Dear Secretary of State

Following our call on 7 September, this letter summarises what we are doing in the five areas you highlighted. I have kept these summaries short, but each is underpinned by detailed evidence, plans and monitoring of delivery, which we would be happy to share.

1. **Environmental performance – plans to significantly improve performance ahead of the next annual Environmental Performance Assessment (EPA)**

   Having led the EPA table for many years, we were extremely disappointed to drop from four stars to two stars last year. Of the six metrics that make up the EPA, one, serious pollution incidents, caused the change, even though our total number of pollutions fell. Our goal is to cause no serious pollution incidents. To address this, we have published and are implementing our Pollution Incident Reduction Plan.

   The plan is divided into four areas of focus, each with specific actions:

   - *telemetry data and analysis* – AI sewer models to predict problems in the sewerage network before they cause a pollution; installing additional monitoring; advanced burst detection
   - *assets and maintenance* – cutting-edge risk model for our entire mapped sewer network; additional ”hot spot” asset maintenance; accelerated programme of network upgrades
   - *people and process* – increased resources; faster focussed responses resulting from greater monitoring and notifications from our voluntary “water guardians” who regularly walk river banks
   - *customers and stakeholders* – the majority of pollutions result from blockages usually caused by wet wipes, fat or other materials flushed into the sewer, so we have a high profile information campaign including radio and print ads; significant social media engagement; enforcement and education with traders.

   With over 35,000km of sewer and no control of what customers and others put into the sewer, zero serious pollution incidents is a very stretching target. Around a quarter of pollutions are caused by non-flushable wet wipes. Government intervention to ensure all wet wipes are flushable would be the single biggest contributor to reducing pollutions.

2. **Sewage discharges from storm overflows – plans to accelerate improvements to storm overflows and reduce sewage discharges by September 2023**

   We are already implementing an accelerated plan this year and through to 2025 with an investment of £3 million per month to deliver:

   - a 25% reduction in hours of storm overflow (SO) operation by 2025
   - monitoring 100% of SOs by end of 2023 (vs.30% in 2017)
   - developing AI tools to enable real time public health monitoring of inland and coastal bathing water quality
   - increasing capacity at 12 Water Recycling Centres (WRCs) to reduce SO operation
   - constructing 32 new storm tanks at WRCs and at SOs to reduce SO operation
   - constructing nature-based treatment solutions at 28 rural SOs where groundwater infiltration is the primary cause of the overflow operation
   - separating rainwater upstream of two SOs to reduce frequency of operation
   - installing additional environmental and public health monitoring at key locations.

Much of this work is carbon intensive so we also need to reduce the problem at source by separating foul sewage from surface water. Government intervention to enable water companies to disconnect surface water from foul sewers at source (often on private properties) would enable the most carbon and cost efficient reduction in storm overflows. This would also be supported by removing developers' right to connect surface water to foul sewers on new developments.

3. Water security and drought – plans to speed up the pace of development of new water resource infrastructure, plans to further promote water efficiency, and plans to avoid having to deploy any Temporary Usage Bans next year

Wessex Water has not introduced a Temporary Usage Ban (TUB) since 1976 and we will not need one this year. Groundwater and reservoir levels are currently below normal but if rainfall is at least 80% of the long-term average over the winter, we will enter 2023 with normal levels of resources and will not need a ban next year either.

Over the last few years we have invested c£250 million in completing a regional grid to enable us to move water around the Wessex Water region and interconnect with neighbouring companies. We have also reduced leakage by 30% so we now put 8% less water into supply than we did 20 years ago, despite a 12% increase in population. This has also enabled us to give up 60 Ml/d of abstraction licence, with 35 Ml/d of that focussed on improving chalk stream flows. During dry periods we also put 90 Ml/d of support water into watercourses across our region.

We share the Prime Minister's aversion to banning things and do not believe TUBs are an appropriate measure – saving only c.5% of demand and irritating many customers and businesses. We favour working together with our customers and communities to reduce our leakage and theirs; and to help everyone reduce water use. This includes "home checks" for water leaks, through both targeted visits and information on how to do it yourself. Water efficiency checks for schools are proving very effective, both in saving us water and them money.

During this very dry period we are running print, radio and social media ads on how we can work together to help protect our rivers by saving water. We also offer customers free low use shower heads and half price water butts as part of our campaign.

Finally, we fully support government proposals for mandatory water efficiency labelling.

4. Leakage – plans to further reduce leakage

We have more than halved leakage since privatisation and reduced it by 17% in the past three years. We now put 8% less water into supply than 20 years ago, despite a population growth of 12%. We will continue to drive leakage down.

Whilst reducing company leakage is an important tool to ensure we protect the water environment, there are other approaches which come at lower cost both to customers' bills and the environment including carbon. So we are working with customers to reduce demand through lower personal water use, more metering, and reducing private leakage. Leakage from customer pipes and plumbing accounts for 50% of all water lost through leaks. We fix customers' dripping taps and leaking loos for free; and continue to promote greater awareness of the issue and the benefits, both financial and environmental, of fixing leaks in the home.

Government intervention to mandate water labelling, grey-water re-use in new developments, and the installation of water butts and garden infiltration systems would

save water and prevent excessive rainwater draining to combined sewers, triggering overflows to operate.

5. **Dividends and rewards – plans to ensure dividends and rewards are linked to company performance against environmental obligations and performance**

Our published dividend policy requires that the Board takes into account that the company is delivering the required quality and environmental outputs and making sufficient investment in its infrastructure to maintain and, where necessary, increase resilience.

Our published remuneration policy is performance-related and dependent on the achievement of company and individual targets. In particular, no reward is paid unless at least three quarters of the customer and environmental targets have been achieved.

Conclusion

As we set out in the previous joint letter to you, we recognise that we must rebuild public trust and this needs a reset of the current model, which is over complicated, obscure and frequently drives interventions that stifle growth, increase carbon, decrease biodiversity, and result in bills being higher than they need be.

The issues you have highlighted require significant, sustained infrastructure (the current rate assumes that water mains will last 400 years and sewers 800 - they won't). We are heavily regulated, and rightly so. The question is not about the need for regulation to drive standards and efficiency, but about the right sort of regulation to enable innovative, nature based delivery, sustained infrastructure investment and to attract and maintain the right sort of long term investors this key sector requires.

We can only go so far without matching ambition from government and regulators to transform the sector and hold companies to account. The regulatory framework fails because it is fragmented across sectors, output not outcome focused, and overly prescriptive. Outcome-based environmental regulation, that incentivises water companies and other polluting sectors such as agriculture and industry to work together across catchments, can help deliver the growth agenda efficiently, can meet and exceed the goals of the 25-Year Environment Plan, and can deliver on the issues you rightly highlight.

Yours sincerely

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