

Meeting note

4 April 2023

Outcomes working group on Ofwat's approach to storm overflows at PR24

This note summaries a virtual discussion held by Ofwat with members of the outcomes working group on its approach to storm overflows at PR24 on 4 April 2023.

Attendees

Ofwat, water companies, environmental regulators and consumer representatives.

1. Overall approach

Ofwat noted customer expectations around storm overflows and set out its overall approach to the 2024 price review (PR24), including performance commitments designed to improve outcomes for customers and the environment.

2. Unmonitored overflows

Ofwat invited views on options for incentivising companies to install and maintain event duration monitors on their storm overflows.

Comments received included:

- **Penalties for unmonitored overflows.** Stakeholders recognised the need for action – but there were a mixture of views on which option Ofwat should take. Some stakeholders preferred a ‘backfill’ option to avoid a new performance commitment and complexity of calibrating ‘fixed payments’ for unmonitored storm overflows.
- **Alternative approaches.** Some stakeholders suggested an alternative approach, where companies would need to pass a ‘gateway’ based on overall operability of their event duration monitor before they could receive outperformance payments.
- **Impact of weather.** Some stakeholders suggested that the weather could impact reported performance, which could lead to negative public perceptions if it led to

more favourable payments for companies. Others were sceptical that a multi-year average would solve the problem.

- **Disincentives to close storm overflows.** Some stakeholders noted that a flexible denominator could disincentivise companies from closing storm overflows – because they would prefer open storm overflows with zero spills. Stakeholder debated potential solutions, such as fixing the denominator or allowing storm overflows to remain in the denominator provide permits were revoked by the relevant environmental regulator.
- **Longer term solutions.** Some stakeholders recognised that this performance commitment was an interim solution, and that longer term we could introduce measures based on new harm monitors.

3. Emergency overflows

Ofwat asked whether emergency overflows should be included within the storm overflows performance commitment, or be kept separate but with new reporting requirements for the 2025–30 period.

Comments received included:

- **Support for keeping separate.** Stakeholders supported keeping the measures separate, because of the different functions and numbers of discharges from the two types of overflows. They also recognised the limited data currently for emergency overflows, which would make it challenging to implement as a performance commitment at PR24.
- **Applying penalties for discharges.** Stakeholders suggested that the pollution incidents performance commitment should be sufficient to capture discharges.
- **New reporting requirements.** Stakeholders supported new reporting requirements to ensure that emergency overflows are not being misused and companies do not divert discharges from storm overflows to them to avoid penalties.

4. Timeline and next steps

Ofwat confirmed the timeline and that it intended to consult in early May 2023, prior to finalising its policy approach in June 2023.

Companies noted the importance of updating the performance commitment definition in early June 2023 so that they could take account of it in their business plans.

Ofwat thanked attendees for their contributions.