



Salmon & Trout Conservation Future Ideas Lab Submission to Ofwat

1 What could the water sector look like in 2040, and how can Ofwat and water companies work towards that vision?

Salmon & Trout Conservation (S&TC) believes that, by 2040, the water sector must have sufficient modern infrastructure in place to source water in a way that has markedly less impact upon river flows and water ecology than at present. It must also process wastewater and sewage and discharge it within stringent consent conditions that genuinely protect the ecology of the receiving watercourse and do so 100% of the time. It should be remembered that water companies enjoy a monopoly position and should therefore have to abide by stringent consent conditions that have environmental protection as a major objective, and the environmental regulator must have ministerial direction and sufficient resources to rigorously enforce those conditions.

At present, there is too much emphasis on keeping water bills as low as possible when the reality should be that consumers bear the true cost of water supply and treatment that has minimum impact on the water environment. Those less able to afford water bills should be supported through social security rather than minimising water bills to the lowest denominator and thereby threatening damage to river and water ecology.

Ofwat has a central role to play in allowing water companies the necessary investment to achieve these targets, which, in turn, should mirror a greater legal requirement, supported by ministerial commitment, for the regulator to protect the water environment.

2 How do we best regulate to help companies to achieve long term goals such as adapting to climate change, reducing leakage, improving water efficiency and delivery of net zero?

As covered above, it is not so much an issue of new legislation that is required as the political commitment to effectively enforce the legislation we already have in place. Also, the Environment Agency must be given sufficient resources to regulate effectively, which it plainly does not have at the moment.

There is a great deal of frustration that so much money is paid out to shareholders from what is, to all intents, a monopoly industry. The regulator must be far tougher in ensuring that sufficient investment is made in the infrastructure necessary to enable the industry to meet its environmental objectives, and that funding should be sourced

through current industry profits but also Ofwat allowing companies to invest more widely in infrastructure to deliver long-term environmental sustainability, which is currently not the case

3 How do we encourage companies to ensure services are affordable for all, both now and in the longer term ?

This has been a contentious issue since privatisation. The NGOs do not believe that costs to the consumer should be capped at the lowest common denominator, because that does not provide the funding necessary to both provide efficient supply and wastewater services while at the same time providing effective environmental protection. And is not 'value for money' in the long term, when only cheaper, short-term solutions are championed. Those less able to pay for their water supplies should be supported through social security, rather than their ability to pay being the deciding factor for industry investment.

4 How can we encourage companies to innovate and to take advantage of technological change to increase productivity, reduce costs and improve resilience, service and the environment?

S&TC has no issue with incentivising companies to improve any part of their operations, but a strong regulatory system would also encourage take-up of the latest technological advances so that companies are run efficiently to avoid enforcement.

5 How do we encourage companies to improve service to customers and operational resilience?

Do companies require encouragement? After all, they are providers of a service and should therefore be operating at the greatest possible efficiency to be able to achieve customer satisfaction. However, this is inevitably a potential problem for an industry operating under monopoly conditions. The gas and electricity industries have successfully introduced competition – is it time to do the same with the water industry, with a strong regulator overseeing an effectively-run national infrastructure?

6 How can we encourage companies to best take account of customer needs and priorities, while ensuring services are comparable across companies?

As above, some competition introduced to the water industry would certainly encourage companies to look after their customers better, backed up by strong regulation ensuring that increased competition did not jeopardise environmental protection for rivers from reduced flows or pollution discharged into receiving waters.

7 What, if any, could the role of the price review be in encouraging or incentivising companies to better deliver public value?

As covered above, S&TC is more interested in the price review allowing companies sufficient investment for new and modernised infrastructure. The public already receives outstanding value for money which, in many cases, does not provide

sufficient funding for an infrastructure that effectively provides environmental protection 100% of the time.

8 How do we better use markets to deliver better value to customers and the environment?

As suggested above, more competition into the water industry, supported by strong regulation, would ensure the public receives a high-quality service that also protects rivers and their ecology. Environmental protection needs to be a core requirement for water companies with necessary investment given an allowable return.

9 How can we best account for specific issues, circumstances and Government policies/priorities in England and Wales?

S&TC does not feel competent to answer this question effectively

10 How can we best align the interests of investors with delivering for customers, the environment and society?

As stated above, S&TC believes that investors in the water industry already receive a more than adequate return on their funding. We believe that more emphasis should be placed on providing adequate funding for improved infrastructure to better protect the water environment than, arguably, larger than necessary dividends from what is, to all intents, a monopoly industry.

11 How do we encourage companies to collaborate and work in partnership with others, such as on nature-based solutions, to better achieve outcomes for customers and the environment?

This should, of course, be encouraged wherever possible. Once again, a strong regulatory system will help in encouraging companies to seek partnerships with organisations who can help maximise benefit to the environment and, at the same time, minimise the incidents where they run the risk of enforcement.

12 How can we simplify the price review while increasing value to customers, the environment and wider society?

Again, S&TC does not feel competent to answer this question effectively.