

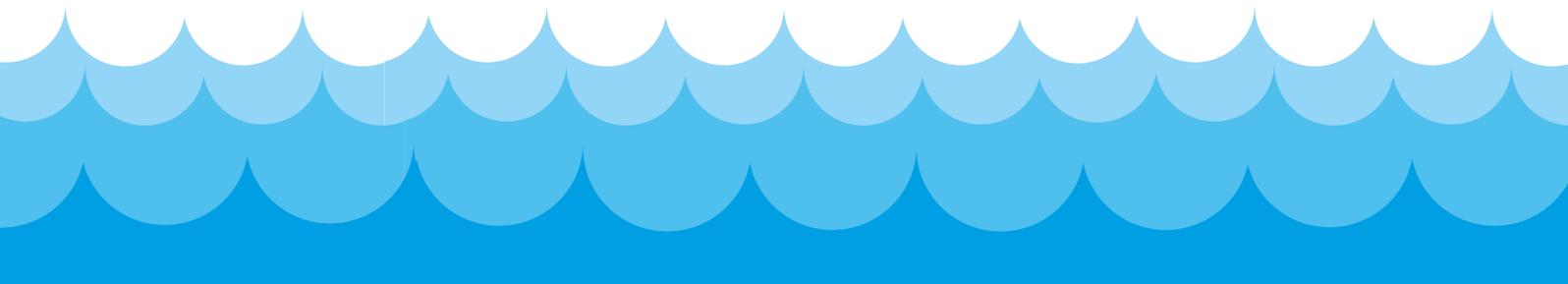
CONSUMER COUNCIL FOR



CYNGOR DEFNYDDWYR



Water, water everywhere?



Overview

In this report we present water and/or sewerage companies' (referred to as companies) performance in 2018-19 in the key service areas that can have a big impact on consumers. The report identifies poor performing companies, as well as good practice that can be shared across the industry. The data contained within this report has been supplied directly to us by companies, unless otherwise stated. All company specific data is included in the appendices of this report for reference.

Key Highlights

The amount of time that consumers were left without water reduced by 39.9% in 2018-19. Although this appears to be a significant reduction, the starting point was much higher due to the widespread supply interruptions experienced during the 'Beast from the East' and Storm Emma in early 2018. Looking back prior to this incident, supply interruptions have in fact increased by 21.8% since 2016-17. We, therefore, question what has been learnt from this incident and emphasise the importance for companies to learn from these experiences. Companies must recognise the need to plan for extremes in our weather or one-off events, which are becoming more common due to climate change. It is essential they have plans to, where possible, avoid failures, mitigate the effects, and recover quickly from such weather conditions.

The amount of water lost through leaky pipes reduced last year. CCWater repeatedly called on water companies to show more ambition in tackling leakage, which irritates consumers and dampens their own motivation to save water, but some companies are still struggling to hit their targets. Companies must lead by example by prioritising leakage in order to encourage consumers to reduce their own water usage.

Daily water usage (the amount consumers use) has been going up for four years, despite efforts to encourage greater water efficiency. Ofwat has set out stretching targets for companies to reduce water usage over the next price review period (2020-25). The onus is on the companies so we expect to see them making improvements in this area, particularly in the way they communicate with their consumers about why they need to be water efficient and the potential benefits it will bring. It also remains unclear the

extent to which metering is encouraging consumers to reduce their water use.

It is good to see a reduction in sewer flooding, both inside and outside the home. However, any flooding is unacceptable to customers and so companies still have more to do in this area. We were disappointed to see the disbanding of the 21st Century Drainage Board and hope that the work started on sewer misuse can continue through different channels.

For water quality in England, the figure for public water supply compliance with the EU Drinking Water Directive was 99.95%; in Wales this was 99.97%. These are positive figures and have remained consistently high since 2004. It shows that tap water quality is high and that companies are performing well to maintain this level of compliance.

The Environment Agency's publication of the Environmental Performance Assessment reported an increase of serious pollution incidents by companies in England for 2018; highlighting that only one company is performing at the level that the environment needs. The performance of most companies has deteriorated, reversing the trend of gradual improvement since 2011. Serious pollution incidents in Wales have remained static since 2013, with Welsh Water's overall rating improving. Natural Resources Wales will now also be reporting on the performance of Hafren Dyfrdwy.

Complaints performance for each of the companies are covered in different reports; these can be found [here](#).

1. Introduction

Our report considers the resilience of both the water and sewerage services, by looking at the performance of companies in the last year. Consumers expect to be able to turn their taps on and water to come out without any problems and for it to go away when they pull the plug. Water companies need to plan to address current performance issues and future risks. Past performance does not necessarily capture how resilient companies will be in the future.

Consumers expect a reliable supply of water, regardless of the challenges facing the sector. Water supply resilience refers to the ability of the water companies to continue to provide a constant supply of high quality water now and for future generations. It's also about the companies ensuring that supplies are quickly restored to consumers when an interruption does occur.

Our Water Matters Highlights Report¹ revealed that fewer customers are confident that their water supply will be available without restrictions in the long term; with the biggest decline in confidence being among customers in seriously water-stressed areas such as the South East of England. We need to do more work to explore what is driving these figures. However, the drop in confidence was significant from the previous year - 73% of customers are confident that their water supply will be available in the longer term without restriction, compared to 77% in 2017.

Extremes in weather over the last couple of years have highlighted the need for companies to improve their resilience. They need to understand their networks better to be able to manage incidents more effectively and prevent consumers experiencing a loss of supply. A prolonged period of dry weather continues to affect parts of England, particularly in the East and South East regions. All companies - not just the ones in these areas - have had to focus much more on balancing supply and demand as their water resources come under extra pressure during the summer months and dealing with incidents when they arise. A loss of supply provides an unwelcome reminder of how essential our water supply is to our daily lives.

The sector is fully aware of what needs to be done to increase resilience in the longer term. Through their Water Resource Management Plans (WRMPs), some companies have begun to show a more integrated and collaborative approach to planning and resource development. Working together can help to identify greater opportunities to share available resources and identify other jointly developed supply solutions that may provide better value and outcomes for consumers and the environment, than if the companies were working alone.

