

INFORMAL CONSULTATION RESPONSE



John Russell
Ofwat
Centre City Tower
7 Hill Street
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Date: 24 May, 2019

Dear John,

Setting water company price controls for 2020-25 - Draft price controls determination notice: Severn Trent Water, South West Water and United Utilities

The Environment Agency welcomes the opportunity to respond to Ofwat's draft determination of price controls for Severn Trent Water, South West Water and United Utilities.

Our role throughout the 2019 price review period has been to work with water companies and ensure that their business plans meet the environmental and flood risk requirements as set out in the Water Industry Strategic Environment Regulations.

Water companies need to be investing sufficiently to ensure delivery of long term outcomes for people and the environment. The latest Intergovernmental Panel on Climate Change report highlights the urgent need for the water sector to prepare for the impacts of climate change and ensure they are investing in resilient systems and catchments. We expect water companies to recognise their obligations.

We are pleased that Water Industry National Environment Programme has been included in water company business plans for Severn Trent Water, South West Water and United Utilities and allowances made for Water Framework Directive requirements but we reiterate our position that we expect companies to deliver their agreed programme of measures by December 2024, even if they have not requested up-front funding in their business plans.

For South West Water, setting a penalty linked performance target to reduce pollution incidents and achieve a four star rating by 2024-25 is a welcome step in the right direction. We are however, concerned that their pollution incident performance penalty is too small and counter to our position on rewards for reducing pollution incidents.

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It is good to see that all three companies have provided a commitment to deliver appropriate Drainage and Wastewater Management Plans. We expect these enhanced companies to make a step change in how they deal with internal sewer flooding and have an appropriate mix of mitigation, hydraulic solutions, and sustainable solutions in their business plans that removes surface water from the sewer network.

We are keen to ensure that through the business plan determination process the water industry is well placed to invest in the resilience of their water supply assets. We continue to work with water companies to reduce the likelihood of drought permit applications and supply interruptions to customers during periods of prolonged dry weather.

Overall, we support the draft determinations by Ofwat and expect to see the performance of these three companies improve further during AMP7 to reflect their enhanced status. We are specifically looking for South West Water to improve upon the company's recent poor environmental performance.

We will continue working with all the companies and Ofwat on any outstanding issues to make sure that these schemes, actions and outcomes are effectively implemented during AMP7 and any future performance issues are addressed.

If you would like to discuss this matter further please contact please contact me on anne.dacey@environment-agency.gov.uk or Richard Thompson on richard.thompson@environment-agency.gov.uk.

Yours sincerely

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Environment Agency

CC.

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