

Environment, Food and Rural Affairs Committee

Oral evidence: Pre-appointment Hearing: Chair of Ofwat, HC 1253

Wednesday 20 April 2022

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Members present: Neil Parish (Chair); Barry Gardiner; Dr Neil Hudson; Robbie Moore; Mrs Sheryll Murray.

Environmental Audit Committee Member also present: Philip Dunne.

Questions 1-70

Witness

I: Iain Coucher, Defra's preferred candidate for the Chair of Ofwat.

Examination of witness

Witness: Iain Coucher.

Q1 **Chair:** Good morning. Once the Secretary of State has put you in place, we then look at you, decide whether you are okay or not, and send on our report to the Secretary of State. I do not think it makes a lot of difference to his decision overall, but we are really glad to see you this morning. We will be robust but we will try to be fair. If you are uncomfortable at any stage, you must say so. You are probably, shall we say, a fairly seasoned operator. You will probably cope with the Select Committee process. Would you like to introduce yourself, and then we will get to questions?

Iain Coucher: My name is Iain Coucher. I am delighted to be here and to be scrutinised by everybody here. I am looking forward to the possibility of becoming the new Ofwat chairman.

Q2 **Chair:** We are joined today by Philip Dunne, who is chair of the Environmental Audit Committee. He is guesting in this morning, and he will also be asking questions. We are delighted to have him. I occasionally go and guest into Environmental Audit; it is one of the ways that we share some of the responsibilities. Naturally, the Environmental Audit Committee is also very interested in who is chair of Ofwat.

I will start with the first question. Why did you apply to be chair of Ofwat?

Iain Coucher: I have always been attracted to organisations or industries that do societal good, whether that is transforming the way in which we move around London Underground, with the introduction of smart cards, sorting out London Underground's investment schemes, National Rail, or, indeed, defence of the nation. These large-scale, complicated industries that do societal good have always been appealing to me. I have always been passionate about the environment; you will see that from my background and CV. I genuinely believe I have the skills, experience and capabilities to do a good job here, so when they rang me up I was delighted to be considered.

Q3 **Chair:** It would be fair to say that the chair of Ofwat is almost a cross between a chair and a chief executive. Talking to the Secretary of State, he believes you have the qualities of both. It is a bit of a loaded question, but would you see that as the case?

Iain Coucher: Yes. When you look at the water industry, for whatever reasons we now have a distributed delivery model. Operational water services are performed by 15 to 20 different water companies. They tend to be focused on the shorter timescale and shorter time horizon. Ofwat sits between the distributed delivery of water and water services and the high-level specification by Government.



HOUSE OF COMMONS

As a result of that, Ofwat performs a degree of an industry leadership role. It has two main roles. Of course it has to regulate an industry, hold that industry to account, do periodic reviews and make cost decisions, but it also has that longer-term strategic planning aspect, thinking about the needs of the short, medium and long term, to corral an industry to do much longer-term planning. That is where I have quite a bit of experience. If you were to split the two roles you tend to get the chief executive more looking at the regulatory determination aspects. You are right that to a degree the chairman is a chief executive, but more on the strategic, long-term planning. That is the experience I had, particularly from running Network Rail, which was similarly in the middle.

- Q4 **Chair:** We will ask you, naturally, detailed questions on that and where you see the role with the water companies as well. You have stated that you do not have any real or perceived conflicts of interest in taking up this role. Do you think there could be a perceived conflict of interest between your work with HIG Capital, which specialises in investing in infrastructure for essential services? I imagine they probably do some investments into water companies as well.

Iain Coucher: HIG is an American institute that has a small fund that is looking at infrastructure in Europe. I have been a retained adviser with it for a couple of years. Its interest in me is primarily because of my experience in rail and storage distribution facilities. They have no water interests, but I have made it clear through the entire process, as I will make it clear to people here, that if there was ever a conflict there, I would step away from that.

- Q5 **Chair:** You do not think that you ought to step away sooner rather than later, a bit like the Chancellor's wife paying tax in the UK? It might have been better had she decided it before the press and the world decided it for her. I am being quite open with you, but do you think it is better to do it right at the beginning, rather than have it as a problem later on?

Iain Coucher: I might well do that. I have not really thought beyond this process today. If everybody felt there was a conflict there then I would step away. I did tell HIG Capital at the time that, were I to get a job, it is likely that I would have to stand down, so it will not come as a surprise to them.

- Q6 **Chair:** The trouble today is that it is not necessarily what is right and what is wrong; it is what is perceived. The Chancellor has that matter in hand. I would gently say to you that, if you were to leave that role, it would just be a little safer; that is all. I will park it there; that is for you to decide.

You have discussed quite a bit of this, so you can add a bit to it. What skills do you think you bring to the role? You did highlight a little bit just now, but are there any further ones?

Iain Coucher: Most of my time over the last two decades has been working in these large-scale, complicated, infrastructure-intensive



HOUSE OF COMMONS

operational organisations where asset management is key, where there is a delivery of an essential public service that has a high number of stakeholders, different perspectives about what is required, and large-scale capital programmes. That is exactly the sort of thing we find here at Ofwat. It is the more strategic, operationally intense, expensive and long-term projects, which I have spent two decades doing. I feel very comfortable in that space.

Q7 Chair: It is an interesting one. We will get a detailed question on the water companies in a minute, but as Ofwat you do not run the water companies yet you feel that you would want to give them strong advice. Is that how you see your role?

Iain Coucher: Yes. If you were to compare life at Network Rail, it is a large national organisation with railways and bits of railways in every corner of the UK. All but four MPs have bits of railway in their constituency, so it goes everywhere. As chief executive of that, you cannot control everything that goes on, so you manage it as a series of distributed companies out there. The size of our geographic regions that we are looking after, in terms of the delivery of services by train operating companies to consumers, is about the same size as a water company, so I feel very comfortable about sitting above that, holding those individual parts of the business to account for operational delivery. I did not get into the detail and make decisions about it, but you corral the industry to deliver for consumers, to minimise costs and to invest properly. In my view, it is not dissimilar to that.

Q8 Chair: Are there specific areas where you will want to acquire new skills or knowledge?

Iain Coucher: Coming from outside of the industry I clearly lack some domain knowledge. I have all the background in similar industries, but I lack the specifics about water. I do not necessarily see that as a drawback. I have a number of experiences of going to industries that I have had little exposure to, such as railways and nuclear weapons, but it brings fresh energy, fresh ideas and new challenges. I am enthusiastic about that, but it is specific domain knowledge.

I will spend a lot of time between now and taking up the role, and certainly in the first few months, getting out, looking at the different types of operations, the different types of water companies and the different areas and geographies. Yes, it is more domain knowledge.