Waste water resilience is all about a reliable service, free from sewer flooding and without causing damage to the environment. Water companies need to think about how they can better protect their consumers - from the impact sewer flooding can cause - and the environment from pollution incidents.

Ofwat's recent draft determinations included £2.3 billion to improve services to tackle population growth and climate change, with a further £450 million for companies collaborating on long-term strategic water resource solutions. Companies have been asked to develop action plans for implementing systems-based approaches to resilience. At the time of publication, it is unclear to us whether this price review will deliver the step change in resilience that is needed.

73%

of customers are confident that their water supply will be available in the longer term without restriction

¹ CCWater - [Water Matters Highlights Report](#)

2. Supply Interruptions

When a consumer is left without a water supply it can cause them enormous inconvenience, particularly if there has been no prior notice of the disruption. It can make day-to-day tasks extremely difficult, and can increase the feelings of isolation felt by consumers in vulnerable circumstances.

Over the last year, water companies have undertaken work on resilience and incident management planning, following the supply interruptions caused by the extreme cold weather - and subsequent rapid thaw - experienced in March 2018. We would therefore expect that they are now better prepared and able to manage a range of potential events impacting the water service. Following the 'Beast from the East' mentioned above, four companies that least effectively handled the incident were required to put together action plans detailing what changes they would make

to deal with these events more successfully in the future. The prolonged period of dry weather over the summer of 2018 meant that the companies' resilience was again tested, and required them to put these plans into action.

Being left without water for a period of time can have a significant negative impact on customers' perceptions of their water company, particularly if they have been provided with limited help and information. Research carried out by CCWater showed that where customers were affected by the 'Beast from the East', communication by the companies to their customers was poor and often overly reliant on social media.²

It can only take one big incident to significantly increase a company's supply interruptions performance, so they need to ensure that they react quickly: firstly, to fix the problem and support their customers when an event does occur, but also to ensure that long-term investment is made in their network to reduce the risk of interruptions happening in the future.

² CCWater - [Customers' experiences of water supply interruptions following the 'Beast from the East' in March 2018](#)

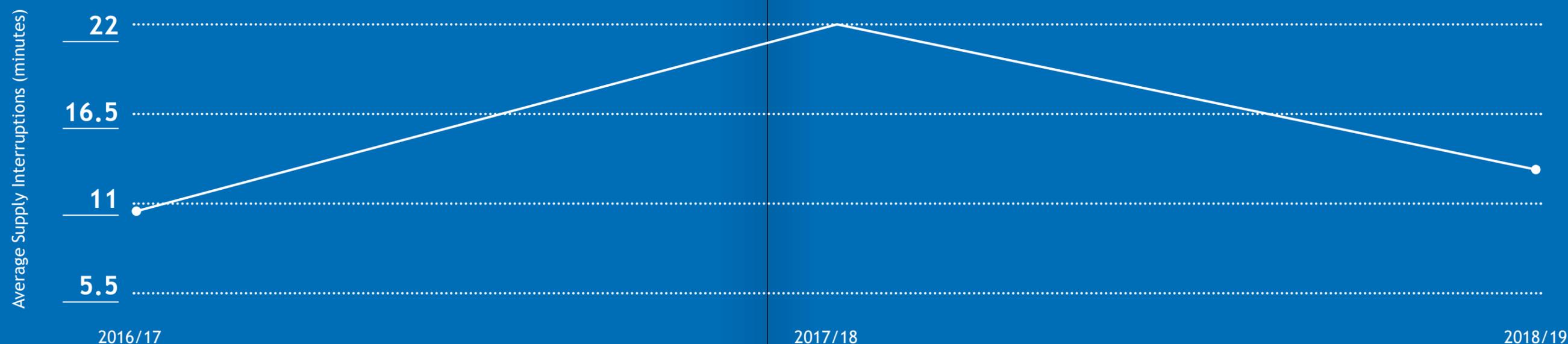
In 2018-19, the average amount of time that consumers were without a supply of water decreased from 22 minutes in 2017-18 to 13 minutes 14 seconds; a reduction of 39.9%³. However, we must be clear that the starting point set by the previous year was abnormally high due to the impact of the 'Beast from the East' and Storm Emma in early March 2018. Comparing the latest annual figures to those of 2016-17 shows that there has been almost a 21.8% increase. With eight companies missing their targets for supply interruptions - Bristol Water, Dŵr Cymru, Northumbrian Water, Essex & Suffolk Water, SES, Severn Trent, South East Water and Thames Water - plans need to be put in place to prevent this from happening again.

There were several companies that saw an increase in the length of time consumers were left without water compared to the previous year: SES (+397.9%), Northumbrian Water (+125%), Cambridge Water (52.2%) and Yorkshire Water (50.2%). SES had a couple of major bursts

over the year, and Northumbrian attributed the majority of its interruptions to the dry weather over the summer. These increases are not acceptable, and companies should not be using the weather as an excuse. We expect to see these companies reviewing their plans for future resilience to prevent further increases from occurring and revisiting incident management plans to bring these numbers significantly down.

The 'Beast from the East' incident brought to life how bad interruptions to supply can be for consumers, and we question whether all companies have learnt from this. We consider that Ofwat must hold these companies to account if the action plans are not delivering.

³ This relates to the number of hours lost due to water supply interruptions for three hours or longer per property served (hours/property).



3. Leakage

Leakage can badly affect the reputation of the water company if it is not seen to be doing enough to tackle the issue. Leakage can also dampen consumers' own motivation to save water, if they do not see water companies making an effort to fix leaks in their network⁴. Companies need to include leakage reduction as part of their "twin-track" approach, reducing water demand alongside investing in new supply options; they have the biggest opportunity to reduce water wastage. Not only is it important to fix the big leaks that cause large amounts of water loss, it is also vital that the companies tackle all visible leaks. We have been pushing companies to do this, particularly those leaks that have been reported by the public. While a company carries out a repair, it is important to keep consumers informed of progress, especially if it is taking time to repair or likely to cause disruption. These leaks are the ones which cause the most annoyance among water consumers, and can have the biggest impact on consumers' attitudes towards using water wisely.

