

Welsh Affairs Committee

Oral evidence: Water quality in Wales, HC 1113

Wednesday 15 March 2023

Ordered by the House of Commons to be published on 15 March 2023.

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Members present: Stephen Crabb (Chair); Simon Baynes; Virginia Crosbie; Wayne David; Ben Lake; Rob Roberts; Beth Winter.

Questions 93-132

Witnesses

II: Steve Wilson, Managing Director of Wastewater Services, Business Customers and Energy, Dŵr Cymru, and Jason Rogers, Head of Water Quality and Environment, Hafren Dyfrdwy.

Examination of witnesses

Witnesses: Steve Wilson and Jason Rogers.

Chair: Our second panel is physically present here in Committee Room 5. We are joined by Steve Wilson, managing director of wastewater services, business customers and energy, at Dŵr Cymru, Welsh Water, and by Jason Rogers, who is head of water quality and environment, Hafren Dyfrdwy.

Thank you both very much for joining us. You sat through the first panel, and you will be aware of the evidence we took in the first session on this topic a few weeks ago. To kick off this section, Beth Winter will ask the first question.

Q93 Beth Winter: Diolch yn fawr. Thank you for coming today. I need to declare that I have a close relative working for Welsh Water, and I will have to leave at 11 o'clock, so apologies for that in advance.

Having listened to the previous panel, and the stark evidence from the last session we had, I would be interested in knowing your views on the health of Wales's waterways and coastlines. I address that first to Mr Wilson.

Steve Wilson: Thank you for the opportunity. From a Welsh Water perspective, we are really concerned about the quality of the environment we are in. We are part of the water cycle; taking water from reservoirs to turn into good, clean drinking water and then return it to the environment is what we do. When we hear that performance is dropping behind and we find out that river quality is not as good as it should be, we absolutely do care about it. Our strapline is that we are in the trust of customers every day; they have got to believe that we are doing the right thing. They have got to trust the water supply and trust that we are looking after the environment. This does matter.

It is important to recognise that our bathing beach story is a good one in Wales. When I started in the industry over 30 years ago, there was no coastal sewage treatment works in the UK. We would just put all that out into the sea. Over time, we have put in all of that coastal sewage treatment. We have now got a third of the UK's blue flag beaches, on 15% of the coastline. Welsh Water bills were one of the highest, because customers had to pay for all that investment.

We are now about to go into another phase, where we have to pay for a lot more investment to improve the quality of our rivers. The storm overflows are going into those rivers, and the sewage works discharge needs to take out more of the phosphorus to get those SAC rivers back into good compliance. We are going to have to go through a phase of significant bill increases to try and tackle these very important problems.

Q94 Beth Winter: Do you accept, based on the evidence that has been presented, that there are significant issues with the health of the rivers?



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Steve Wilson: Yes, absolutely we do. The SAC rivers are a great example. To have five of the most iconic rivers in Wales, if not the UK, not meeting the right standards is really important. We have a part to play in that. Welsh Water's discharges are accounting for around 20% to 30% of the problem in some of those rivers. We have got to get on top of that and invest in those assets to improve the quality, so that the phosphorus load going into those rivers is removed.

Q95 **Beth Winter:** Okay. Mr Rogers?

Jason Rogers: Thank you for the opportunity to attend. I am similar to Steve; we absolutely recognise the challenges around river health in our regions. We have a vested interest in supporting good-quality rivers. Our mantra is around providing one of life's essentials, and the source of that is our rivers.

To add a bit of context from a Hafren Dyfrdwy perspective, we serve around 39,000 customers in Montgomery and Powys, which is about 1.5% of the customer base in Wales.

Q96 **Chair:** Before I bring in Ben Lake, I will jump in. Mr Wilson, you just referred to the billing of customers for wastewater management services. That is a component on every customer of yours in Wales—they have to pay for that. However, according to the evidence we have heard, a lot of the sewage is not being treated at all; it is being kicked out into open water. Why are customers paying for a service that is not actually happening?