Q9 Chair: Although Scottish Water will not be part of your responsibility, many years ago, when we did an inquiry, we actually looked at the situation in Scottish Water, which of course is just one nationalised company, but has a degree of privatisation through some of the billing and other structures. It is an interesting industry and it would pay you to look quite widely at it all, really. What is state owned and what is not state owned is getting very muddy these days, is it not, not least in what you were previously looking at, Network Rail?



You have more or less answered the last question around what steps you are taking to better understand the water industry, and that is very much to get stuck in and have a hands-on look at it. Is that what you are saying?

Iain Coucher: Yes. I clearly did not want to pre-empt this process, so I have not been out to speak to people. I have done a phenomenal amount of reading, including the EAC report, which was very informative. I have done a lot of reading but I have not yet engaged with anybody from the sector. That is the next stage: to get out there, talk to the stakeholders—all the ConsumerWatch organisations and different regulators, the EA, the DWI, the Welsh Assembly members—and really absorb everything, to help build up that picture in my mind of how this works as a complicated system.

Q10 **Robbie Moore:** What do you see as the main challenges of being a regulator?

Iain Coucher: Our job is to deliver two aspects of the obligations on the water industry. The first is to make sure that the water companies are delivering for consumers. Consumers rightly expect to have reliable, resilient, dependable water systems and water services at an affordable price, and to look after the vulnerable people out there.

There is also a wider obligation to ensure that those water companies are minimising the impact on the environment. They do lots of activities. They do have an impact on the environment and it is their obligation, because society and communities expect water companies to act responsibly and to minimise impact. The regulator is there to ensure that they comply with their regulatory obligations, keep bills low, do those difficult trade-offs between investment today, or expenditure today, and long-term planning and investment in the future. It is more about holding them to account, but ensuring that they have capabilities that meet the needs of today and tomorrow.

Q11 **Robbie Moore:** One of those challenges of being a regulator is maintaining independence—independence from Government but also independence from the very bodies that you are regulating, i.e. the water companies. How in your role would you see that you would be able to maintain that level of independence as a regulator between Government and the water industry?

Iain Coucher: The second part is easier, drawing a clear distinction between regulating the industries. There is a clear delineation of accountabilities and roles and responsibilities there, so I do not have any particular concerns about holding water companies to account.

Regarding the relationship with Government, Defra and the Welsh Assembly, they set the high-level specification about what is required and expected from the water companies, and it is then down to the regulator to ensure that it uses its skills and capabilities to deliver that on behalf of society. Independent regulation is an important aspect of the water



HOUSE OF COMMONS

industry. The water industry and investors expect a degree of independence, stability and long-term planning, so maintaining that independence from Government is also key.

I do not think there has ever been an issue between Government and regulators overstepping each other. They are always very mindful and respectful of their roles and responsibilities. I do not think that is going to change, but I agree that it is important that we do have independent regulation.

Q12 Robbie Moore: We will get into some of the detail in further questions to follow, but as a regulator you will be put under extreme pressure, not only from Government, in terms of the Government saying, "This is what we are expecting of you", but also probably being heavily lobbied by water companies, saying, "This is what we feel is the better direction that should be taken for the good of the industry and for consumers". How do you deal with being put under an extreme amount of pressure? Can you give me an example of where you have been put under a similar type of pressure from different parties, so that you are still able to maintain the vision as the regulatory body?

Iain Coucher: Yes. I am fully expecting a huge amount of pressure from all parts, whether it is from the consumer side or the water companies trying to ensure they get decent returns for investment activities. We are fully expecting that, and I have no problem with that. I have always been able to look at people and understand what they are trying to achieve. I understand a lot about the water companies, about what they can do, what they cannot do, what is expected of them and what is deliverable. I have no problem in doing that.

In my life at Network Rail we certainly had a lot of pressure put on us. I suspect the water industry is not dissimilar to railways, where nearly everybody wants you to spend more money and do more. In the rail industry it was, "We want faster trains, more frequent trains, more punctual trades. We want trains 24 hours a day. We want trains at weekends and on bank holidays." We could not deliver all that because we also have deliver lower cost of fares and make efficiencies, so there was this constant tension between people who wanted you to do more and would lobby you and pressurise you to do more, whether it was from MPs, Government, train companies or consumer groups.

You really have to try to figure out what is possible and what is the right balance. It is a balance. There are no right or wrongs in there; it is just trying to get an accommodation of views. Those are the skills I will bring to Ofwat, or continue for Ofwat: trying to get that balance between what is right and what is wrong.

Q13 Mrs Murray: You mentioned the Atomic Weapons Establishment in an earlier question. When you were running the Atomic Weapons Establishment, the regulator issued the AWE with improvement notices for failing to adequately address shortfalls after receiving regulatory



advice. Can you explain what happened?

Iain Coucher: There were a number of facilities at AWE that were in poor condition, through years of underinvestment—a number of years ago, before my time, I would add, but I understand it was whilst I was there. Decisions to replace a number of buildings that had reached the end of their life had been delayed and delayed. There were a couple of new projects that were underway, designed to provide the facilities to meet the needs, which had been delayed. The regulator issued us with instructions to ensure that the existing facilities continued to be maintained at an adequate level whilst the new buildings were taking place. It was a historic failure, because in the past we had made commitments to evacuate certain buildings by a certain date, and those dates had not been met.

Q14 **Mrs Murray:** What lessons can you draw from that experience, as you become a regulator?

Iain Coucher: We got on really well with the regulator at AWE, the Office for Nuclear Regulation. We were all trying to do the same thing. We were trying to ensure the safety of our facilities and that people are not exposed to unnecessary risks. The key to that relationship was dialogue, to explain what was going on and not to try to be clever, not to try to hide things, but to be open and candid, and make them welcome—“Come and see what we are doing”—so they had the fullest picture of what we are trying to do, and then to make commitments and deliver on those commitments.

In the past that perhaps had not been the case. There was an antagonistic relationship between the regulator and the industry, or the company. I genuinely believe in fair and firm regulation. Do not get me wrong: I am not trying to be weak on that, but antagonisation got in the way a little bit. It was more about being open and candid, welcoming and sharing problems. That is how I would always like to work with the industry as a regulator.

Q15 **Mrs Murray:** Could you expand on that a little bit? How would you deal with a body that was not responding to Ofwat’s regulatory advice? Can you give me examples of how you would avoid an antagonistic approach?

Iain Coucher: My experiences of regulators in the past have been both the Office of Rail Regulation and the Office for Nuclear Regulation. In both instances at the early stages they were antagonistic. They were confrontational. It was an “us and them” type of approach. That is not helpful. You have to get in there and have dialogue, talk with them and be candid. Do not be a soft touch by any means; be firm and fair.