Although most companies have met their leakage targets for 2018/19, Affinity Water, Thames Water and Hafren Dyfrdwy missed theirs. Targets are there to be met, but should be achievable and ambitious; no company should be missing them. Going forward, we expect companies to give leakage reduction far greater priority due to the importance this has for consumers, and the wider message that failure in this area sends.

Overall leakage levels

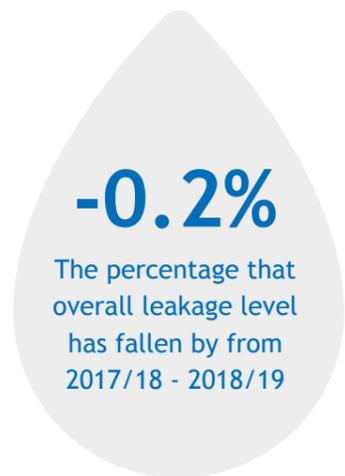
The overall leakage level reduced by 0.2%, from 3,175 Megalitres per day (ML/d) in 2017-18 to 3,169 ML/d in 2018-19 - marking the first reduction since 2015-16. The biggest reductions were seen by Portsmouth Water (-14.51%), Bristol Water (-10.57%) and Cambridge Water (-8.33%). Portsmouth

has put this large reduction down to loggers and additional field workers, and it is good to see that additional investment in this area is making a material difference. However, some companies saw an increase: Southern Water (+14.83%), Affinity Water (10.67%) and Anglian Water (4.76%).

Even though there has been a reduction in the overall amount of water lost to leakage, three companies still missed their leakage targets: Thames Water, Affinity Water and Hafren Dyfrdwy. Two of these companies serve customers in the South East of England, an area under serious water stress due to factors including population growth and changes in our climate, and where customers already have low confidence in security of supply⁵. Last year, Affinity Water had incorrectly reported its leakage figure for 2017-18, which is why we didn't include them as having missed their target. This is the fifth consecutive year that Thames Water has had the highest level of leakage per property, per day.

Hafren Dyfrdwy was a new company created in July 2018 after Severn Trent Water completed the acquisition of Dee Valley Water. The target relates to the previous Dee Valley Water supply area.

With Southern Water seeing an increased level of leakage, the company has acknowledged that it will miss its five-year average leakage target of 87.1 ML/d for the period 2015 to 2020. Customers would expect the company to hit its leakage target, especially given the pressure facing water resources in its region.



Leakage per property, per day

We report leakage on a litres per property, per day basis (l/p/d), as this provides a better basis for comparing companies' relative leakage performance.

There is a huge range in the levels of leakage per property. The overall average is 120.9 l/p/d. Bristol Water is now the best performer, reporting 77.1 l/p/d, followed by Essex and Suffolk Water with 79.1 l/p/d. These two companies have been the two best performing for the last two years. Conversely, Thames Water reported losses of 177.9 l/p/d. The company has committed to getting its leakage performance back on track for 2019-20, but it is disappointing to see that this is not likely to happen. We continue to press the company to put steps in place to make an impactful reduction in this period and in order to meet the more challenging target Ofwat has proposed for 2020-25.

In the past, leakage targets have not been particularly stretching. Even so, some of the companies have struggled to achieve these. Ofwat's Draft Determinations have pushed the overall leakage reductions by companies to an average of 17% for the next five years.

With all the companies rising to - or exceeding - Ofwat's push to reduce leakage by 15%, the companies need to start to explore more innovative measures in order to make progress in this area; especially as 2018-19 only saw a 0.2% reduction in overall leakage levels. The fact that some companies are still missing their leakage targets now, casts serious doubts over whether they will be able to fulfill the more ambitious commitments for the next five-year reporting period. There have been a few innovative solutions trialled by companies in recent years to identify and fix leaks; such as deploying sniffer dogs, using drones and satellite images, and implementing loggers and sensors. We are yet to understand whether these have a positive impact on the amount of water being lost through leakage.

Even though there has been a small reduction in leakage, it still falls short of the levels we - and consumers - expect. Companies must recognise that consumers need to see that the companies are committed to reducing wastage. If companies aren't meeting their targets now, then we would question whether they will be able to meet more challenging targets in the future.

⁴ CCWater: [Research into saving water](#)
⁵ CCWater: [Water Matters Highlights Report](#)



4. Water Usage

More than ever, water companies are aware of the impact that climate change and a growing population will have on the water resources and environment across England and Wales. Companies need to be taking significant and immediate action in this area to deal with the likelihood of a shortage of water in the future. By 2050, the amount of water available could be reduced by 10-15%. Managing the demand for water is an important part of the “twin-track” approach we encourage companies to take.

Over the prolonged period of hot weather last summer, there was an increase in water demand, with consumers using more water for activities such as filling paddling pools, hosing gardens, and sprinklers for lawns. Some companies, over this time, found it difficult to maintain the water pressure going to people’s homes and businesses, and some consumers even suffered an interruption to their water supply. We are continuing to experience drier than average weather in parts of England, which is causing problems for other sectors, such as the farming community; highlighting the need for more joined up water resources planning and management in the future.

In 2018-19 the average amount of water that a person used each day rose to 143 litres, up from 141 litres in 2017-18 - an increase of 1.4%. The biggest increases were seen by Bournemouth Water (+7.3%), Affinity Water (+4.3%) and Dŵr Cymru (+4.2%). The overall daily usage has been increasing for the last four years. Decreases have only been seen by two companies - Severn Trent (-1.5%) and Cambridge (-1.2%).

Northumbrian Water, a company without a compulsory metering programme, has expanded its ‘Every Drop Counts’ campaign across whole towns, focusing more on community engagement. Through promoting metering, offering a free water efficiency audit to assess usage, installing water saving kits and finding / fixing internal leaks, the community approach has saved more than 35,000 litres of water per day. In 2018 the average saving per property per day equated to almost 40 litres. Customers on a meter saved on average £41 per year on the annual bill.

As part of their work on water efficiency, companies should also include work with retailers and Non-Household customers (NHH), to further their water efficiency efforts. Thames Water are working with NHH customers and carrying out “Smarter Business Visits” to fit free water savings devices, urinal controls and finding and fixing “leaky loos”. From this, 6.7 Megalitres per day (ML/d) of water was saved in 2018.