Steve Wilson: The way the sewer network was built in most of the UK over time was combined sewers for many years. Post the 1970s, sewers would be separated, so you would have pipes for the rainwater coming off the roofs in the yards, and you would have a separate pipe for the foul sewage, but most sewers built prior to that time are combined; they take the rainwater as well. When you did not have sewage works at the coastline, it helped to get a lot of rainwater in those pipes, to get it flushed out to sea. Over time, we have invested in the sewage treatment works. We have improved the discharges from those, but the sewer network in Wales is still 60% combined sewers.

Secondly, it rains more in Wales, unfortunately, so we are seeing more discharges from that sewer network. We have to invest now in the sewer network to improve that.

Q97 **Chair:** I have heard the explanation about rainfall several times, and Natural Resources Wales just referred to it, but if the data we have seen is correct, there are a lot of sewage discharges happening in the height of summer on perfectly sunny days, when there is no rain. What is going on there?

Steve Wilson: I would contest that.

Q98 **Chair:** Are you saying that it only happens when there are storms and rain? That is not consistent with the data we have seen.



Steve Wilson: In the majority of cases, it is rainfall-driven. Occasionally, we get blockages. As Ceri Davies mentioned, you can get sewer blockages, whether it is fatbergs or wet wipes, and CSO discharges on dry days are primarily caused by blockages. Because of the topography and the geography that we have in Wales, sometimes the rain can have passed within 24 hours and those catchments are still draining, so you get storm overflows operating for sometimes a day or two days after the rain, but it is rainfall-driven because that is where it has come from.

The missing piece of data at the moment is about impact. All the data we are looking at is about how often these storm overflows operate and for how long. What we have not been measuring is impact. As Ceri mentioned earlier, Welsh Water was one of the first companies to really embrace putting sewer monitors on. We have 2,300 storm overflows in Wales. We are at over 99% monitoring. The last handful are being sorted out at this moment in time. That tells us how often they operate, which is a function of the sewer network and rainfall. We need to look at impact, and we have started that process now. We are measuring water quality up and downstream of those storm overflows, and our view is that we want to tackle those causing the most environmental impact first. Just because they operate, it does not necessarily mean they are damaging the environment. We have to find the ones that are impacting those rivers.

Chair: Okay. That does require the monitors to be working properly.

Q99 **Ben Lake:** I want to come back to something that was touched on in the last panel. The Ofwat assessment of your performance is average for Hafren Dyfrdwy and lagging for Dŵr Cymru. Do you agree with those assessments, and how does one arrive at the performance commitment level against which your companies are judged?

Steve Wilson: As David said, Welsh Water was classed as lagging, but that was to do with water quality measures. We had a blip in water quality performance on some of those measures. On environmental performance, we are a good performer. We are one of the best in the industry in terms of pollution incidents, with low numbers of pollution incidents, and if you measure per 1,000 treatment works or CSOs or by asset base, we are the best.

Q100 **Ben Lake:** For clarity—forgive me for my ignorance—how do pollution incidents compare with, for example, sewage discharges? Obviously, they are not great for rivers and the environment, but what do we mean by “pollution incidents”? Do we mean chemicals?

Steve Wilson: That would be a blockage on a sewer network causing a spill from a manhole. It might be a sewage works not meeting its performance standard. In Wales, the majority of pollution incidents are caused by sewer blockages.

Jason Rogers: Just to add a bit of context, from an NRW perspective, the pollutions get categorised from 1 to 4, with 1 being significant environmental impact, 3 being minor and 4 being negligible. From a Hafren Dyfrdwy perspective, we had two category 3 pollutions last year.



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We have not had a serious pollution on our network for the last 10 years plus, so from a pollution perspective, we feel our performance is quite good. We recognise that there is more to do, and that is why, from an asset intelligence and EDM perspective, we welcome that type of monitoring, which helps us understand our network investment and proactively helps us mitigate pollution on the network. The more understanding we have of how the network operates, the more we can reduce impacts and invest correctly on that network.