Ultimately the regulator has powers to enforce, but that is not necessarily the primary way of going about it. You want to try to get people to do it voluntarily rather than through enforcement action, but we would talk to them.



HOUSE OF COMMONS

- Q16 **Mrs Murray:** You mentioned historical problems at the AWE. Clearly it was a lack of early intervention. How would you deal with it if somebody constantly tried to delay taking actions that the regulator had asked for?

Iain Coucher: The regulator has a lot of powers in enforcing compliance with that. I would have no hesitation in using the full gamut of regulatory powers and authority to ensure compliance, but we do not want to get there, if you know what I mean. I know it is necessary and that these things do happen.

If you go back to the AWE example, clearly the organisation knew it was going to fail to deliver on execution of a project in time to meet regulatory obligations. It came as a surprise to the regulator when it started to be apparent that was going to happen. It would have been much better for the company had they have rung the regulator up in advance of that, just saying, "Regulator, we have issues in delivering this. Can we have a conversation?" It is more about early engagement, and I would encourage all of the water companies to come and talk to us if they are struggling to meet regulatory obligations.

- Q17 **Barry Gardiner:** My understanding is that, for the Aldermaston and Burghfield sites, which were under enhanced regulatory attention, the ONR had anticipated that those issues would be sorted before you even joined, so precisely what you were just saying with Mrs Murray, but they remained under that regime throughout your tenure at AWE. Why was that? Why was it not something that you were able to resolve?

Iain Coucher: In 2016 I went into AWE to address a number of challenges the organisation had gotten into. One was about production rates, which were falling a little bit behind where they needed to be. The second was in the construction of a large-scale facility that was destined for the Burghfield site. This is all in the public domain. I am conscious of security classifications here. There was a facility being built in the Burghfield site that was due to be completed in 2017 and was running late, so when I got there in 2016 my challenges were to sort out production rates and to address this large-scale capital building, which at the time was going to significantly overspend and not be completed until 2027.

The ONR had put in operational restrictions on the existing facility, and they would remain there until production was transferred from the existing facility into the new build, which was not going to happen anytime soon. That is why those restrictions are in place, because it required the completion of the new building.

- Q18 **Barry Gardiner:** Did you advance that project in some way?

Iain Coucher: Yes.

- Q19 **Barry Gardiner:** When was that transfer able to be made?

Iain Coucher: It has not yet happened, but it is soon.



HOUSE OF COMMONS

Q20 **Barry Gardiner:** It is a substantial period of time.

Iain Coucher: Yes. I am just nervous about the security classifications here, but the original project was going to be about 10 years late. We brought it forward. We gave public commitment to the ONR to complete the transfer in 2024. That is why there were enhanced restrictions over it, because we were operating in a facility that was deemed to be less than perfect.

Q21 **Barry Gardiner:** I take that. You were there in 2016, and you spoke a moment ago about the good relationship and the good dialogue that you had with the ONR. Why was it in 2019 that that improvement notice was served?

Iain Coucher: I am not entirely sure I recall which improvement notice was served.

Q22 **Barry Gardiner:** Relating to the way it undertook risk assessments for organisational change that might affect safety. That was a breach of the law three years into your term.

Iain Coucher: It was an event that took place prior to me starting, or it may well have just happened as I got there. The way these things work is if you are to undertake an organisational change you are required to assess the risks, to notify the unions and the ONR, and then get approval for making the change. I believe that we failed in one of those consultation processes before implementing a change.

Q23 **Barry Gardiner:** Sorry; I just want to be clear here, because you have implied that there was an event before you took over, but this is three years into your term that the ONR was saying that it needed to serve that notice because of the way the organisation undertook risk assessments for change that might affect safety. That does not relate to something previously, does it?

Iain Coucher: There were two events that the ONR was investigating. One was before my time and one was whilst I was in the early days.

Q24 **Barry Gardiner:** It is the one relating to the serving of the improvement notice in 2019 that I am referring to.

Iain Coucher: Yes. The improvement notice to which you refer covered two events, and it took a while for these things to come through. It was right and proper that, whenever you make an organisational change, whether it is in the railways or in the nuclear industry, you are required to assess the safety risks that are involved in doing that. There are multiple levels. It is either a minor change, a medium change or a major change. There was a disagreement as to whether the change that was put through was classified as a minor one or a major one, and in the end the regulator concluded it felt it was a major one and served a notice on us. We at the time believed it was a minor change that did not require regulatory approval.



HOUSE OF COMMONS

Q25 **Barry Gardiner:** There are shades of the Prime Minister here. Were they right or were you right?

Iain Coucher: They were right.

Q26 **Barry Gardiner:** Let me move on. Chair, I am grateful to you for just allowing me to flesh that out. What I wanted to focus on was your time at Network Rail. You left Network Rail in June 2010. That was for personal reasons, I understand. I take it those personal reasons no longer obtain.

Iain Coucher: Correct.

Q27 **Barry Gardiner:** I wanted to ask you specifically about the fact that 155 former staff signed compromise agreements, non-disclosure agreements, and received over £9 million in total as part of those compromise agreements. Why was it that 155 members of staff—and it says that most of them were female—had to do that?

Iain Coucher: I do not recall the specific instance that you are referring to, but I will try to cover it in generalities.

Q28 **Barry Gardiner:** What do you not remember—the 155?

Iain Coucher: Yes. I was going to cover it in generalities, because there were quite a few instances where we required people to leave the business for a range of reasons—sometimes non-performance, sometimes organisational changes.

Q29 **Barry Gardiner:** There would be no requirement for a non-disclosure agreement for non-performance. If they were in the wrong, why gag them?

Iain Coucher: I am not defending it, but at the time we would use a straightforward compromise agreement, which says, “We are going to release you from the business. Here is a settlement that you get, and as part of that there is a non-disclosure agreement”. That is wrong. I would have no problem about including a disclosure provision if people want to do that. There were just people exiting the business caught up in that. I was not aware that it was predominantly female. I have to say that we did probably a lot more than 155 in the course of my eight years there, so that is why I was slightly caught by the numbers.

Q30 **Barry Gardiner:** There were allegations—in fact, this was stated in the House of Commons—that under your watch the head of HR presided over a culture of fear and bullying. Why was that allowed to happen under your watch?

Iain Coucher: I do not think it was. We were very firm about dealing with any instances of bullying and coercion or whatever it may be. We took firm lines on that. There were always allegations of that floating around, but we were very clear about the expectations of leadership and management. We put a lot of effort into raising the benchmark about what we expect of our leaders and our managers, how to deal with people fairly, and to eliminate any accusations of bullying and coercion.