⁶ <https://www.gov.uk/government/speeches/escaping-the-jaws-of-death-ensuring-enough-water-in-2050>

⁷ https://consult.defra.gov.uk/water/measures-to-reduce-personal-water-use/consult_view/

⁸ CCWater - Saving Water: Helping customers see the bigger picture

With the challenges ahead, we welcome Ofwat providing funding for companies to explore more strategic water supply options during the next price review period (2020-25), encouraging companies to work together more collaboratively, developing new resources or sharing existing ones. This will be an important element of the National Framework for water resources planning which the Environment Agency is expected to publish in December 2019. Planning at the national level, with the potential to transfer water between regions, raises a number of questions particularly relating to the proposed funding arrangements. We look forward to inputting into the consideration and development of policy in this area. DEFRA has also just launched a consultation⁷ looking at measures to help reduce personal water usage, such as changes to building regulations, labelling of fittings, fixtures and appliances, metering, incentives, water reuse and ways to encourage behaviour change. CCWater will be responding to this consultation, and will be interested to see the outcome of this, in particular what measures could potentially be taken forward.

From 2020, all companies will have a common performance commitment to reduce daily water use over the next five-year reporting period. This should help consumers to use an average of 8.6 litres per person per day less, which equates to a 6.2% reduction between 2019-20 and 2024-25. The onus is on the companies to do more, but they need to be explaining to consumers why everyone should be using water efficiently, while giving them the advice and practical help they need to do so. This is particularly important in the most water-stressed areas, but we are seeing some ambitious longer-term targets across the board.

Yorkshire Water has set a target to bring average water consumption down to 111 litres per person per day by 2045. They plan to do this through customer segmentation to target water saving messages and working with communities to reduce use.

Southern Water has created a Target 100 initiative; a programme to reduce average water consumption to 100 litres per person per day, by 2040. They are hoping to encourage everyone to think about the way they use water, and cut down the amount they use. Southern has already introduced community incentive schemes, and rewards customers where they have reduced their usage, such as providing swimming lessons for children in the local primary school for 12 months.

Recently the Love Water campaign was jointly launched by the Environment Agency and Water UK, backed by a wide range of partners including CCWater. This seeks to encourage consumers to help protect water resources for future generations. Its aim is to raise awareness of the importance of water and the role everyone plays in protecting it. The campaign also hopes that businesses will play their part to save water and protect the environment by reducing pollution and waste.

Future water shortages are a real prospect - with less water available, more people, and usage increasing. This is a key area for CCWater, Government and regulators to push companies to improve communications and work together to innovate. An increase in daily water use suggests that companies are not communicating the issues with their consumers. Companies need to think about the messages they are sending out to consumers all year round, not just during the drier parts of the year, to encourage them to use water wisely and not waste water. Research carried out by CCWater⁸ highlights the need for the companies to explain the bigger picture on climate change and population growth, in order to effect any meaningful change in consumers’ behaviour around water use. This can help consumers to understand why they need to save water before telling them how.

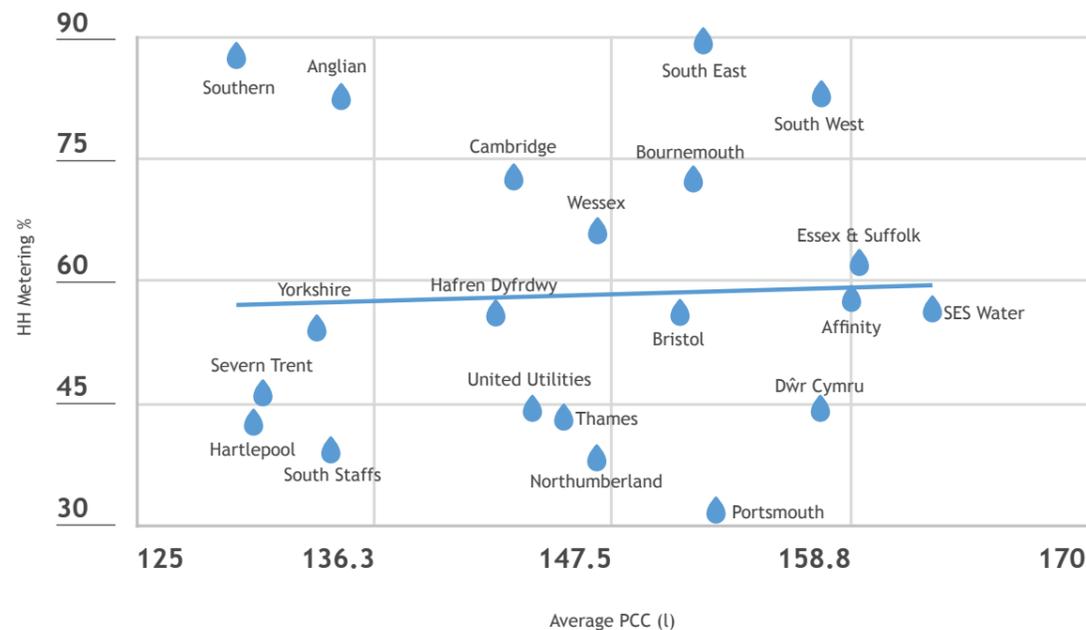
5. Metering

All customers can ask to have a meter fitted, which can reduce bills for lower use households. Some companies will fit a meter when there is a change of ownership at a property, and a number of companies in water-stressed areas are undertaking Universal Metering Programmes (UMPs). These programmes will see the company meter all of their customers, with the expectation that this will give customers more control over their water use and bills, potentially resulting in a decrease in their water consumption. Due to the South East of England being a seriously water-stressed area, there are four companies that have either completed a UMP (Southern and South East), or are still going through this (Affinity and Thames).

Currently, 55.29% of households have been metered. This is a 1.74% increase from 53.55% the previous year. It tends to be the case that customers with measured bills use less water than those customers on unmeasured bills. In 2018-19, customers on unmeasured bills used an average of 167 litres per person a day, compared to 133 litres for measured customers.

However, the graph below shows that a high proportion of metered properties does not automatically equate to lower levels of water consumption. South East Water, for example, has high meter penetration, but also has customers with high average water use. On the other hand, some companies with low meter penetration, are among those companies with the lowest water use - Hartlepool, Severn Trent and South Staffs.