Ben Lake: I think other colleagues want to discuss sewage discharges, but I will leave it there.

Q101 **Virginia Crosbie:** Thank you, gentlemen, for coming here this morning. I was shocked to read that five of the top 10 parliamentary constituencies with the highest number of sewage discharges are in Wales. What do you do differently? What is that you are not doing, compared with companies in England? Why are our constituents being short-changed?

Steve Wilson: As I said, the frequency and the number of storm overflows is a combination of combined sewers—if you have older housing stock and more combined areas of drainage, you are going to get more overflows; we were the first company to get to over 99% monitoring, so we have more data—and, as I said, the rainfall situation.

To give you an example, we did a piece of work looking at Stephen Kinnock's catchment—the Aberavon wastewater catchment. On average, storm overflows there are operating more than 40 times a year. That is awful, but if we had Cambridge's rainfall, they would be operating 13 times. There are massive swings based on rainfall.

To get these storm overflows to reduce the waste spilling, we have to separate that surface water. We either have to take that rainwater out of the sewer network, as we did in Llanelli, or we have to build big storage tanks. That is one of the things we are looking at doing at the moment in Bangor to protect the Menai strait. There is a huge investment there to reduce the number of storm overflows going into the Menai to protect the shellfish water. That is going to be a huge storage tank.

Q102 **Virginia Crosbie:** I understand that, but the evidence we have had from the Welsh Government is that CSOs only cause 3.7% of failures.

Steve Wilson: This is the point about water quality. The numbers are awful, and I accept that, in terms of the high spill volumes. But it is not measuring impact. If we look at the reasons for our SAC rivers not meeting their compliance, storm overflows are a very small component. It is 1% on the Usk, 2% on the Wye, and I think it is 3% or 4% on the Teifi.

It is a very small quantity of the nutrient load causing these rivers to fail. That is why we are measuring impact, getting this water quality data and tackling storm overflows that are actually having an impact on the rivers. We have seen that in the River Dee: 10% of the impact is coming from storm overflows. We need to get up there and start working in the



Wrexham area quite quickly, because storm overflows there are having a bigger impact than in some of the other rivers.

Jason Rogers: From a current river health perspective, we use the NRW measure of RNAGs as a measure of health; they have 40 different parameters in there. Within the Hafren Dyfrdwy region, we are responsible for 7% of the RNAGs within our region, with agriculture at 27% and mining at 25%. For us, the real focus is on driving the RNAGs down. Our commitment is that by the end of 2025—in two years—we will effectively have a plan to get down to 3.5% as part of our investment plans, with an overall objective of getting to 0% by 2030 within the HD region.

Q103 **Rob Roberts:** Mr Wilson, you just said, “The numbers are awful, and I accept that”. What are you doing about that?

Steve Wilson: We have a huge investment programme planned for the next five-year period. We are working hard with Natural Resources Wales and with Ofwat to put our PR24 investment plan together. It looks at the moment as though our environment programme will be just short of £1 billion—over four times more than we invested in the last five-year period.

We are going to tackle the sewage works causing phosphorus issues in the SAC rivers first. That is the priority. Keeping bathing water quality up and protecting our beaches is a priority, and then storm overflows causing environmental harm will be the first on the list. Some CSOs might be spilling quite frequently, but if they are not causing environmental impact in terms of water quality or bathing water, they will be lower down the list. The figures for tackling storm overflows in Wales are huge.

If we use the data we had from Llanelli for all the work we did down there, we think it will cost between £14 billion and £20 billion to get storm overflows in Wales down to spilling 10 or 20 times a year. And the Welsh Government’s data at the moment is saying that if you want to remove them, we are up to £40 billion. We have got—

Q104 **Rob Roberts:** I am really sorry—down to the 20s or 30s? There were 21,304 discharges just in the constituencies of the seven Members here on the panel. Over 21,000 and you are talking about getting it down to 20 or 30? Let’s just get it down to something remotely sensible. That’s a ludicrous figure and a ludicrous statement, isn’t it?

