

Centre City Tower, 7 Hill Street, Birmingham B5 4UA
21 Bloomsbury Street, London WC1B 3HF

By email to Water & Sewerage Company CEOs

18 June 2021

Dear Chief Executive

Improving performance on the use of storm overflows

In my new role as Ofwat's Interim CEO I have been keen to meet with companies and stakeholders to hear more about the steps the sector is and will be taking to meet the challenges and ambitions of our strategy, **Time to Act, Together**. This strategy is clear that we will make the environment integral to all that we do and that companies need to improve the environment as a core part of their business, so we leave our environment in a better state than we found it.

We are all aware of the growing concern from customers and wider stakeholders about the use of storm overflows and the impact this may have on local watercourses, biodiversity and communities. There is no doubt this area is complex, multi-faceted and needs engagement and commitment from across a number of sectors. Two things are clear though: first, customer and society expectations in this space are changing and will continue to grow; and, second, the positive strides the sector has made in other areas of environmental performance are not evident with respect to storm overflows. The sector's ability to respond to this challenge will be key to it gaining and keeping public trust.

I know there is a growing focus on storm overflows, especially through the Storm Overflow Taskforce Defra set up in August 2020 (of which we are a member) and the development of Drainage and Wastewater Management Plans in England and Wales. Companies' commitment in January 2021 to provide more real-time data on sewage discharges at bathing sites and to accelerate work to install monitoring devices by 2023 in England and by March 2022 in Wales are important steps, and the research the Taskforce has commissioned on long-term options will provide useful insight. And this, of course, sits alongside PR19 investment of £1.2 billion to reduce the use of storm overflows.

Alongside these sector-wide initiatives, it is imperative that each company has a strong understanding of its own performance on storm overflow discharges, and is proactively managing and communicating that performance. As well as being relevant to a company's

compliance with individual discharge permits, this is integral to sewerage companies' general duty under section 94 Water Industry Act 1991¹, supplemented by the Urban Waste Water Treatment (England and Wales) Regulations 1994, and the annual certificates company boards provide to Ofwat to provide assurance that they have sufficient systems of planning and internal control and resources to carry out their regulated activities. These are obligations Ofwat has a duty to enforce if we have sufficient grounds to consider a company is contravening or is likely to contravene them.

If you have not already done so, I expect you and your board to be actively considering whether you have a full and accurate picture of your storm overflow assets and performance, the environmental impact of their use and a clear and timely strategy for addressing any shortcomings in that performance. I expect you to consider whether you have the right data and insights, and processes and controls in place to monitor and drive improvements and ensure compliance with your legal obligations with respect to storm overflows. This is necessary to enable your board to be confident in the assurance it provides via your company's annual certificates.

In our future meetings, I will be particularly keen to hear how you are tackling this area and what action you are taking to satisfy yourself, your board and your customers and stakeholders that you are taking appropriate steps to meet your obligations. And I would strongly encourage you to engage early with us if you believe that you have further steps to take in this respect, and of course to continue the positive and collaborative work underway, including through the Taskforce and with the regulators Quad in Wales. We will also continue to work closely with the Environment Agency and Natural Resources Wales to keep abreast of their assessments of compliance to understand if there are findings relevant to Ofwat's regulatory tools, including our enforcement powers.

Yours sincerely

David Black
Interim Chief Executive

¹ Section 94 - "Provide, improve and extend such a system of public sewers... and to make provision for the emptying of those sewers and such further provision... as is necessary... for effectually dealing, by means of sewage disposal works or otherwise, with the contents of those sewers"