2018-19 HH Metering vs Average PCC



Companies need to better understand their consumers - and their water usage - in order to continue to provide targeted advice that could help to further reduce water use. This also suggests that metering, on its own, is not the silver bullet that is needed to help reduce overall water use. Especially given that metering does have downsides for customers - particularly when households end up paying significantly more. Water use is also driven by other factors, such as demographic and geographic factors, or how well informed the consumer is about the water shortage situation and how they can save water.

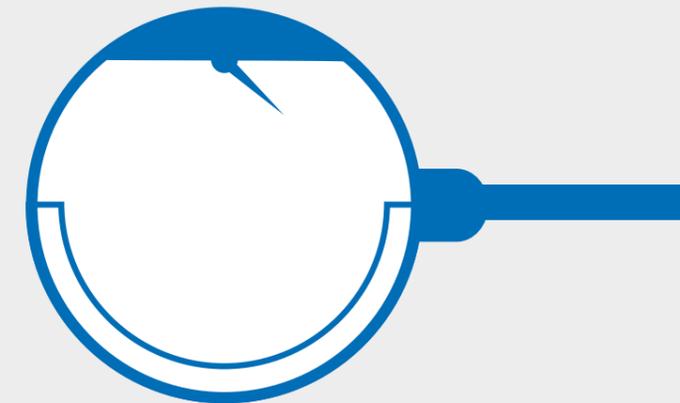
The companies with UMPs in place, or who may go through this in the future, must ensure that support and advice is available to all customers; especially those who will pay more and may therefore struggle with paying their bills once they have moved to measured charges. This is not just financial assistance in the form of a social tariff, but should include help encouraging the consumer to be more water efficient, and providing practical support with leakage for example.

Metering is on the rise. Some strongly believe that this could be the way to reduce overall water use, but the evidence does not suggest that metering always results in low water use. The importance of the communications that the company has with their consumers, encouraging them to understand the bigger picture and not waste water cannot be overstated. Where metering is introduced, the company needs to learn lessons from others that have gone through a UMP. CCWater and Southern Water commissioned research⁹ on this in order to understand consumers' views and improve future experiences of UMPs. This showed that consumers saved water to reduce their bills, but did not continue to do so if there was little financial impact. This suggests that more needs

to be done to maintain focus on water efficient behaviour over time and offer consumers more innovative approaches to reducing water use.

Smart Metering

Smart meters measure water usage remotely, by taking regular automatic readings and sending the information to the water company. They have the potential to help households keep a closer eye on their water use, and can also quickly identify a leak (inside a customer's home and/or on the supply pipe) where a spike in flow or continuous flow can be seen. These benefits have yet to be fully realised by most companies using smart meters. Many companies are starting to trial smart meters and over the next price review period, two million more smart meters will be fitted. We will see what benefits this might bring - whether to leakage or consumption and/or reduced water bills. Smart meters can also help water companies manage networks better and find/repair leaks quicker. The benefits of smart metering haven't been realised in the energy sector, so we hope that the water industry can learn from this and make best use of this technology. The benefits must be clearly demonstrated before they are rolled out more widely.



⁹ CCWater - [Beneath the Surface: Customer's Experiences of Universal Metering](#)

6. Drinking Water Quality

Consumers need to be able to trust the quality of their drinking water. Drinking water across England and Wales is regulated by the Drinking Water Inspectorate (DWI) and stringently tested by water companies to ensure compliance with the standards in The Water Supply (Water Quality) Regulation 2016 (as amended) in England, and The Water Supply (Water Quality) Regulations 2018 in Wales .

Each year the DWI publishes a report¹⁰ which reviews whether water companies and local authorities have taken the appropriate action to maintain confidence in drinking water quality and to safeguard public health.

In England, the figure for public water supply compliance with the EU Drinking Water Directive was 99.95%. In Wales, this was 99.97%. These are positive figures,

and have remained much the same since 2004. It showcases that water quality for consumers is high and that companies are performing well to maintain compliance with the European Union's Drinking Water Directive and this means our water supplies are among the best in the world.

Although compliance with drinking water quality standards is high, this does not mean that all consumers are satisfied with various aspects of their water supply. The result of this could be consumers choosing to drink bottled water over tap water. Knowing how strict the regulations are around drinking water quality, the water industry - including CCWater - needs to ensure that consumers are aware of the high standard of our drinking water and are reassured that it is safe - and cheaper - to drink water straight from the tap.

Our Water Matters research¹¹ also looked into consumers' satisfaction with their water supply. It found:



¹⁰. www.dwi.gov.uk/about/annual-report/2018/index.html

¹¹. CCWater - [Water Matters](#)

7. Sewer Flooding

Sewer flooding, both inside and outside consumers' homes, is an unacceptable service failure. It can be extremely traumatic for the consumers who experience it, and can have a real impact on people's day-to-day lives. It is, therefore, good to see a decrease in both internal and external flooding: -8.7% and -6.2% respectively. There has also been longer-term improvements with reductions being seen over the last 5 years. The weather can also have an influence on sewer flooding; the drier weather that we have experienced throughout the year may have contributed to the decrease in this area.

New guidance published by Ofwat for reporting from 2020, aims to improve the consistency of sewer flooding data and

make it easier to carry out comparisons of performance across companies. This is a positive step; we have previously commented that the differences in the way that sewer flooding is currently reported makes it difficult for us to make direct comparisons between companies.

Over the last 10 years, external sewer flooding has featured in the top 10 categories of complaints to CCWater. Typically, external sewer flooding gets less attention from the companies than internal; but this can also be an emotive subject, and affect people's everyday lives. It can have a much wider impact, such as traffic disruption, and affect large groups of consumers.

Interestingly, Yorkshire Water has published exploratory research to understand how service failures impact customers' trust and ultimately their likelihood to refuse to pay bills. It found that internal flooding events were the second biggest factor that would impact customer trust behind odour issues.

57%

The analysis of individual customer data also found that internal flooding events led to the most significant increase in the likelihood of a customer going into arrears (57% more likely).