HOUSE OF COMMONS

- Q31 **Barry Gardiner:** I am concerned that the way in which you are responding to this would appear to me to say, "This is the way we run the organisation or an organisation that I head," rather than saying, "Something was wrong here that these people had to be asked to sign gagging orders." Whatever happened in the past, they were widely reported. There were reports in the national newspapers about the bullying and the harassment that took place.

Rather than saying to this Committee, "Look, it should not have happened and I would not stand for it in any organisation that I was wanting to become part of," you seem to be saying, "We laid down strong expectations for people, and if they did not meet up to it, that was their problem and they signed a gagging order." I am characterising it, but only to get you to understand how I feel about the response that you have just given to us.

Iain Coucher: Let me take a step back. Redundancy is a relatively straightforward thing, because there is a process you go through. Whenever we needed to make changes and to take people out of the organisation, it was practice just to move them out and to come to some kind of financial settlement. It was covered by a standard compromise agreement.

Barry Gardiner: Rather like P&O have just done.

Iain Coucher: Rightly or wrongly that included a non-disclosure agreement. That is probably wrong. We should not have non-disclosure agreements, because it is a straightforward transaction about, "We have asked you to go. Here is some money to compensate you." It covers loss of earnings and all those types of things, so it is a straightforward agreement to let people go.

That is a slightly different point to the accusations about bullying. I was very strong with all of our people. We do not permit, accept or excuse any examples of bullying and coercion, and whenever we heard about it, we would deal with it. That was against our managers when we did hear reports of it.

- Q32 **Barry Gardiner:** What happened to Mr Bennett? He was the head of HR that was accused of presiding over that culture of bullying. I take it you were his direct line manager. There were public allegations against him.

Iain Coucher: We investigated all the allegations. We felt, on the balance of the evidence that we saw, that, whilst conversations were had, there was no action to be had against that individual. He was processed in the normal way. We did not excuse any kind of bullying, but we did not find any evidence of bullying. There were accusations around; you would expect us to investigate those, and we duly did. We had a long, detailed investigation about these accusations, and we believe we took the right action at the time.

- Q33 **Barry Gardiner:** What about the accusation that related to your business



HOUSE OF COMMONS

partner, Victoria Pender, who I understand received payments for £180,000 every three months. What were those payments for, and why were those allegations not satisfactorily dealt with?

Iain Coucher: There was a campaign against us. It was quite clear. There were various allegations made against me and other members of my executive team.

Q34 **Barry Gardiner:** I just want to understand what the payments were for and why that whole cloud—that was what the subsequent CEO called it—hanging over Network Rail was there and why it was not dispersed earlier.

Iain Coucher: All of the allegations were investigated three times. There was an internal investigation by internal audit, there was an external audit, and then they were investigated by an independent QC, and they were found to be completely and utterly false, including the allegation to which you have referred. There were no payments.

Barry Gardiner: There were no payments.

Iain Coucher: There were no payments. That was completely exonerated or cleared by Anthony Smith, the QC.

Barry Gardiner: Thank you. I was told to be robust but courteous, and I hope I have been.

Iain Coucher: I would expect you to be. These are serious allegations.

Q35 **Robbie Moore:** Turning back to Ofwat and strategic priorities, what do you see, as you are sitting there now, as the biggest issues that are facing Ofwat?

Iain Coucher: We immediately plunge straight into PR24. We are halfway through that process, and it is critical that we get that right and we do not lose any momentum on there. We have to make sure that, whenever I go in there, I do not cause any type of hiatus. It is a critical timeline, so the first thing is we have to get the PR24 process out there, consulted and settled.

The second thing is that we absolutely have to get on top of the issue of stormwater overflows and the environmental performance of the water companies, which has been very poor.

There are a number of organisations that are out there that are financially frail, and we have to get on top of their financial performance.

The fourth thing, having got those immediate issues at least understood, is to put much more emphasis on the longer-term planning. We face a situation now where, like many of these infrastructure businesses, we have old, ancient, dilapidated assets, often in inaccessible locations that we have to get to. We have increasing urbanisation putting strain on the water system, and then we have the impact of climate change, which will have a dramatic impact on that. I worry a little bit that the focus has



HOUSE OF COMMONS

been a little bit too much on the short term, with not quite enough thinking about the long-term impacts. It is those four areas.

- Q36 **Robbie Moore:** Let us have a quick canter through those four main areas. For you, what would your single priority be? In your term of office and your term of tenure, what would you want to be remembered for achieving?

Iain Coucher: Ofwat does a pretty good job in terms of regulating the industry. The one area where I would really like to have an impact is in that longer-term planning, making sure that we have a reliable, resilient water industry that is going to support society for the coming decades, thinking of longer timescales. I would like to be remembered for that.

- Q37 **Robbie Moore:** That sounds very high level, but what does that mean? How do you see that being tangible to an individual resident living in my constituency?

Iain Coucher: We would like to give your constituents, like everybody, more certainty about what is going to happen in the next two decades. There will be investment schemes. There will be changes. There will be improvements to the water quality and water courses, but for those areas where you need to make investments, it is about trying to get those off the ground. There are some big schemes that are required, which are taking a long time to get through. We need to be faster and speedier at getting those through.

- Q38 **Robbie Moore:** I know there will be some questions that are focusing specifically on improving water quality, but I represent a constituency that has had its first bathing water status application that was granted on the River Wharfe in Ilkley. I know that my average constituent is absolutely concerned about improving water quality.

You have mentioned storm overflows in your answer to start with and you have outlined what you would like to be seen to be having achieved, but in your view how should that be judged? How should that be measured, so that you, in your role at Ofwat, can be seen by an average resident in my constituency or around the table as having done a good job in holding those water companies to account and ensuring that longer-term vision has been achieved?

Iain Coucher: Let me do the last bit first. On the longer-term vision we absolutely need to get a roadmap, for everybody to understand how we are going to deliver reliable, resilient water services for the next two decades. People need to understand what that means for their constituencies.

On the water quality issue, Defra is currently consulting on improvements to that. There are commitments in there that lead out to improvements in water quality by 2025 and 2035. We should be a long way to delivering some of those things in a timely fashion and in accordance with the plans. It cannot be right that we have this situation ongoing. I would like



HOUSE OF COMMONS

to see whether we can bring some of those dates forward. I do not know how easy that is. I do not know how practical that is, but I feel that we should be able to try to accelerate some of those timescales.

Q39 Robbie Moore: Do you think Ofwat has been ambitious enough currently with its existing strategy that is in place?

Iain Coucher: It has a good long-term strategy. It required a little bit more on the “what” rather than how it is going to be achieved, and more detail associated with it. The vision, goals and intent is laudable, and we agree with that. Is it ambitious enough? It probably is, but everybody wants to see more detail about how that is going to be delivered, and real, tangible measures to deliver it in the short and medium term. It is about deliverability rather than ambition.