Steve Wilson: No, it’s not. We have 2,300 storm overflows across our operating area. We have 3.3 million people in Wales; 1.3 million households to pay the bills. Thames Water has 15 million customers and 400 storm overflows. It is a different set of economics. We have to try to get this right and strike a right balance of what customers can afford to pay and invest at the right rate.

It is water quality that we’re after here. We want the best beaches and the best rivers, and we are going to tackle storm overflows on the basis of those causing impact. We have started that. We have done 200 assessments so far; I will have 800 completed by 2025. We are going to



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target our investment on those storm overflows that are actually impacting river water quality.

Q105 Rob Roberts: It is super interesting that your plan is called PR24—PR is probably about right for what you're doing.

Your CEO told the House of Lords Committee that it was nutrient pollution and not sewage overflows that was the key strategic priority. We heard lots and lots of evidence, and we have had lots of witnesses who all say the opposite. Why don't you care?

Steve Wilson: We absolutely do care, but if you want to look at the reasons for our rivers not meeting good ecological status, nutrient pollution is the biggest issue and that is why we are focusing our investment in that area first. We are going to look at water quality and tackle storm overflows based on the environmental impact that they're having; those creating harm—as Jason mentioned, the reasons for not achieving good status, or RNAGS, list. That is the way we are going to try and tackle it.

Jason Rogers: I will build on that from our perspective, really. We have got 49 CSOs within our region—so, a much, much smaller number within that network.

We have translated our activity into what we call the river pledges. In collaboration with Anglian Water and Severn Trent Water, we have generated five river pledges, which really have the objective of ensuring that all rivers are at good status.

Q106 Rob Roberts: When did you develop those pledges?

Jason Rogers: They were developed 12 months ago.

Q107 Rob Roberts: How long have you been running those services in Wales?

Jason Rogers: We have had seven years.

Q108 Rob Roberts: What happened for the first six years?

Jason Rogers: These are, I suppose, priorities from other parts of the business. They were already priorities for us, but we have pulled them into river pledges, which our internal organisation really understands and we are happy to be held to account for.

Going back to Steve's earlier point, the main contributor to river health is nutrients in the rivers. So, from a Hafren Dyfrdwy perspective, we have brought forward five investment programmes on sewage treatment works to reduce the phosphorus level on the sewage treatment works contributing to those levels. They are within the actual regulatory permits as we stand, but we work closely with NRW and the likes of Ofwat on bringing those schemes forward.

Q109 Rob Roberts: It has been a running theme all morning—NRW was the same: it is someone else's fault and it is something different; it's not what we think it is at all. How good is your data on sewage overflows?



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How frequent are unpermitted discharges? Let's start with Hafren Dyfrdwy: how frequent are these unpermitted discharges?

Jason Rogers: Unpermitted discharges? We have zero unpermitted discharges on our network for 2022. As part of the annual data return, we have five levels of assurance that look at the EDM monitors. We are 100% monitors on our network and we retrospectively review the actual reporting process as part of the NRW annual return.

Q110 **Rob Roberts:** So they have zero for 2022. How many did you have?

Steve Wilson: There are two areas of unpermitted discharges for us. We have a small number of storm overflows that currently don't have environmental permits, which we are working through with our regulator.

Q111 **Rob Roberts:** But they are operating and they are running without a permit?

Steve Wilson: They are. And they are monitored, and we report that data. So, we are not—

Q112 **Rob Roberts:** But they are operating without a permit?

Steve Wilson: Yes. And then there is this issue about operating in dry weather. We do investigate those that operate in dry weather. There are data issues; Stephen quite rightly pointed out that we still have to raise our game in terms of the quality of some of that data capture.