Flooding inside the home

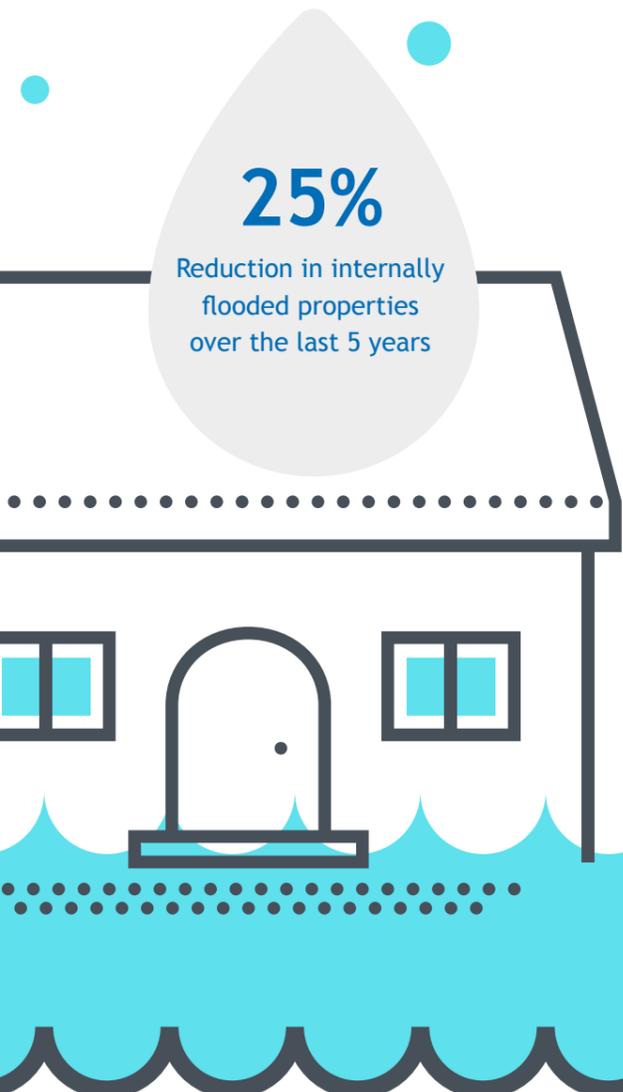
Over the last five years, there has been a 25% reduction in the total number of properties flooded internally. In 2018-19, 3,252 properties were flooded internally; this was a decrease of 8.7% from 3,560 properties in 2017-18. It should be noted that the drier weather experienced throughout the year may have contributed to this decrease. Whilst this reduction is positive news for consumers, there are five companies that have seen an increase in internal sewer flooding: Northumbrian Water, Wessex Water, Thames Water, Severn Trent and Southern Water.

Flooding outside the home

Incidents of external flooding have also decreased, with a 38.6% reduction over the last 5 years. Incidents reduced from 25,045 in 2017-18, to 23,489 in 2018-19, a reduction of 6.2% in one year. It is good to see this reduction, but three companies did experience an increase to external sewer flooding: Northumbrian Water, South West Water and Southern Water.

By the end of 2022, water and sewerage companies in England and Wales have agreed to produce Drainage and Wastewater Management Plans. These, like the Water Resources Management Plans, will push the companies to work more collaboratively with other parties that have responsibilities for managing flooding and drainage when it comes to long-term planning.

We were supportive of the collaborative work that the industry was doing through the 21st Century Drainage Board on long-term planning and resilience of the drainage network, so it is disappointing that this has now been disbanded. It had made positive steps to raise awareness and coordinate a national campaign on the issue of sewer misuse, so we are concerned that there has been nothing proposed to replace this. The industry particularly needs to continue to inform consumers of what can and can't be flushed down the toilet, which could help to prevent sewer blockages from occurring and protect the environment.



25%
Reduction in internally flooded properties over the last 5 years

8. Pollution Incidents

It is important that the sewerage system is resilient and pollution incidents caused by water companies are avoided. Consumers trust that their water company is able to manage and operate their sewer networks and sewage treatment works responsibly and efficiently, minimising their impact on the environment.

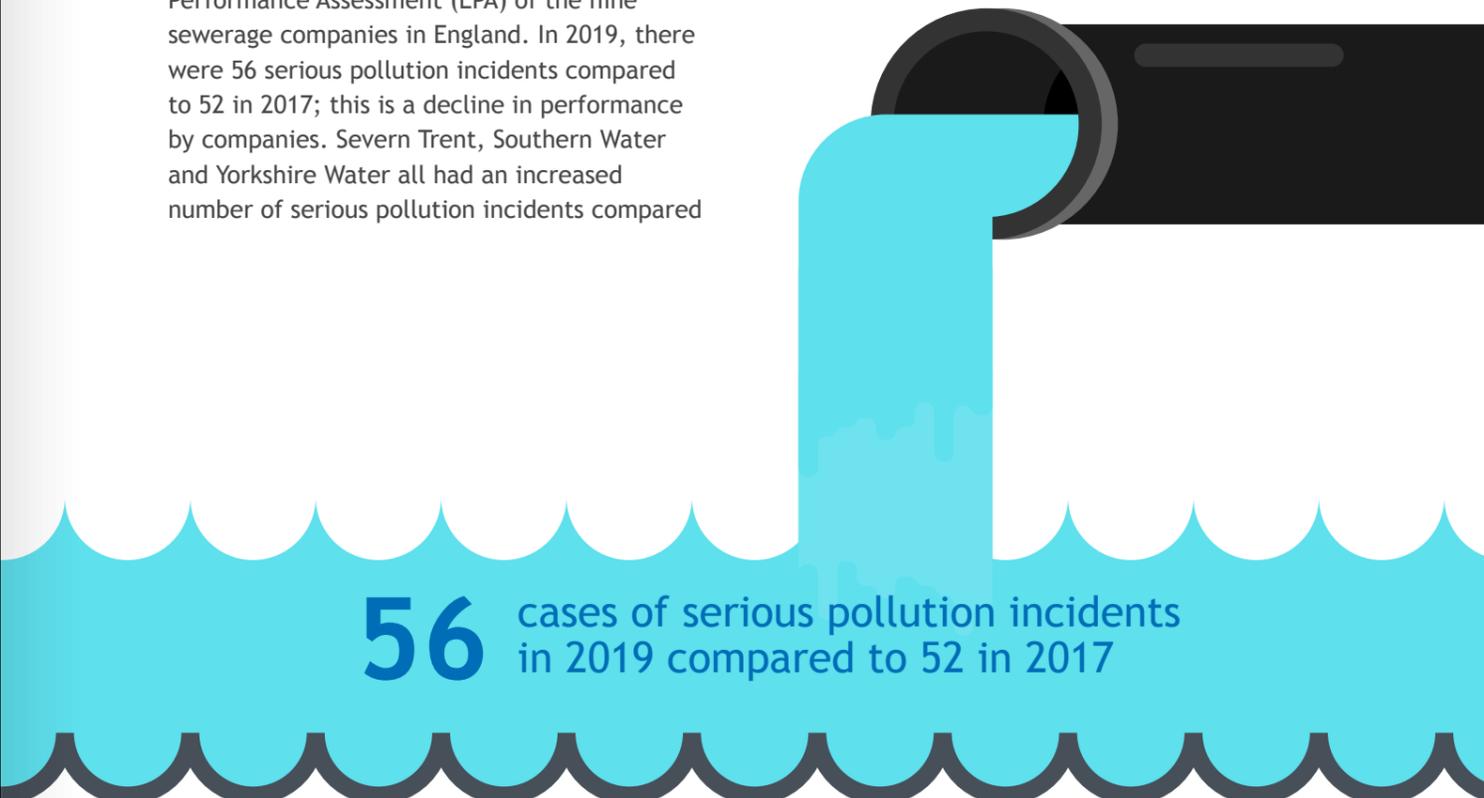
The Environment Agency (EA) and Natural Resources Wales (NRW) are the environmental regulators for the water industry in England and Wales respectively. They closely monitor the companies' environmental performance, and publish reports based on companies' performance on a number of measures. Both the EA and NRW give companies a star rating out of four on how well they have performed to protect the environment. The four ratings are: leading (4 stars), good (3 stars), requires improvement (2 stars) and poor (1 star)¹².

