

Climate Change, Environment, and Infrastructure Committee
Senedd
Cardiff Bay
CF99 1NA

23 September 2021

Dear Chair,

Thank you again for the opportunity to share our thoughts with Members on the future priorities of the Senedd's Climate Change, Environment and Infrastructure Committee during this sixth session of the Senedd.

As noted, Dŵr Cymru Welsh Water is the only not for profit water and sewerage company in England and Wales and because we have no shareholders, any financial surpluses are used for the benefit of Welsh Water's customers. Our assets and capital investment are financed by bonds and retained financial surpluses, and this operating model has allowed us to invest more than £400 million over the past 20 years in accelerating investment, keeping bills affordable and supporting more customers to pay their bills than any other water company.

Committee Members will have noted that we operate a highly capital-intensive business with an asset base worth £30 billion which enables us to provide essential public services to over 3 million people. In terms of water services, we operate 62 water treatment works and treat on average around 830 million litres of water every day, which are distributed through a 27,400-kilometre network of water mains. For our wastewater services, our largely rural area means that we have a disproportionate number of small treatment works, many of which are remote. We operate more than 830 wastewater treatment works and manage over 36,000 kilometres of sewers

Such an extensive asset base means that we currently invest around £1 million a day in our network and we currently plan to invest £1.8 billion over the 5 years to 2025. This investment is influenced by the particular characteristics of our operating area, which differentiate us from other water and sewerage companies and this should also be borne in mind when considering how we maintain our asset base. These factors include:

- our operating area is characterised by a relatively-long coastline, which has implications for our wastewater treatment costs;
- wastewater treatment for the half of our customers who live along the coastline was built post-privatisation and so was financed through customer bills (this is not the case for predominantly-inland companies);
- our area has a level of average rainfall that is among the highest in the UK;

- we operate across several distinct, rural, mountainous and sparsely-populated areas, which means more assets (e.g. treatment works and lengths of pipe) per customer;
- the standard of river quality in the region is very high, and there are a significant number of designated bathing beaches along the long Welsh coastline, which means strict permit levels for wastewater treatment;
- a comparatively-high proportion of our water supplies come from impounding reservoirs and rivers, with relatively small volumes supplied from low cost boreholes;
- most of our raw water is soft and has a high manganese content, which leads to intermittent problems of discolouration and other acceptability issues for customers;
- our customers have lower incomes on average than most other parts of the UK, and a relatively high proportion of our customers live in areas of economic and social deprivation, increasing bad debt and collection costs.

These characteristics taken together create a unique set of challenges in providing high quality, resilient and affordable water and wastewater services to our customers.

A key challenge for us – as with other water companies – is ensuring that we limit the impact of our work on the environment. We have an extensive environmental footprint and we take this responsibility seriously and plan to invest £765 million on improving our wastewater assets during our current investment plan (2020-25).

Over recent months, river water quality has been the subject of increasing stakeholder interest as a high quality water environment is essential to support a healthy ecosystem. Our role in this – and in particular, our Combined Sewer Overflows – has been the focus of attention and it is important that we explain the significance of these assets.

Our CSOs play an essential role in stopping sewage from backing up into customers' properties during periods of heavy rain. This is important to note given the extreme weather patterns we experienced over the past 12 months as a direct result of climate change. 2020 was the third wettest year recorded since 1910 (after 2000 and 2012) with 9 named storm events throughout the year. As our sewerage system was not designed to deal with such intense storm conditions, it is inevitable that this will have increased the frequency that some CSOs have operated. Investing to meet the challenges of climate change is a key business priority for us

Whilst CSOs are mainly operating as designed and permitted, we recognise that with environmental legislation tightening and customer expectations changing, more needs to be done. However, this requires significant additional funding and will take many years to deliver. To retrofit our network would be an enormous long-term undertaking and changing the way it operates to remove the need for CSOs completely, would take decades and cost around £9 - £14 billion.

Nonetheless, we are taking action and have invested £8.1 million in improving the monitoring of these CSOs since 2015, and added more than a thousand monitors since 2017. We now have spill monitors on over 90% of our CSOs – which is well above the industry average. This is a crucial first step so that we can identify and understand the scale of the issues we need to address. These monitors record the number and duration of spills and this data is published on our website allowing us to develop investment cases to make further improvements and also to provide real time spill information for key bathing waters to interested bodies, including Surfers Against Sewage. This work is being supported by the £80 million we are investing in CSOs in the five years

to 2025, with the Glas Cymru Board recently agreeing to invest a further £20 million in this financial year.

Nonetheless, it should be noted that these CSOs and sewage discharges only play a limited role in terms of impacting river quality. Research by the Welsh Government and Natural Resources Wales identifies other areas which should also be prioritised to help improve river water quality, namely: mine waters, livestock management, land management, industrial estates, small sewage discharges (private), drainage misconnections, surface water drainage from developed area and storage – slurry, fuel, oils, chemicals. This work will require a multi-agency and multi-stakeholder approach and we stand ready to build on the work we have already undertaken.

One of the Committee Members raised concerns about pollution incidents and we take such matters very seriously. As a company, we self-report over 70% of the pollution incidents we identify to the environmental regulators and we send pollution technicians to investigate any incidents within 4 hours of receiving any notification. While we recorded our lowest ever level of wastewater pollution incidents in 2020/21, I wish to reassure the Committee that this area remains a key focus for our teams.

Generally, we are pleased that our work to protect the environment to date ensured that we secured the top 4* rating in July 2021 after successfully meeting or exceeding targets set for its environmental performance. The assessment, known as the Environmental Performance Assessment (EPA), is conducted by Natural Resources Wales and Environment Agency.

We plan to progress this work and while it should be noted that 42% of Wales' water bodies and 46% of rivers were at "good status", we will continue to collaborate with other stakeholders so that we can do even more to protect the environment around us.

I hope that the evidence we shared at your evidence-gathering session and the information above will be helpful in terms of informing your thinking when setting the Committee's priorities for the sixth Senedd term.

As ever, I am more than happy to provide a further briefing should you wish and so please do not hesitate to contact us if you need further information.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ian Christie', written in a cursive style.

Ian Christie
Managing Director, Water, Asset Planning & Capital Delivery, Dŵr Cymru Welsh Water