence to support the introduction of a competitive market for the water sector in Wales. Our position has not changed at this time, in that we remain to be convinced that the market reform proposals being taken forward in the Bill will deliver the best results for business customers in Wales.
- It is our view that the existing impact assessments which accompany the draft Bill do not provide enough evidence to support the case for non-household water customers in Wales switching their water and suppliers.
- In the draft Water Bill, we have included an order making power for Welsh Ministers to take forward proposals in the future for non-household water customers in Wales to switch their water and sewerage suppliers. We would only use these powers in the future if there was a justifiable case to do so, which delivered results for business customers.
- We are dedicated to developing policy options to ensure that water companies in Wales provide all customers with value for money and a sustainable and effective service. We will be consulting on our policy proposals in our forthcoming Water Strategy for Wales, which I intend to publish later this year.
- This is not about us not wanting to give business customers a choice. We are currently developing work for our Strategy which will look at options for delivering the best, value for money services for domestic and business customers in Wales. We intend to explore a number of ways to deliver efficiency gains, the introduction of elements of competition being just one of the potential options.
 - A timescale for consulting on the proposed Water Strategy and explain the reasons for the delay to this consultation, as the *Programme for Government* states that you would be publishing a Water Strategy for Wales for consultation in Autumn of 2012.

Minister for Natural Resources and Food:

- There is currently a significant amount of work underway to inform the policy development for the Water Strategy for Wales. This work is including engagement with stakeholders, both on an individual level and through a series of events and a review of literature and evidence available in relation to specific policy areas.

- This is a time of significant change for the water sector with the creation of Natural Resources Wales, a focus on Natural Resource Planning, the draft UK Government Water Bill and a change to a more outcomes based approach to investment for the next price review. Engaging with a range of stakeholders at this early stage is essential to ensure that any proposals are achievable and will deliver real benefits for the citizens of Wales.
- It is essential that the Water Strategy for Wales maintains a real Welsh identity and is in-keeping with our culture and values. We will be setting the context of the Strategy in the context of wider Welsh Government commitments, including the Programme for Government, the Natural Resource Management Programme, the Tackling Poverty agenda and the Sustainable Development White Paper.
- Our overall aim is to streamline and simplify the way we work and ensure we have legislation, regulation and planning processes that are effective and fit for purpose to manage our natural resources in Wales. We want a future where we are able to work more in a more integrated, holistic way to ensure that we deliver the best results for the citizens of Wales and that the work of Natural Resources Wales is able to contribute effectively to delivering environmental, economic and social benefits.

Waste policy

I would be grateful if you could please provide:

- **Details of when you are planning to publish or open consultation on the remaining waste sector plans (i.e. Industrial & Commercial; Public Sector; Agriculture; Draft Food Manufacture, Service and Retail; and the Municipal Sector Part 2);**

Minister for Natural Resources and Food:

- Since the publication of Towards Zero Waste, the overarching waste strategy document for Wales, in June 2010, a series of Sector Plans is being developed. The sector plans set out detailed actions to deliver the outcomes and targets laid out in Towards Zero Waste.
- The timeline for consultation and publication of the sector plans is as follows:
 - Following consultation, the Municipal Sector Plan - Part I was published on 10 March 2011 (the proposed Part II is being subsumed into the Waste Prevention Plan)
 - The draft Collections Infrastructure and Markets (CIM) Sector Plan consultation was launched on 10 March 2011 and the final plan was published on the 10th of July 2012
 - The draft Food Manufacture, Service and Retail Sector Plan was launched for consultation on 22 March 2011. The final plan is due to be published Spring 2013
 - The consultation draft of the Construction and Demolition Sector Plan was launched on 8 November 2011 and the final plan was published in November 2012
 - The consultation draft of the Industrial and Commercial Sector plan is scheduled for publication Spring 2013

- The consultation draft of the Waste Prevention Programme is scheduled for publication in Spring 2013
- The Consultation of the Public Sector Plan is scheduled for Summer 2013
- The Agriculture Sector Plan position paper shall be published in late 2013
- A delivery programme is being developed for the implementation of the actions set out in the plans. This programme will be completed during the course of 2014 after the final sector plans are completed
 - **An update on progress with the development of a Waste Prevention Plan for Wales (as required by the Revised Waste Framework Directive 2008/98/EC); and**

Minister for Natural Resources and Food:

- The draft waste prevention programme is scheduled to be launched later this month. It will cover the prevention of Household, Commercial, Industrial, Construction and Demolition waste streams. A key objective is to produce a document which fulfils the requirement of Article 29 of the revised Waste Framework Directive with regard to the production of Waste Prevention Programmes.
- The Waste Prevention Plan will set out a programme of work to meet the waste prevention targets (including the priority materials for waste prevention) described in Towards Zero Waste and set out the business case for doing so. The programme will take full account of the principle that Sustainable Development is the central organising principle of the Welsh Government, will seek to promote jobs and growth in a more resource and materials efficient economy, and will take account of the opportunity to align approaches with those being taken forward as part of the development of the Sustainable Development Bill.
- The final Waste Prevention Programme is scheduled for publication in December 2013.
 - **Information on any steps you will take to support emerging waste treatment technologies that may have the potential to provide a viable alternative to incineration.**

Minister for Natural Resources and Food:

- We keep alternative waste treatment technologies under continual review. The Regional Waste Plans assessed the known existing and emerging technologies, and we carried out a further detailed assessment of options in preparing the 2010 Wales Waste Strategy Towards Zero Waste.
- Local authorities are responsible for making decisions on the technologies that deal with their non-recyclable municipal waste. Each technology is evaluated on its merits when tenders are received by local authorities. The procurement exercises are technology neutral. We will remain technology neutral in our support for future procurements for the treatment of residual municipal waste

- For wastes that cannot be recycled the most sustainable alternative to landfill is energy recovery. This is fully in accordance with the waste hierarchy that puts energy from waste above landfill.
- Evidence gathered by the Welsh Government indicates that the treatment method most likely to deliver best the sustainable development outcomes identified in One Wales, One Planet and in Towards Zero Waste for residual waste is the “Use as a fuel of the residual municipal waste left after recycling in energy recovery plants with high energy efficiency”.
- It is for operating companies to bring forward new technologies and new processes are frequently brought to Government for consideration. There are several types of energy recovery, including incineration. Possible “alternatives” such as gasification and pyrolysis are under development. However, the latter two are usually regarded as “emerging” technologies because they are not in common use in Europe, are still subject to technological proving on a commercial scale, and indeed have failed in places – for example in Germany.

Climate Change

I would be grateful if you could please provide an update on progress made in developing indicators on the ‘wider contribution of others’ in order to measure their contribution to your carbon emission reduction targets.

Minister for Natural Resources and Food:

- We recognise that the desired level of emission reductions cannot be delivered by Government policies alone and there will need to be contributions from other stakeholders and the wider community in Wales.
- We are currently working to identify an appropriate set of indicators to represent the emission reductions being delivered outside of government policy drivers and within the wider public sector. We will provide an update on this in the Climate Change Strategy Annual Progress Report 2013.

Local Development Plans

You agreed to look at the recording of Local Development Plan hearing proceedings. Please provide us with details of how you intend to take this forward.

Minister for Natural Resources and Food:

- This is a matter for Planning Inspectorate Wales, who have provided the following response:
 - Transcription services are currently not provided at planning appeals or development plan/ community infrastructure levy examinations. In recent years the only occasions where this occurred was in respect of the Terminal 5 inquiry at Heathrow and the Dibden Bay inquiries. These were inquiries of national importance and can therefore be considered as exceptional in this regard.

- In the experience of the Planning Inspectorate, both in England and Wales, the transcription of inquiries, hearings and examinations is not necessary and would be a disproportionate cost. It should be noted that the Inspectorate conducts some 20,000 appeals each year, of which 12% are in the form of hearings and 2% public inquiries. In addition, about 80 development plan examinations take place. There is no evidence to indicate that the lack of a transcription service has created difficulties for Inspectors or other participants, or led to any successful challenges to decisions. Inspectors' notes are retained for a period after any event and can be requested under Freedom of Information. Likewise, should a High Court challenge depend upon what was said at an event, Treasury Solicitors may require affidavits from participants.
- LDP examinations deal with the main issues relating to the soundness of the submitted Plan and do not, therefore, report on every representation made in relation to the submitted proposals. Moreover, the aim is to create an inclusive environment, where all participants present feel able to take part. It might be suggested that the formal 'taking of evidence' could inhibit an open useful discussion. Examination documents relied upon by participants are published on the examination website, as are any Matters Arising Changes to the Plan that have come about from discussions at the hearing sessions. Any notes taken by the Inspector, or indeed a planning officer assisting with proceedings, would be written within the context of those published documents and need not record each and every word spoken at the event.
- Managing an inquiry or hearing and keeping a note of material points is by no means an easy task and draws upon the skills of the appointed Inspector. However, that is the role of the Inspector and is one of the reasons that entry requirements, training and monitoring of Inspectors is so high and vigorously enforced. We are not aware of any situations where a transcription of events would have been in the public interest, improved the decision making process or justified given the cost of providing such a service.