Each year, the EA publishes an Environment Performance Assessment (EPA) of the nine sewerage companies in England. In 2019, there were 56 serious pollution incidents compared to 52 in 2017; this is a decline in performance by companies. Severn Trent, Southern Water and Yorkshire Water all had an increased number of serious pollution incidents compared

to the previous year. These companies all lost a star under the ratings system. The EA highlighted that none of the companies, except for Northumbrian, are performing at the level that the environment needs.

The EA saw the same level of self-reporting of pollution incidents by the companies compared to 2017, which is where the company reports the incident to the EA before anyone else - this shows that the companies are aware of the events and quick to take action.

In 2019, the EA will launch its 'Improving Water Company Performance' programme. This will review how it carries out its regulatory role with the companies, and makes improvements where necessary. We hope that this will push companies to make improvements to their environmental performance.



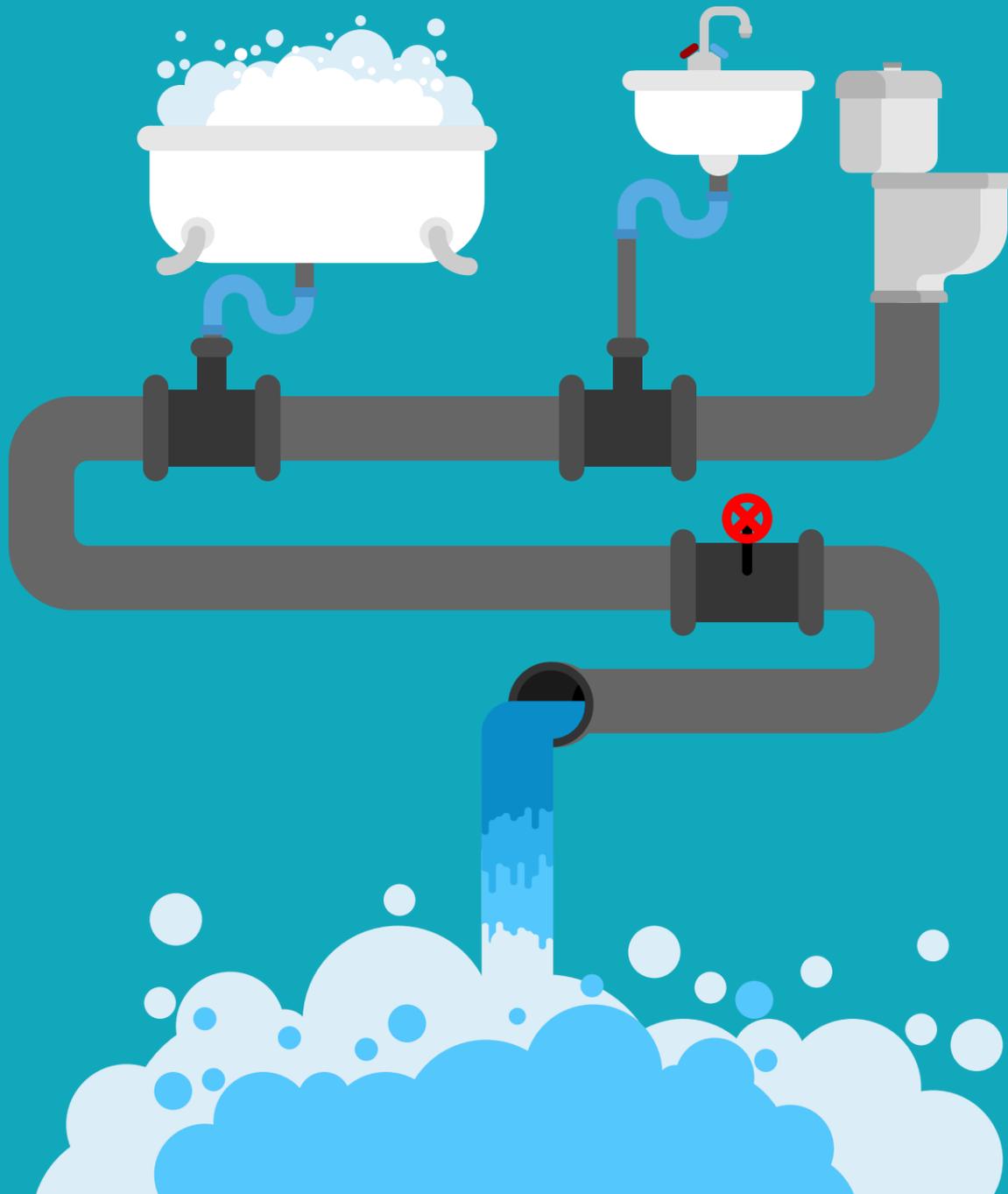
56 cases of serious pollution incidents in 2019 compared to 52 in 2017

