

Rt Hon Ranil Jayawardena MP  
Secretary of State for Environment, Food and Rural Affairs  
Seacole Building  
2 Marsham Street  
London  
SW1P 4DF

21<sup>st</sup> September 2022

Dear Secretary of State,

Congratulations on your appointment as Secretary of State. It was helpful to hear from you on your first day about the importance you attach to the water sector. Clearly you gave us a strong message – and it is good to hear it directly from you and be asked to respond directly. Thank you. You specifically asked each company to write about 5 areas of priority (environmental performance, sewage discharges from storm overflows, water security and drought management, leakage, and dividends and performance pay). I hope that you will be pleased with the Yorkshire Water position and approach that is set out below.

I've also taken the opportunity to mention at the end of this letter two other things – the approach Yorkshire Water has to working in partnership to assist economic growth (we have some suggestions for accelerating this and are really keen to engage more if it is of interest) and the support we are offering to those struggling with the cost of living (by way of background information given the challenges of this winter in particular).

### **Environmental performance**

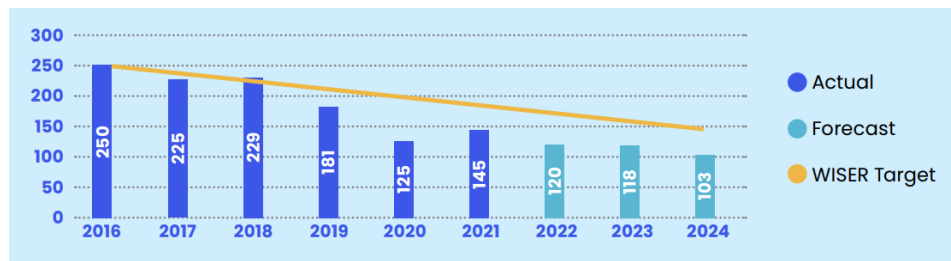
With just over three months of the EPA 2022 to go, our latest forecast is for three-star performance. This will be an improvement from two-star performance in 2021.

We are predicting improvements in both pollution metrics and incident self-reporting from 2021. This is a result of the Pollution Incident Reduction Plan (PIRP) we put in place at the start of this year, which is available on our website for customers and stakeholders to access (copy attached). Our PIRP is made up of two key elements:

- i. Projects targeted at specific asset types (sewers, combined overflows, sewage pumping stations, wastewater treatment works)
- ii. Projects that support enabling themes that cut across all asset types and teams (process improvement & governance, training, competence & culture, data & Technology, maintenance & investment, risk & assurance)

We recognise that serious pollution is one of our biggest challenges and while we are forecasting improvement from 2021, the margins are very tight as our target is stringent with only 3 incidents to avoid this measure being red. Despite an overall improvement in performance this one measure could still impact the overall rating.

Figure 1: Yorkshire Water Pollution Performance:



### Sewage discharges from storm overflows

We have concrete plans to accelerate our investment during the remainder of AMP7. We will be investing well over £100m to target a reduction of at least 20% in average storm overflow spills before April 2025. We are in detailed discussion with Ofwat about this now and expect to make an announcement towards the end of the month.

This new programme of work will focus on the wastewater treatment works with the highest spill frequency, dry weather flow risks, sewage pumping stations, detention tanks, screening chambers and emergency overflows and ultimately the provision on new storage capacity at multiple sites. While there are too many variables to predict the precise levels of spills in September 2023, we can categorically state that we will deliver tangible improvement.

We welcomed the publication of the Government's Storm Overflow Discharge Reduction Plan and are currently working through the plan and assessing how to deliver the investment required to meet the targets in the most efficient way.

We also recognise the importance of building trust with customers on this issue. To help us do this, we will be accelerating our efforts to increase transparency and make more data available. This includes making sure all our storm overflows are monitored by the end of 2023, building on 96% coverage from 2020, publishing our wastewater treatment works compliance data publicly to help customers hold us to account, and creating an interactive map with near real time updates to better inform customers about what's happening with rivers and beaches. We'll start by getting our designated bathing waters on the map first, followed by all our other overflows by 2025.

### Water security and drought

#### Planning and new developments

We recognise the importance of housing growth to the economic plans of local authorities in Yorkshire, and we are keen to ensure we play our role in supporting growth. However, we currently have very limited powers to prevent developments going ahead, as we are not a statutory consultee. At most, we are able to delay a development if network reinforcement and asset upgrades are required to meet the growing demand.

We have never advised that a proposed development should not go ahead. In our consultation responses to the Local Planning Authorities, we may raise objections. For example, we have objected to proposed layouts where a development would build over part of our network, prejudicing that asset and restricting future access or if the stress the development would have on the network could cause potential flooding risk.

We therefore welcome the Government's announcement earlier this year of the intention to review the automatic right to connect for new developments. This will be a significant step in giving water companies more control over new developments.

#### Avoiding future hosepipe bans

In Yorkshire, we came into March with our reservoirs at full capacity, so we were in a good position to start the summer and were well prepared. However, we have had significantly lower than average rainfall since the spring, with parts of Yorkshire having seen the lowest rainfall since our records began more than 130 years ago. There has been some rain in recent weeks, and this has helped to reduce water use and has brought some river levels up. However, we haven't yet seen an improvement in reservoir levels. A recent picture of Baitings reservoir below illustrates just how low they are.