Eitem 6

Environment and Sustainability Committee

Inquiry into Water Policy in Wales

BAE Systems – Global Combat Systems Munitions, Usk

Interview: 28th March, 2013

Present:

Rhys Morgan, NAFW Outreach Officer (RM)

Celyn Menai Cooper, NAFW Outreach Officer (CC)

Participants:

Engineering Services and Utilities Department

Lee A. Wyatt, Engineering Facilities Manager (LW)

Mark Bull, Works Mechanical Manager (MB)

Outline of Organisation

LW: BAE Systems is a manufacturing site for various medium to large calibre ammunitions. The Engineering Services and Utilities Department deals with all facilities on the site. This includes water, steam, electric, gas and all maintenance and engineering infrastructure. The site has its own sewerage system.

General Water Usage

LW: Having pointed a number of leaks in the piping system, with the support of Aqua Logic (which is part of Dwr Cymru) we were able to go from a 20 cubic meter usage to 1 cubic meter. Dwr Cymru would expect an organisation and site of this size to be have a static loss (through leakage) of around 4–5 cubic meters per hour, so we are doing very well with this mind.

Questions:

Are you aware of the proposed law change to allow non-household customers in England to switch water and sewage providers?

LW/MB: We were not aware until this interview had been arranged.

Do you believe in principle that organisations and businesses in the public and private sector should be allowed to switch supplier?

LW: A fair, competitive advantage should be allowed. We as a company don't necessarily have any competitors in the UK, but our margins would be affected by any change.

Do you think there would be any benefits to switching suppliers? What would they be?

LW/MB (in agreement):

- Create a competitive market;
- Drive of costs.

Do you think there could be any negative consequences of switching suppliers?

LW: Disadvantages will be dependent on suppliers and their monopolies: how independent new companies are.

In principle would you consider switching water supplier?

MB: If the same level of service was provided, we would be happy switching water supplies.

Supplementary Question: Would you consider switching your gas supplier for example?

MB: No. We have a central purchasing order, which sets a 5 year forecast and best prices based on that.

Supplementary Question: Would you be willing to do the same for water?

LW: If it maximised buying power and followed the same format, then yes.

MB: We're currently paying £1.30 per cubic metre.

LW: Financial gain would be the main incentive for us to switch. Reluctance would emanate from the reputation of new suppliers, as if they shut our water off, we would have to shut this site down. A 10% saving or more would definitely make us think about changing, but it would be high risk when considering the new suppliers reliability. We have 650 employees, 250 of which are manufacturing staff.

Do you believe that allowing organisations to switch water suppliers will improve the deal that they receive?

MB: Organisations should have an improved deal, if new suppliers are established correctly.

What impact will allowing your organisation/business to switch water suppliers have?

LW: This will depend on why we would switch in the first place. Whether it is for financial gain or job security, or modernise our facilities. While we do not have any competitors in the UK, there would still be a risk of the site shutting down and moving manufacturing to England if the financial benefit in savings is so much more significant.

Supplementary Question: What kind of effect would this have? If these changes go ahead in England and not in Wales, what impact do you think this could have?

LW: BAE Systems munitions certainly have a unique manufacturing monopoly. If others are benefiting financially in England and not in Wales, the Welsh Government would be looked at again, as failing to be at the forefront of change.

MB: I agree. The effect changes would have on us centrally would be to move the site to England. The site is so vast (over 1000 acres) it would be easy to shift to ensure cheaper manufacturing. Of course, this is very doubtful but the risk is still there regardless.

Are there any measures that would encourage your business/organisation to conserve water usage?

MB: BAE Systems is very much involved in sustainability. We report to the Environment Agency, with our BSA Audit, which is the climate change rebate scheme target which we meet every year.

Key Message

LW: This policy change could definitely lower out costs, however, this can only be done through regulated suppliers and through regulated competition.