Q40 Philip Dunne: Thank you very much for including me in this session. It is good to meet you, Mr Coucher. Just picking up on my colleague's comment about the strategic priorities, protecting the environment has been placed first of the four primary priorities that Defra and the Secretary of State have set Ofwat for the first time. In your discussions and the interview process that you have had through Defra, how much emphasis was placed on this change in priority from the Department?

Iain Coucher: There has been quite a bit. The concern was that Ofwat had been focusing perhaps a little too much on the consumer side, focusing on reducing bills and water quality, and not quite a sufficient amount of emphasis on the environment. The basics have not really changed. People do expect high-quality, resilient, reliable water services and waste management services, but they also do expect the environment to be considered as well.

In all of my interviewing processes there have been conversations about, “How would you try to balance that? How do you make sure you get the right balance, recognising that if you are going to spend money on improving the environmental performance of organisations, that may”—I only say may; I do not necessarily buy the “ought to”—“see some levels of bills rising? How do you get the balance?” There has been consideration about that in the process.

Q41 Philip Dunne: I am pleased you have read the EAC report into water quality. We are still awaiting the Government response, which is now overdue but is due shortly, and I am sure you will read that with similar, if not greater, care and attention. Ofwat has traditionally been a regulator, as you have just been referring, that has been focused on the money, on the returns that water companies can earn through the pricing review mechanism. That is its primary purpose. It has not been an activist in regulating the wider responsibilities of water companies, in particular to the environment, which has primarily been the responsibility of the Environment Agency.

Do you see your appointment as, if I may say so, a more interventionist chair, perhaps, than we have had before in Ofwat, and as raising the



HOUSE OF COMMONS

profile of the organisation and changing its awareness of its responsibilities?

Iain Coucher: We certainly do not want to cut across any of the accountabilities or responsibilities of the Environment Agency. It is quite clear that it regulates the environmental performance of companies and sets expectations. I would like to see more emphasis on making sure the assets comply with the legislation, and that water companies have assets and capabilities that can deliver environmental outputs.

What has happened in the past is that they have not. They have not been spending enough money on the assets of the water companies, so we are starting to get these spills. We are getting poor resilience. We are getting high levels of leakage. It is not about returns; it is about expenditure programmes.

Water companies would be prepared to spend more, and presumably earn on that investment, but we need to make sure the investment is fair, affordable, justifiable and reasonable in protecting the environment as well as delivering for consumers. I would not say I am necessarily going to be more interventionist, but we have to consider both parts of the balance, not just on the consumer side. Does that answer your question?

Q42 Philip Dunne: It does in part, and I welcome what you say. Chair, in our Committee we looked at the pre and post-privatisation capital expenditure by water companies. Broadly speaking, in the 10 years prior to 1991 privatisation, compared to the 10 years post-privatisation, the amount of capital expenditure invested by water companies collectively doubled on average, over that 10-year period. Since then it has stalled, broadly speaking; it goes up and down a bit, but within a pretty narrow range. It is around £1 billion a year.

The consequence of that has been, as you are identifying, an underinvestment in the resilience, in particular, of the waste water treatment side of the business. Water companies will earn a return on the capital investment that they are allowed to invest. Through the green recovery fund proposals, we have just seen some water companies seeking to invest significantly more outside the normal five-year pricing period, and others being much more hesitant and not coming forward with proposals. Have you looked at the green recovery fund proposals? Do you have a view about whether this sets a precedent for permitting capital expenditure outwith the five-year pricing period?

Iain Coucher: I have not looked at it in any great detail. I have had a number of conversations and asked a few questions about whether we are constrained by doing financial settlements only inside a periodic review process. The answer must be no, but if people come forward with good schemes that are affordable and justifiable then we should be able to encourage organisations to do that inside a periodic review process. If we can find mechanisms by which great ideas and great ways of



HOUSE OF COMMONS

improving things that provide benefit to consumers and communities can get approval inside that process then we should do it. I do not yet fully understand the entirety of the green recovery scheme, but we should absolutely not wait until the end of a periodic review to find ways in which you can make improvements to the water quality.

Q43 Philip Dunne: I would strongly encourage you to look at the bids that were made and the bids that were approved by Ofwat through that scheme, because it is quite illustrative of the way in which different companies approach the issue of capital expenditure.

One of the other responsibilities of Ofwat is to fine water companies for not meeting their objectives. This is one area where it works alongside the Environment Agency, but separately from it. Ofwat introduced a very significant fine on Southern Water last year. There was one big fine on Thames Water before that, but this was the first one where it was really flexing its muscles. Have you spent any time understanding the intricacies of that case, or looked at it at all as to what led to that fine of £90 million?

Iain Coucher: Yes. I have looked at some of it. The fines that were levied against Southern Water came both from the Environment Agency and from Ofwat. My understanding is the Environment Agency fines were as a result of breaching the environmental permits that they had and failing to deal with that, and the Ofwat fines related to breaches of the regulatory obligations on those organisations, both for managing the assets and to report the data on that. It was a repeated situation, or going on for a long period of time

That is how you differentiate between the Environment Agency and Ofwat. Ofwat will pursue regulatory compliance, and if they have a commitment to deliver for consumers or on the environment and then they are in breach those obligations, it should take action. That is outwith the EA's obligations on environmental actions as well, and I applaud that.

Nobody really wants these organisations to be fined. We want them to perform, and we need early visibility and to intervene ahead of them breaching obligations. It is about reporting. I worry that the areas that Ofwat uncovered with regards to Southern Water, which in part are related to asset information and asset knowledge, mean that we may well find other organisations in similar situations. I cannot say that for sure, but you get a sense that organisations are not quite as on top of their asset information as they ought to be.

Q44 Philip Dunne: From what you say about fines, would you agree with campaigners who are arguing that fines levied on water companies for breaching their obligations should be invested back into dealing with the problems that were not addressed by water companies, rather than being subsumed within general funding of the Treasury?



HOUSE OF COMMONS

Iain Coucher: I am now speaking without knowledge. My belief was that some of the fines—certainly one of them—were to be reinvested back into the water system itself, rather than being paid to a general fund.

Q45 **Philip Dunne:** There may be a different approach taken by the Environment Agency and Ofwat as to what happens to the fines, but can I encourage you to look at that, should you become chair? As you rightly say, we need to be getting the improvement in performance rather than fines being issued as a penalty, which causes other issues but does not help fix the problem.

Iain Coucher: Yes. I do genuinely believe that if there is a fine to be paid, it is better to be reinvested back into the infrastructure or back to consumers, rather than going to general taxation. I assumed that was the case.