In response to the dry weather, we are following our escalated drought management process. This means we have been working to maximise the water we abstract from groundwater sources and river sources (when the flows of the river are available for abstraction) to preserve our water stocks in reservoirs as much as possible.

Figure 2: Baitings Reservoir:



Nevertheless, in late August we had to announce a temporary use ban in Yorkshire in response to the ongoing dry weather. This is the first temporary use ban in Yorkshire since 1996. Whilst we had been asking our customers to voluntarily reduce their water use, the current drought management rules require us to introduce a temporary use ban ahead of applying for drought permits. Drought permits (which enable us to take more water from rivers or reduce compensation flows from reservoirs) are vital in protecting reservoir stocks in the event of a dry winter. We are now in the process of applying for drought permits and welcome support from colleagues at the Environment Agency who are helping to accelerate the process as far as possible to mitigate the risk from a dry winter.

We have also been reviewing what more we can do ourselves and are currently in the process of installing new temporary pipelines across moorland in West Yorkshire to allow us to move water from Calderdale to our reservoirs in the Worth Valley, which have been the most significantly impacted by the dry weather. This will protect water supplies to more than 150,000 homes in the Keighley area.

Aside from our operational interventions, we are also working on options to increase water supply resilience in the longer term. We are working with Severn Trent to develop a new Strategic Resource Option in the Derwent Valley and we are also working to develop new regional options through Water Resources North.

Company draft Water Resources Management Plans are due to be submitted to Defra shortly, and subsequently published for consultation along with Regional Plans. These will then be updated following consultation and in conjunction with the learnings from this current ongoing drought situation and published in final form next year. This is a vital step as we plan our investment programme for 2025 to 2030. Our current expectation is that this work will reinforce the need for short term groundwater supply options that will need funding approval from Ofwat as part of their periodic review 2024 process (PR24).

In addition, it would perhaps be worth considering, given your view that a ban is an anathema, and that the evidence on the effectiveness of temporary use bans is mixed at best, a review following the restrictions this year to understand if and how the drought management process could be developed?

## **Leakage**

In the last 4 years we've reduced leakage by 41m litres per day through increased detection activity and we're investing money into new technology and analytics through our smart networks programme. This includes a pilot project in South Yorkshire supported by the Department for Digital, Culture, Media and Sport which will trial using water mains to carry fibre broadband cables. The project has the potential to deliver improvements to leakage detection, whilst also supporting economic growth by improving access to broadband in rural communities.

Our aim is to reduce leakage by a further 5% by 2025, which means leakage will be around 268m litres per day, less than half the leakage we had in 1995 during the last drought in Yorkshire.

## **Dividends and rewards**

Our investors have not received a dividend for the last five years and none is forecast for the next few years. This is to enable us to invest in improvements to our service for our customers and the environment.

We understand the need to ensure dividends and rewards are linked to company performance including environmental obligations and performance. Our dividend policy explicitly states that distributions will only be made after an appropriate financial resilience analysis has been undertaken, that dividends will be adjusted to reflect and recognise company performance and benefit sharing from service and efficiency performance and states the continuing need for the investment of profits in the business and the funding of employee interests.

Our Board and Remuneration Committee have discussed in detail the need to ensure executive reward remains tightly aligned to delivering for our customers and the environment. Our reward schemes comply with Ofwat guidance around putting the sector back in balance with the majority of measures related directly to customers and the environment.

## **Supporting economic growth**

If we deliver our investments in the right way, we have an opportunity to contribute significantly to economic growth, as well as improving our performance. By working in partnership with regional Mayors, local authorities, and other partners we have been able to establish innovative partnerships in both Hull and South Yorkshire which are addressing flood risk, whilst also unlocking opportunities for economic development and improving local communities.


We are keen to explore with Government how partnerships like Living with Water in Hull and Connected by Water in South Yorkshire can be built on and expanded to play a larger role in addressing barriers to economic growth. The climate resilience of a region directly affects the confidence of businesses to invest, and partnership working can address this issue. We have identified some relatively straightforward policy changes which would support the partnership approach, and which could unlock significant investment to benefit the economy. We would welcome the opportunity to show you the work that has been done in these areas and would be happy to host a visit for you and your officials.

## **Supporting customers with the cost of living**

Finally, I wanted to take this opportunity to set out our plans to support customers through the current cost of living challenges. Whilst water bills are generally significantly lower and more stable than energy bills, the number of customers asking for financial support from Yorkshire Water has doubled in recent months as pressure mounts on household finances.

To support customers in Yorkshire our shareholders have made an additional £15million available for support with bills through to 2025. This additional funding brings our total support for customers to £115million across the five-year period from April 2020 to 2025 and will support over 100,000 customers struggling to pay their bill every year.

If you would like any further information on any of the issues outlined in this letter, please do let me know. I look forward working with you and hope that you will visit us soon.

Yours faithfully,  


Nicola Shaw CBE  
Chief Executive