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February 2025

Dear Water Company CEO

PR24 Biodiversity Commitment: Advice to Water Companies on Areas of Strategic Significance

Purpose of this advice

This advice is provided by Natural Resources Wales (NRW) to Water Companies to help them select Areas of Strategic Significance in Wales as part of Ofwat's [Performance commitment definition - Biodiversity](#) (hereinafter referred to as the PC Definition).

The PC Definition requires that all water companies in Wales make use of ['The Statutory Biodiversity Metric User Guide'](#), dated July 2024 and the Statutory Biodiversity Metric Calculation Tool (hereinafter referred to as the Metric). The Metric allows for biodiversity to be better accounted for in decision-making, measuring change by calculating and comparing biodiversity units between a baseline and subsequent re-assessments. Units are calculated using a formula that multiplies a habitats area by its quality. Among other things, quality is influenced by a habitat's location and specifically whether it is located within an Area of Strategic Significance.

Ofwat's PC Definition requires that Areas of Strategic Significance used for the purposes of the biodiversity PC in Wales must be defined and agreed in advance with NRW. NRW's advice about other aspects of the Metric, also required by Ofwat for this PC, including condition, distinctiveness and translation of Phase 1 habitat to UKHabs are set out separately.

The remainder of this letter contains NRW's advice to Water Companies operating in Wales about how they should define their Areas of Strategic Significance and agree these with NRW.

The aim of Areas of Strategic Significance

There is an expectation that Areas of Strategic Significance will play a strengthened role in Wales. They should guide both the scale and location of the actions that Water Companies will undertake as part of PR24 (and subsequent Price Reviews unless guidance to contrary is issued by NRW) and drive greater collaboration with third parties. Nomination of areas outside of Areas of Strategic Significance will require significant justification and support from NRW.

Areas of Strategic Significance should allow Water Companies to build the resilience of protected sites, taking action to improve their diversity, condition, extent and connectivity where needed. In so doing they should:

- a) build the resilience of ecological networks, as set out in Natural Resources Policy¹, of which these protected sites are a core component;
- b) help Wales to deliver its commitments under the Convention on Biological Diversity's Kunming-Montreal Global Biodiversity Framework²;
- c) allow Water Companies to demonstrate their duty under Section 6 of the Environment (Wales) Act³.

At the same time Areas of Strategic Significance could be used to further focus Water Company activities to areas where positive management would also help them to manage risks associated with their own nature-related dependencies and impacts. By doing so Water Companies may be better placed to take advantage of future responsible private sector green investment opportunities.

Defining Areas of Strategic Significance

Areas of Strategic Significance should be defined through spatial delineation using a GIS based approach, and through the setting of appropriate objectives. Areas should be defined using best available evidence. They should also seek to integrate their activities with other stakeholder's activity where possible. It is not envisaged that Water Companies will need to acquire new data in order to undertake this task.

Water Companies should consider the following ecological datasets when scoping the extent of their Areas of Strategic Significance:

- Sites of Special Scientific Interest (SSSI), Special Areas of Conservation (SACs), Special Protection Areas (SPAs), Ramsar Sites and Marine Conservation Zones⁴
- NRW's Level II Habitat Networks GIS data layers (sometimes referred to as Priority Ecological Networks)⁷

Areas of Strategic Significance should be refined by considering where the areas identified above coincide with areas upon which the company has identified a nature-related dependency or impact. Water companies must consider not just the direct relationship to their sites but also the dependencies of their operations and services on these areas. For example drinking water catchments. Companies are signposted to methodologies such as those set out in the Nature-Related Risk & Opportunity Management and Disclosure Framework⁵ or Natural Capital Protocol⁶, in order to identify these areas.

Water Companies should further refine their Areas of Strategic Significance and define their associated objectives using a Diversity, Condition, Extent, Connectivity and other Aspects of ecosystem resilience (DECCA⁷) based framework. Datasets that should be

¹ Welsh Government, [Natural Resources Policy](#), 2017

² Convention on Biological Diversity, [Kunming-Montreal Global Biodiversity Framework](#), 2022

³ [The Environment \(Wales\) Act](#), 2016

⁴ Available for download via [DataMap Wales](#)

⁵ Taskforce on Nature-related Financial Disclosures, [Nature-Related Risk & Opportunity Management and Disclosure Framework](#), 2022

⁶ Natural Capital Coalition, [Natural Capital Protocol](#)

⁷ Natural Resources Wales, [Ecosystem Resilience in a Nutshell: What is Ecosystem Resilience](#) 2020

considered for this purpose are listed in Annex A. Adopting this approach should aid Water Companies with the separate annual Ofwat reporting requirement to prepare a Net Benefits for Biodiversity Report as describe in the PC Definition.

When refining their Areas of Strategic Significance and defining their associated objectives Water Companies should also consider wider nature recovery-related strategies, plans and projects and how activity could help deliver or achieve synergies with these. A non-exhaustive list of these strategies, plans and projects for consideration is given at Annex B. In addition, when setting objectives Water Companies should consider any relevant constraints such as those relating to landscape character and protected species.

Agreeing Areas of Strategic Significance with NRW

In accordance with the PC Definition Areas of Strategic Significance must be agreed in advance with NRW. In order to agree Areas of Strategic Significance companies will need to submit a report to NRW detailing:

- i. the methodology applied;
- ii. evidence of how the methodology complies with the advice contained in this letter;
- iii. PDF maps, at a suitable scale, clearly delineating the boundaries of the Areas of Strategic Significance they will use to nominate their areas for inclusion in Ofwat's Biodiversity PC together with associated ARCMAP compatible shapefile/s;
- iv. the supporting rationale for the selection of each Area of Strategic Significance and;
- v. the objectives for each of these areas, associated timescales and supporting rationale.