We all know how difficult it is to get a mobile phone signal in some places in Wales. Lots of these storm overflows are in tucked-away areas with no power, so actually trying to get the data—

Q113 **Rob Roberts:** It does not matter—it is your job to service those areas. I appreciate that they are remote, but they are what they are. What is the number? How frequent were unpermitted discharges in 2022? Mr Rogers had his number: what is your number?

Steve Wilson: We are still working out 2022's data, so we have not got that yet.

Q114 **Rob Roberts:** So 2021 then.

Steve Wilson: For 2021, we had around 80 storm overflows where we did not have the correct permit.

Q115 **Rob Roberts:** Were you prosecuted 80 times?

Steve Wilson: No.

Q116 **Rob Roberts:** Why?

Steve Wilson: If you stand back and look at the way that Welsh Water operates, is it in the public interest to prosecute and fine the company for that money to go off to the Treasury? All that money is coming from our customers: there are no profits. We are trying our best to invest our money into improving the environment and tackling this, with a huge asset base to cover.



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What we are trying to do is get good coverage of the data, improve that data and target those assets that are causing an environmental impact. This is still the missing piece of data here. We know how often they are operating, but the ones that matter are the ones causing some kind of environmental harm. Getting good environmental data to look at that is important.

Chair: Sorry, Rob, we are going to have to move on.

Q117 **Rob Roberts:** Super quickly, if the number of sewage discharges and the number of hours of sewage in 2021 were up since 2020, and they are now up again in 2022, would you reasonably consider that the 80 unpermitted discharges you say that you had in 2021 will probably be a lot higher by now?

Steve Wilson: No, because we are working very hard on improving both the quality of the data and getting the permits sorted. Actually, the rainfall over 2021 and 2022 was lower, so spill numbers will be coming down and there will be fewer unpermitted.

Q118 **Simon Baynes:** I would like to turn to the issue of water bills and investments. In 2020-21, three executives of Dŵr Cymru received bonuses worth £931,000. Just to set that in context, the Prime Minister is paid £164,000—half of which comes from his salary as an MP, half of which comes from his position as the Prime Minister. We are talking about, on average, a bonus per executive that is in itself twice the remuneration of the Prime Minister.

I was checking on my phone before I asked the question, but Dŵr Cymru is not for profit. That is the way it is presented. I was just looking at how it is presented, and it is three words in your strapline—"Not for Profit".

In a sense, I think it is curious, then, that the remuneration is comparable to a profit-making company. We need some explanation of those bonuses. If you set that in 2020 to 2022, Dŵr Cymru invested £86 million less in improving drinking water and tackling problems in wastewater than Ofwat said you should. Should executive remuneration be linked to the achievement of water quality standards?

Steve Wilson: There are two things around that. First, the executive pay is set by a remuneration committee, which is chaired by non-exec directors. In the constitution of Welsh Water, because we do not have shareholders, we have members. These are drawn and independently selected from across Wales, from all areas of society. At the annual general meeting, they review the remuneration committee's report and recommendations. That is handled as if we were a private company. We have to go out and borrow all the money that the investment comes from on the open market. As you can imagine, with the size of the operation and the turnover, we are a large company.

In terms of the point on investment, that is a phasing issue. In general, Welsh Water tends to spend more money than the regulator sets, because the money that we generate through being efficient—and that we raise ourselves—is re-invested into the company. We do that through investing



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in more assets and, actually, at the moment, there is a huge amount going into social tariffs. We have one of the highest numbers of social tariffs in the industry.

So, the not-for-profit part means that there are no shareholders taking money or dividends out of the business. Any kind of outperformance is reinvested, and we have a higher proportion of customers on social tariffs than any other company.

Q119 Simon Baynes: I would respectfully suggest to you that it is somewhat misleading—I use that word carefully—for the public, and for all of us, to be presented with Dŵr Cymru as a not-for-profit company. It is actually paying a remuneration package to three executives that is comparable to a private, shareholder-driven company.