Q46 **Philip Dunne:** There was an investigation launched last autumn by Ofwat and the Environment Agency into a number of water companies that appeared to be in breach of their obligations and undertakings. That is ongoing, so I am not expecting you to comment on that, but one of the consequences of that investigation being launched was that it perhaps exposed a lack of diligence by the regulators themselves into keeping an eye on what the water companies were doing.

With the new Office for Environmental Protection coming into the regulatory picture, we as a committee have had discussions with the new chair of the Office for Environmental Protection, who has indicated that water is one of the areas where it is going to take particular early interest. Have you given any consideration to the relationship that you will have with the Office for Environmental Protection?

Iain Coucher: I have not, I am afraid. I am aware of it coming into force. I know that this is quite a complicated regulatory landscape with the Drinking Water Inspectorate and the relationship with Natural Resources Wales and the Environment Agency, but I have not really thought about how that is going to come into play.

Chair: Along with the EAC Chair, I would really encourage you to meet with her, because she is a very able lady who could help you, especially if you needed to put pressure on to the water companies in particular.

Q47 **Philip Dunne:** I completely agree with that. You also need to understand what exposure Ofwat may be likely to have as a result of these investigations coming somewhat late in the day. There is a process, in addition to a change of chair, to change the chief executive of Ofwat. That process has been underway for some time. I presume that it has not concluded, and therefore you will have the opportunity to take some views about the shortlist of candidates and participate in the final selection.

Iain Coucher: I have not been involved in it. That has been run entirely by Ofwat, because it would be pre-emptive or presumptive for me to get involved. I am aware of the process, obviously. I believe it is coming to a



HOUSE OF COMMONS

conclusion soon. The existing chair of Ofwat, Jonson Cox, shares a similar background to me. We come from the operational infrastructure side, so he knows the sort of things that I bring to the area. I said to him, "I trust you to recruit somebody that would be complementary to me where we can work together," but I have not been involved in it.

Q48 Philip Dunne: Does that mean that the appointment is likely to be made without any involvement by you?

Iain Coucher: Yes.

Philip Dunne: That is rather surprising.

Iain Coucher: I am relatively relaxed about that. I said throughout the recruitment process the type of person I would like to see involved, and the type of skills the candidate would bring and the appointment would bring. I have laid that out as to what I bring and what I would expect them to bring, and I said to Jonson, "I trust you and the rest of the team to recruit in that way."

Q49 Philip Dunne: Let us hope he picks the right person. My final question is this question you have touched on, again, in your opening answer to me, which is about the balance between spending on infrastructure and keeping consumer bills low. How do you philosophically approach the different pressures that water companies have? Ofwat has a key role in trying to strike that balance.

Iain Coucher: The starting point is that we should seek to make the cost of providing water and waste management services as low as reasonably practical, recognising there is always investment required to meet the long term. The starting point must be, "How efficient can we get this?" We need to challenge the efficacy, the effectiveness and efficiency of any new schemes, to make sure that they are appropriate and affordable, with deliverable timescales.

It is about trying to get everything as low as practically possible, but recognising that we need to invest into resilience and protecting the environment as well. There is a balance to be made there. We are acutely aware of the cost of living crisis that everybody is facing. We cannot place unnecessary burdens on people. It is a judgment that Ofwat takes very seriously. It really needs to think about the impact on people's ability to pay and to deliver, and about the most efficient and effective way of delivering the best possible water services for consumers and the environment to get it right. It is a balance.

Q50 Chair: There is one final question from me on this one. A previous Secretary of State, Michael Gove, was pretty critical of the amount that the water companies paid their shareholders and executives. He really wanted to take them to task, if I remember rightly. You have a role at HIG Capital, so I just want to really test that you are not going to be entirely City-based in your attitude towards the water companies. While they need to have money to invest and recompense shareholders, they



have to make sure that they put enough investment both into water quality, into the infrastructure and also to curing water leaks. When we did a previous inquiry, something like 25% of water from Thames Water—very old infrastructure, I accept—is leaked.

You talk about major infrastructure projects. You talk about reservoirs and the like? Do we need them if they cure their leaks? Are you going to be tough enough with water companies? You are right that consumer bills need to be kept down, so therefore somebody needs to be squeezed. I suggest probably in this instance it may well need to be the shareholders. Not completely squeezed, because they are investors, but where are you on this one?

Iain Coucher: I will be as tough as I need to be. You are absolutely right: we need to make sure the entire industry delivers for consumers and for the environment. We need to make sure that shareholders are earning their returns, not just simply taking them. We would expect them to deliver effectively, to have a fair and not excessive rate of return on their investments. We need to see schemes that are appropriate, not just because they are easy to do.

As I have seen in many industries, there has been a tendency to build big and shiny, when actually there are more effective ways of doing things quicker and at lower cost that come through better. We will be challenging people on their justification for why they need to do that. I understand they have made reasonable progress on addressing leaks, some companies better than others. There is lots to go. You are right: if we can get water consumption down by reducing leaks and reducing consumption then we will reduce the demand for reservoirs.

Chair: Taking from rivers.

Iain Coucher: Yes. We are exhausting our natural aquifers. We are struggling with our reservoirs. Quite a few of these schemes can be funded through the existing mechanism. There is more efficiency to be had out of there, and they can respond quicker. From my time at Network Rail in holding all of my regional directors to account on efficiencies and cost and delivery, I have a lot of experience in making sure that people can deliver. I can assure you that I will be fair and appropriate.

Q51 **Chair:** Some companies are definitely better than others. To what degree do you feel that you should not exactly play one off against the other, but actually say to them, "Can you not actually do similar things to other companies if that really improves the investment, improves the water quality and improves the environment?"

Iain Coucher: Yes, and that is the benefit of what we have with a distributed water organisation. We have benchmarks and other organisations out there doing things differently, and you can learn from each other. I wonder how much communication goes on between water



HOUSE OF COMMONS

companies, how much sharing of information, and how much knowledge can be gleaned from that.

Certainly from running Network Rail we were able to look at the geography of the country and say, "If you are doing it like that then you should be able to do it like that, and you should be able to save this amount of money if you follow what this lady is doing". Having those benchmarks is important. We are fortunate in the water industry that we have those benchmarks, but it will be about asking people, "Why is it you can do it like that, and why is it you cannot do it like that? Can there be lessons learned in there?" Yes, it is a good point.

Q52 Dr Hudson: Thank you, Mr Coucher, for being before our Committee today. I wanted to follow up on that strategic priority about protecting and enhancing the environment. The Environment Agency has said that the second biggest cause of water pollution is untreated sewage released by water companies. Ofwat has said that the current levels of storm overflow discharges into rivers cannot continue, and the water sector must tackle that. The Government have brought in strong measures in the new Environment Act to try to tackle this, but how will Ofwat work with the Environment Agency, with Government and with the Office for Environmental Protection to ensure that these unacceptable discharges actually stop?