¹² www.discoverwater.co.uk/environmental-performance

NRW also publishes Annual Performance Reports, looking at the performance of Dŵr Cymru and Hafren Dyfrdwy in Wales. They use the same metrics and methodology as the EA uses in the EPA, to be able to compare companies across England and Wales. In 2018, NRW reported that Dŵr Cymru has improved from a two star company rating, to a three star. As Hafren Dyfrdwy only came into existence in July 2018, there is no comparison from previous years; but NRW is pleased with Hafren's performance over the year on pollution incidents, self-reporting and permit conditions.

Southern Water recently had to pay £126m to its customers, following serious failures in how it operated its sewage treatment sites and deliberately misreported its performance. The Environment Agency is still investigating Southern Water for the environmental impact of its failures. Misreporting like this will have a huge effect on consumer confidence and trust in the company.

We're seeking assurances from other companies that they are complying and will not let their consumers down in the same way. This highlights the need for Ofwat to look into all companies' reporting, carrying out horizontal audits to make sure that all companies reporting is compliant.



9. Conclusion

Given the pressures on the water industry, particularly from climate change and population growth, we are pleased to see a growing consensus around what needs to be done to increase resilience in the sector over the longer term. This is being driven by more integrated planning and development, supported by a potential review of a number of policy areas. We welcome the money that is being spent on exploring strategic water resources options nationally, but continue to have questions about the funding mechanism.

Our Water Matters report highlighted that customer satisfaction with value for money and fairness of bills has plateaued at an unacceptable level. Both of these are linked, but overall satisfaction with fairness of bills directly relates to how well a company is performing. Companies should be looking to continually improve the services that they offer to customers to help begin to drive up satisfaction with value for money and fairness. Companies also need to look at the here and now, and tackle challenges with performance that is affecting their current consumers. Our analysis has uncovered the following areas where we have the most concern:

Supply interruptions - Companies saw a 39.9% reduction on supply interruptions during the year, a figure skewed by the impact of the extreme cold weather followed by a rapid thaw in 2017-18. Even compared to the more 'typical' year of 2016-17, supply interruptions are still up by 21.8%, which is extremely worrying to see. Companies need to demonstrate that lessons have been learnt from the 'Beast from the East', and are building enough resilience into their network to prevent consumers being cut off from supply for long periods of time.

Leakage - This has seen a reduction in 2018-19, both in terms of the total amount of water lost and on a per property basis. However, with targets still being missed by some companies, we are concerned as to whether companies will be able to achieve future targets, particularly ambitious ones that have been set by Ofwat for the next price review period. Failure to address leakage can undermine efforts to encourage consumers to value their water supply and services, so we hope to see companies pushing to bring leakage down and all companies hitting their targets going forward.

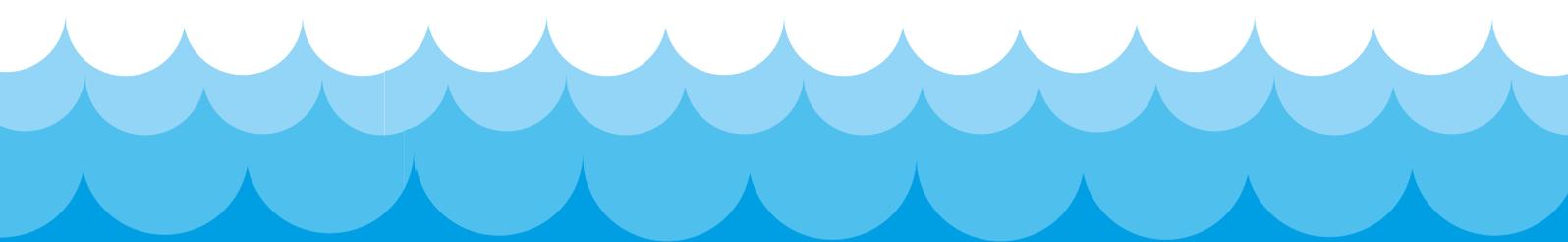
Water Usage - The responsibility of bringing this down lies with the companies. With daily water use increasing for the fourth year running, companies need to be sending out targeted and effective messaging to consumers to help them understand the value of water. Although meter penetration is slowly increasing across all companies - not just those with compulsory metering programmes - it seems that metering on its own is not the answer to reducing how much water consumers use.

Current sewer flooding performance across the industry is improving, which is welcomed - although any sewer flooding is unacceptable to customers and so companies need to ensure that they are making improvements to drive sewer flooding incidents down further. We are glad to see that companies will soon be consistently reporting in this area, making it easier to make comparisons. We hope to see the work of the 21st Century Drainage Board continue in another guise to build upon the success of this group in reducing sewer misuse and educating consumers on what can and can't be flushed down the toilet.

With the recent fine of Southern Water for their operation of sewerage treatment sites and misreporting, we hope that this sends a strong message out to other water companies that this is completely unacceptable. Consumers will lose trust in the company if they are not operating sites or reporting appropriately.

In order to ensure we continue to have resilient water supplies in the long term, companies need to think more strategically and beyond their own area, when it comes to water resources planning. Collaboration with other stakeholders, other companies in their region and between regions, under the new National Framework, has the potential to deliver more resilience in the longer term and to ensure there is sufficient water for all, including the natural environment.

Companies also need to make it easier for consumers to be able to trust their water supply, and have confidence that it will be there in the long term. This can be difficult when companies are not accurately reporting their performance, hitting targets, or doing their bit to bring water usage down. With the start of the next price review period just around the corner, and stretching targets being put in place, we hope to see companies rise to this challenge - actively engaging with their consumers, and innovating to improve their networks and future resilience.



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