



Department
for Environment
Food & Rural Affairs



By email only:

20 July 2020

GREEN ECONOMIC RECOVERY – THE WATER INDUSTRY’S ROLE IN BUILDING A RESILIENT FUTURE

Dear All,

We, – the Government, the Environment Agency, the Drinking Water Inspectorate, Ofwat and CCW, are writing to you to set out how water companies can help to meet the economic and social challenges England faces. This letter invites you to play your part in the country’s green economic recovery from the COVID pandemic and deliver a new and more resilient future, building on your quick and effective incident response in the recent months.

Global issues like climate change and an ever-increasing demand for water highlight the essential role the water industry plays in a successful society, economy and a thriving natural environment. Now more than ever we need exemplary services and support for all the people and businesses in this country, and real and lasting improvements to the environment for current and future generations. As a water company, you take the lead in delivering a safe and secure water supply, a thriving natural environment and great customer service.

Meeting these goals will require you to deliver the ambitious existing programmes set out in PR19 and agreed through Water UK’s public interest commitment, and to go further. Supporting the country’s green recovery ambitions is an opportunity to accelerate. We are pleased that many companies have already stepped forward with ideas to support a green recovery, alongside the Council for Sustainable Business and Business in the Community. This letter sets out how your company could play an enhanced role and go even further to deliver more.

Government and water regulators will facilitate water companies **to accelerate planned investment, bring forward future investment and implement new ideas to boost the economy.**

We therefore invite you to make specific proposals to:

- accelerate existing plans and environmental priorities within the agreed 2020-25 plans, considering the enhanced use of nature-based solutions to deliver them;
- bring forward ‘enhancement investment’ proposals from 2025 and beyond; and,
- Implement specific new innovative ideas, which would benefit future generations or current customers. These could include: water resources, flood mitigation, net zero or water quality improvements.

While the benefits could be high, there are of course some potential risks in bringing forward investments or pursuing new ideas. Some proposals, particularly those that are already committed to in business plans, may well not need further regulatory consideration. Those that do will need evaluation and



agreement by Ofwat, EA and DWI, as independent regulators, and as required in line with their statutory duties.

In your proposals we would expect to see companies taking care to demonstrate how they will be delivered, value for money for customers, how any affordability pressures for customers will be managed and evidence of support through customer consultation. CCW are happy to work with companies to help understand how these aspects of any proposals can be demonstrated. We would also expect existing funded investment and service performance commitments to be on track. Before proposing additional customer funding for investment, we would expect companies to have exploited alternatives such as government schemes and third-party funding. We would welcome any proposals that could also lead to lower bills in the future.

You must judge for yourself where your company could deliver further and faster. However, you should identify any regulatory barriers to further action and we commit to working together to minimise these as far as possible. Working together as government and regulators is vital to support our ambitions for the water industry. We will avoid contradictory advice and help to resolve issues jointly where necessary.

To support the green recovery, we are happy to offer a joint conversation with companies that want to discuss a new proposal and how best to take it forward. These meetings can take place from this September. We will confirm the process for arranging these shortly.

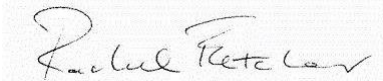
We are confident that many of the suggested ideas will have public support and that we can work with you to raise our game together to meet the global and national challenges we all face.

Yours sincerely,



Rebecca Pow MP

Parliamentary Under Secretary of State for the Environment



Rachel Fletcher

Chief Executive

Ofwat



Marcus Rink

Chief Inspector of Drinking Water

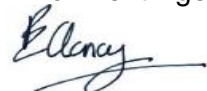
Drinking Water Inspectorate



Harvey Bradshaw

Executive Director of Environment and Business

Environment Agency



Emma Clancy

Chief Executive

CCW