Iain Coucher: Yes, this is a really difficult one. My understanding is that the complete elimination of these overflows is very expensive. A compromise would be to go back to where these combined sewage overflows were originally designed to be only very exceptional, rather than the norm. I am not entirely sure what "very exceptional" means, but I know it is not going to be every day, every week or every month as it is today.

We absolutely have to go back to a situation where it is a really exceptional type of thing. That is perhaps more affordable. There should be obligations on water companies to record a lot more about what is happening, where it is happening, and making that information available to people to say, "There have been instances in this river, it has gone on for this long and it is clear by this date".

It is a combination of tackling the worst, going back to mitigating all but the most extreme weather situations, making information publicly available, and doing the designation of some water areas—the River Wharfe is one of my favourites because I lived in Otley for a while—looking after certain areas and cleaning some up, rather than a complete elimination, which is almost going to be financially impossible.

Q53 Dr Hudson: Are you confident that Ofwat, the Government and the Environment Agency will have the teeth to hold these companies to account? Coming back to my colleague's question about how you will measure success in this area, because we all want cleaner rivers and cleaner waterways, are you confident that in your role with Ofwat you will



HOUSE OF COMMONS

have the teeth to really hold these companies to account?

Iain Coucher: Yes. We do have the teeth, but I would like to see the translation of the Environment Act and whatever has been consulted to now put these things in place. Let us get a plan. Let us get commitments from companies about what they are going to do by what dates, and for us to satisfy ourselves that it is deliverable, affordable and appropriate. Once you have that in place, you can expect and require organisations to deliver what they have committed to, and we will take regulatory action if they are falling short.

Q54 **Dr Hudson:** You need to measure things for expectations of deliverability. What about looking at how we measure water quality? Currently a lot of it is about chemical status, but actually in rivers should we not also be looking at coliform bacteria as well and making sure that these waters are physiologically, biologically and epidemiologically safe for people, animals and flora and fauna nearby? These are tangible things that we can measure and hold them to account. Is that something that you can get involved in?

Iain Coucher: Yes, we can. You started by observing that water companies are only responsible for a proportion of this. I do not know; 45% of the pollution in rivers comes from agricultural sources and 10% comes from off-flow. We need to measure the entirety of this and then try to figure out where it is coming from and what we can do about it. We cannot entirely fix it through the water companies, but we can certainly measure it and work with the Environment Agency to make that information available.

Q55 **Dr Hudson:** The water companies have a significant role in it.

Iain Coucher: Yes, absolutely.

Q56 **Dr Hudson:** Ofwat has actually said that several water companies have, in its words, overleveraged their structures, and that this debt was responsible for declining service. How would you intend to redress this possible imbalance?

Iain Coucher: Ofwat has done a pretty good job over the last periodic determination, PR19. It has put in place financial controls and gearing mechanisms to make sure that companies are less exposed to that environment. There are still one or two companies out there that are perhaps overly leveraged, and therefore have some financial weaknesses. It is something that will be picked up in PR24. There will be further controls about that, because it does affect performance and the ability of organisations to step in and fund improvements, and to deal with the comings and goings of things that happen throughout the course of a periodic review.

A lot of it has been addressed. The comments about Ofwat relate to an earlier period where people were putting in significant amounts of debt. It has come back a little bit.



Q57 Dr Hudson: In terms of the teeth of Ofwat, we have talked about the financial remuneration and whether money generated is reinvested back into the system. In 2020 some of the highest-paid executives in the water industry were paid over £2 million a year. What role do you think Ofwat should play in respect of this level of remuneration for executives?

Iain Coucher: Ofwat has been engaging with the chairs of the water companies to remind them about appropriateness of pay, particularly in paying bonuses when breaches of law have taken place. That is right and proper. We should not get involved in regulating the payment of executives. It is the same for shareholders. We should be reminding them all the time that they are accountable to consumers and to society for what we pay people, and not to be paying excessive bonuses when performance has been short of what it needs to be.

Q58 Dr Hudson: I am coming back to the sharpness of your teeth again, and you should be reminding them. What does that actually mean? I take on board what you say about remuneration, but what about the payment of bonuses? Is there not something that you in your role can do to stop that process whereby people are being rewarded for failure? We have sewage outflows being put into rivers, and shareholders and companies are awarding bonuses. That is not right and that is not fair in anyone's minds. I want to see how sharp your teeth are. Yes, you can remind them, but what does that mean?

Iain Coucher: I do not know whether we have any powers at the moment to do anything about that. This is a slightly different point, but I would be extremely disappointed if people are paying bonuses where there have been actual breaks in the law or lawbreaking has taken place. If they have operated inside their regulatory permits, emissions permits or things but are getting more pollution into the rivers then that is a more difficult thing. You will never eliminate it completely, so you are now into an area that says, "How much are you prepared to tolerate?" I would have to look at that.

Q59 Dr Hudson: Following up the comments of the two learned Chairs about the Office for Environmental Protection, moving forward could you liaise with the new chair of the Office for Environmental Protection and with the Environment Agency so that we get joined-up thinking to actually sharpen the teeth and actually put pressure on these people to do the right thing? Is that something that you can take away from this Committee and give us an assurance you will try to do?

Iain Coucher: I will absolutely do that.

Q60 Chair: On the last question, the point that Neil has been making is a good one. I can understand that as chair of Ofwat you cannot regulate the amount of executive pay, but if you can actually put pressure on the water companies to tighten up the amount they pay their shareholders, I suspect the shareholders will then do the job for you as far as executive pay is concerned. The issue for us is—and I think the issue for Michael



HOUSE OF COMMONS

Gove was—that unless we rattle the cage and unless we actually say, “Look, come on, guys, you have to actually behave better,” they will not. That is why we would encourage you.

You have limited powers, but what you have is the embarrassment factor. That is what we also need to use on these companies. Philip made the point: they invested well for the first 10 years, a lot better than the state did, but after that they rather stalled. We want to see that come back into being. While you cannot make that happen, you can certainly encourage it.

Iain Coucher: Yes, absolutely.

Q61 **Chair:** As the new price review begins, what lessons should Ofwat take from the Competition and Markets Authority’s redetermination of the last price review?

Iain Coucher: I will certainly ask the executive what lessons we can learn from PR19. From what I have seen PR19 appears to be a lot better than PR14. In doing so they have made it a little bit complicated. In my view, although I do not understand the detail, it looks to be overly complicated. I am not quite sure whether that is beneficial or not. I will be looking to make it as simple, easy and transparent as possible.

