

1 September 2022

**To whom it may concern**

**Consultation under sections 13 and 12 A of the Water Industry Act 1991 on proposed modifications to strengthen the ring-fencing licence conditions of the largest undertakers**

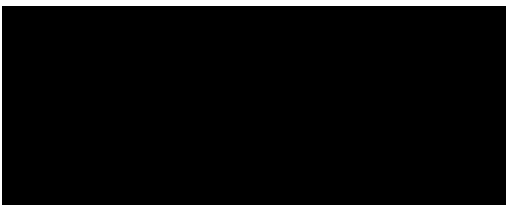
Afonydd Cymru is the umbrella body for rivers trusts in Wales. We act in an advocacy role to Welsh Government and Natural Resources Wales. This letter details our response to the above consultation. Our remit is solely limited to Wales and therefore to two companies only, Dŵr Cymru Welsh Water and Hafren Dyfrdwy. We note therefore that changes to licences in Wales can only be made with water company consent under section 13 of the Water Industry Act 1991.

Dŵr Cymru Welsh Water, as you are aware, is a not for profit water company operating under a unique operating structure. Its owning company Glas Cymru set out with three objectives on its formation, one of which was to improve and secure Welsh Waters credit rating. As far as we understand it, Welsh Waters credit rating is one of the highest of all water companies and sits at AA for the bonds which currently underpin its operations. We do not believe therefore that your proposals would make any material difference to Welsh Water. Furthermore, Welsh Water makes no dividend payments and has no shareholders. Therefore, the proposed modifications to link dividend payments to environmental and service delivery are not applicable. This raises, however, a question which Afonydd Cymru have asked Ofwat before regarding how Ofwat do intend to link environmental performance and delivery to Dwr Cymru financial model given the unique model under which it operates? This remains unclear from the proposals outlined within this consultation.

Hafren Dyfrdwy is also slightly different to other English water companies, in that it is owned by Severn Trent. Their credit rating was downgraded at the start of this AMP and we are therefore accepting of your proposals to ensure that financial resilience is achieved.

We strongly endorse that water companies must operate under a financial model that provides resilience and robustness to deliver the required environmental performance moving forward.

Kind regards,



Gail Davies-Walsh

CEO

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