Any proposed changes that Water Companies may wish to apply to the methodology for defining Areas of Strategic Significance should be agreed in advance with NRW prior to the submission of the above report.

We hope this helps to clarify the requirements of Water Companies operating in Wales for defining Areas of Strategic Significance in relation to Ofwat's Biodiversity PC.

Should you wish to discuss this advice please contact

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Yours sincerely

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Pennaeth Gweithrediadau Ansawdd Dwr
Head of Operations Water Quality

Croesewir gohebiaeth yn y Gymraeg a'r Saesneg
Correspondence welcomed in Welsh and English

Annex 1 Datasets for defining Water Companies Areas of Strategic Significance

Dataset name	What they contain and how they can be used (including link to DECCA framework)
NRW's Protected Sites Baseline Assessment 2020	Data on the indicative condition assessment category for interest features on terrestrial and freshwater protected sites in Wales.
NRW's Indicative feature condition assessment	Details of Marine SACs and SPAs in Wales that can be used to understand the condition of their interest features.
NRW's Safle database*	Details of protected site interest features in Wales that can be used to: i. describe the diversity of habitats and species from a protected site perspective and in some instances the extent of features; ii. understand what conservation management issues and risks are likely to be affecting the condition of a protected site in the absence of an up-to-date condition assessment; iii. Understand what actions have been identified which could be taken to address the identified conservation management issues.
NRW's LIFE N2K Programme Reports	Thematic action plans that can be used to understand priority strategic actions needed to address major issues and risks identified as negatively affecting the condition across SAC/SPA/Ramsar features. Prioritised Improvement Plans (PIPs)* that can be used to understand the proposed actions needed to restore the condition of SAC/SPA/Ramsar features.
NRW's Core Management Plans	Details of terrestrial/freshwater SACs and SPAs that can be used to understand what needs to be achieved for their interest features and NRW's advice on the action needed to achieve this.
Conservation Advice for European marine sites (Reg 37)	Details of Marine SACs and SPAs in Wales including their conservation objectives and operations that may cause deterioration and/or disturbance to their interest features.
NRW's Site Management Statements	Details of SSSIs that can be used to understand what needs to be achieved for their features and NRW's advice on the action needed to achieve this.

Dataset name	What they contain and how they can be used (including link to DECCA framework)
SoNaRR2020	Natural Resource Registers that can be used to understand the key pressures affecting a wide range of habitats (including Section 7 habitats) and their ecological networks and so their likely condition. The Registers can also be used to understand the key opportunities to address these pressures. Ecosystem Chapters that can be used to understand how resilient individual ecosystems are and which DECCA based attributes are a priority for action.
Phase 1 Habitat GIS data layers**	Maps showing the type and location of a range of terrestrial semi-natural habitats that can be used to describe the diversity and extent of habitats and species from a Section 7 habitat and ecological network perspective. They can also be used, in conjunction with Level II Habitat Networks, to identify where habitat restoration and creation could best take place to improve extent, connectivity and other aspects of ecosystem resilience (adaption, recovery and resistance).
Environment (Wales) Act Section 7 and OSPAR: Marine Habitats**	Maps showing the type and location of a range of marine and inter-tidal habitats that can be used to describe the diversity and extent of habitats and species from a Section 7 habitat and ecological network perspective. They can also be used in conjunction with Marine Protected Area maps to identify where habitat restoration and creation could best take place to improve extent, connectivity and other aspects of ecosystem resilience (adaption, recovery and resistance).
CuRve maps GIS data layers**	Maps showing variations in relative ecosystem resilience across Wales at a 1km ² resolution that can be used to understand a range of DECCA based attributes and how these interact.
Habitat Networks maps GIS data layer**+	Focal, local and core maps showing the functional connectivity between habitat patches and Level II maps showing similar between terrestrial protected sites that can be used to identify gaps and pinch points in ecological networks where habitat restoration or creation could be undertaken to enhance connectivity .
Protected Sites buffers**	Maps showing the zone around individual SSSIs and Upland SPAs where certain activities might negatively or positively affect the resilience of their features**
Local Record Centre protected and priority species data	Records about the location of various species that can be used to check that any habitat restoration or creation proposals do not negatively impact sensitive species.

*Available on request from NRW (sitesactions@cyfoethnaturiolcymru.gov.uk)

**Data layers available for download from [DataMap Wales](#)

+ In addition, NRW is the process of developing its Nature Networks Map due for release in the summer of 2023. A compendium of mapping layers to inform the spatial prioritisation of Nature Networks, a Welsh Government funded Programme which aims to improve the condition of Wales' protected sites and their features and to build connectivity between them. Exercises to define areas of Strategic Significance designed to inform baselining activity beyond the 2023/4 survey season should also consider this dataset.

Annex 2 – Strategies, plans, programmes and projects

- 1) Area Statements for example South Central's Resilient Ecological Network theme (information available on request)
- 2) Nature Recovery Action Plans – national, local and organisational
- 3) River Basin Management Plan Opportunity Catchments
- 4) River Restoration Plans
- 5) Welsh National Marine Plan
- 6) Future Wales National Natural Resources Map
- 7) Local Planning Authority Green Infrastructure Strategies
- 8) Other S6 authority published biodiversity strategies
- 9) Biodiversity programmes and projects – for example NRW's Peatland Programme, Nature Networks, LIFE funded projects and Natur am Byth