We should be faster in coming to certain positions. What happened is the whole thing got strung out, and because it got strung out it then started to get into the start of the periodic review process and the CMA also got involved. I do not really quite understand the process it went through, but it is something that I would want to understand quite quickly to make sure we do not get into the same situation this time. I do not know whether the complexity issue was one of the reasons it went to the CMA or not, but it was a complicated one.

Q62 **Chair:** What skills and expertise do you think you can bring to the price review process? Do you want to add anything to what you have said?

Iain Coucher: I have been on the receiving end of this. I have run large-scale, operational, intensive, asset-intensive infrastructure, with large capital schemes. I know what is possible. I have dealt with the same supply chain. Many of the same people are delivering improvements, so I know what can be delivered. I know what efficiency looks like. I know what good project delivery looks like. I will be able to challenge people on efficiencies, deliverability and appropriateness of solutions. That is a real benefit of having somebody with a lot of operational experience complemented, or supported strongly, by the economic regulator as well.

Q63 **Chair:** How will you take account the issues facing households around the rising cost of living in the new price review, coupled with the fact that we need investment in the industry? That is why it is absolutely essential that they do not overpay their executives and their shareholders. I do not need to remind you that the cost of living is probably uppermost in everybody's mind, be it energy, water or whatever it is. How do you



HOUSE OF COMMONS

balance that? In the one instance you might say, "Let it rise. Let us actually get more money in to cure many environmental problems". On the other hand, you have to take conscious interest in the payer of their water bills.

Iain Coucher: Yes. The average water bill is £420 a year. It has gone down in real terms over the last periodic review, but the vast majority of the savings or the benefit to consumers in that period was through better financing, lower cost of returns and lower returns on the investment. I have not seen significant efficiencies come through over the last five years, so I suspect there are more efficiencies to come through there.

The £240 billion investment in combined sewage overflows that they are talking about has notionally got a price tag of about £12 per household in absolute terms, so you should be able to offset those two. You should be able to try to find further efficiencies on the delivery side to fund investment on the schemes. It is not necessarily true that investment in the environment or the schemes automatically sees bills rise. We will be pushing on efficiency to try to absorb the cost of making environmental improvements.

It is true that the cost of living crisis is going to hit people. We are particularly concerned about energy cost prices. We are water, obviously, but water is something you cannot disconnect from. There is always an obligation for people to have water, whether they can pay or not. Roughly a million households get the benefit of that £150 million a year. We have to be mindful that if people are looking to make efficient cost savings elsewhere, they could just simply stop paying their water bill for a period of time. You may get some consequence on the water industry as people look to save money elsewhere.

Q64 **Chair:** Some companies have some quite good social tariffs in place, and that will also be necessary across the piece.

Iain Coucher: They all do. I am mindful that more people will be asking to draw upon those schemes because of the crisis elsewhere. We absolutely have to be mindful to get this as efficient as we possibly can, but understanding there is a longer-term investment, otherwise we will be in a worse situation in a decade's time.

Q65 **Chair:** On this idea of a different levy, putting a levy of £12 per bill to help with the clean-up operation, how can you be absolutely certain that the water companies will then turn around and spend that money and get on with it, and not just pocket it, basically?

Iain Coucher: They cannot. We will agree schemes as we normally do. We normally agree schemes and that they will be funded in the appropriate way. They will be measured, and you be allowed to add that to your regulatory asset base, or some other mechanism for funding it, but you can only claim that money if you have spent the money. You cannot pay it to shareholders in the form of an upside. It has to be spent and earned through the normal regulatory processes.



HOUSE OF COMMONS

Q66 **Chair:** I know it is quite a lot of detailed work, but I would like somebody within Ofwat, not necessarily you, to be absolutely certain that every water company has a plan that you have seen, and that is how they get the £12. It is easy to levy money, but not necessarily so easy to know whether it is being spent wisely. Neil Hudson made the point that this has been going on for too long now, and people of all parties are totally impatient to have this fixed. There will be a lot of pressure put on you. It is not all your job to do, but you will be seen as somebody who is expected to sort this. I imagine you are aware of this.

Iain Coucher: Yes. One of the many starting points is that we need to understand why some companies have not yet spent allowances that made the last periodic review in the environmental improvement schemes. There was money set aside to improve it. Some companies have done well, some companies have not done it. Before we get into other schemes to improve the environment, why are you not spending the money you have been allocated in the last periodic review?

Q67 **Chair:** You need to publish that as well. You need to give them an opportunity to put it right, but if they do not, you need to publish that. It is the only way we are going to get all of the companies to perform better. Some perform quite well, and some not very well. That is our problem, so if you agree to do that it would be good.

Iain Coucher: I will certainly look at that.

Q68 **Philip Dunne:** The Environment Act introduced a large number of additional duties on water companies, particularly in relation to treatment, but not exclusively. Have you had an opportunity to look at what those obligations are, and the extent to which they will increase cost? Picking up on what the Chair said, I am particularly thinking of things like the monitoring equipment installations on all outflows over a period yet to be determined. That is an instrumentation—instruments deposited in them receiving waters outside each outflow. There are over 20,000 of them across the country.

Iain Coucher: I have not looked in any detail. My understanding was—I am prepared to be corrected on this—that those obligations already existed, and that water companies were expected to have those things in place. I would be surprised if people are going to come forward and claim that they want more money to do something they have already been paid for.

Q69 **Philip Dunne:** This is an additional obligation to introduce these instruments. Finally, you have had considerable experience of operating within critical national infrastructure. Water systems are part of our critical national infrastructure. When they turn on a tap in their home, the public expect that something will come out of it that is safe to drink. To what extent do you see Ofwat playing a role in ensuring that the water companies live up to their obligations? Is that your role or is that Environment Agency's role?



HOUSE OF COMMONS

Iain Coucher: I would certainly want to be assured that water companies have the resilience in their network to support those events. I would expect them to have appropriate risk mitigation plans, and to be able to demonstrate that they are properly equipped to deal with those types of situations. That is a normal part of running a national infrastructure, that you have resilience in place to cope with it and it is delivered at all times. In a normal course of business I would expect organisations to have those things in place. I suspect they are not all there, but I would expect people to demonstrate how they comply with the regulatory expectation that they have those things at all times. I would expect them to be in place, and if they are not then they should be.

Q70 **Chair:** Mr Coucher, is there any final comment that you would like to make?

Iain Coucher: No. Thank you very much for finding the time to see me today. I hope I have answered all of your questions to the best of my ability.

Chair: We appreciate your time this morning. You have been very straightforward with us. We will now ask you to leave, and then we will put our recommendations to Government. Thank you very much for coming this morning and for your answers.