It feels, to me, uneasy—that way of presenting yourself but actually behaving like a company on the stock market, which could be taken over, or whatever, in terms of the remuneration package. It seems, to me, to be excessive, particularly given that the performances are very questionable, as I think has been presented during the course of this morning.

My second question is that increases in combined water and sewage bills in Wales were announced at the beginning of February 2023, and the average Dŵr Cymru combined water and sewage bill is over £50 a year above the average in England and Wales. You have touched on that in your comments, but how much of the revenue from bill payers is spent on improving water quality?

Steve Wilson: I do not have the exact amount, but I would be happy to write to you with that kind of detail. I am afraid I am an operations guy, as opposed to the finance guy. But, the way it works is that all our revenues come from bill payers or money that we borrow. Huge amounts of money are borrowed to invest in our asset base.

If we invest in enhancement—so things that are on the national environment programme, the storm overflow improvements that we have been talking about, dam safety, and things like that—that is then paid for by customers over 25 years as part of their bills. If we are investing in maintenance-type activities, that has to be paid for within the five years, so, effectively, customers are paying for that directly in their bills.

We do have one of the highest bills. As I said, when I started in this industry Welsh Water had the second-highest wastewater bill. We have moved that down slightly, but, with the large amount of investment that we have to plan for now, our bills are going to go back up to pay for it.

We have to strike the right balance of investment now, and making improvements, but making the water bill still affordable for customers. We all know that we have lots of hard-pressed customers in Wales. There are lots of people struggling to pay their bills, and we have to ensure that we can keep those bills affordable.

Simon Baynes: And what were the—

Chair: Simon, let's—

Q120 **Simon Baynes:** Okay, I will move on to my final question. Dŵr Cymru is a not-for-profit company, while Hafren Dyfrdwy is a profit-making company, as a subsidiary of Severn Trent. That is well known to me because I grew up at Lake Vyrnwy, which is a Severn Trent reservoir. Does the profit incentive improve outcomes for water users and customers in this sector? Jason, maybe you could start by answering that question.

Jason Rogers: Since we have taken over the organisation, we have not actually taken a profit out of Hafren Dyfrdwy. We have actually reinvested in that organisation to build resilience and bring across some of the wider corporate support mechanisms from Severn Trent, such as the academy, some of the IT departments and customer support.

We absolutely recognise, like Steve, that there are some challenges from an affordability perspective, from our customers, so we have reinvested £100,000 this year from Hafren Dyfrdwy back into helping customers pay for their bills. At this point, we haven't actually taken a profit from Hafren Dyfrdwy.

Q121 **Simon Baynes:** Sorry, Chair, but, just very quickly, what is the profit? I know it is not-for-profit, so the profit is put back into the companies, but what is the profit for your companies in both cases? Can you give me a figure for that profit, which is then ploughed back into the companies?

Steve Wilson: In the last five-year period, probably around £600 million, over the five-year period, was reinvested in asset improvements or in social tariffs. Just this last year, the board announced another £100 million—£60 million into phosphorous removal on some of those key rivers, including on the Teifi and the Cleddau, and £40 million into further work on storm overflows.

Q122 **Wayne David:** Looking towards the future, it is clear, based on what you have said, that huge investment is required in the infrastructure in the near future if we are going to tackle the problems you have been talking about. Does that mean that there is no other answer than that customers will have to pay higher bills?

Steve Wilson: In reality, unless Government were to decide that they wanted to invest in infrastructure improvements, the only place is going to be customer bills. That is why it is very important for us to focus in Wales on environmental improvement and water quality.

The outcome we want is better rivers and better beaches. Focusing our investment over a long period of time on all storm overflows, but concentrating in the short term on those creating environmental impact, so that we have more of our rivers meeting the right favourable statuses, the 40% meeting good ecological status goes up and up, and we are well ahead of England, is very important to us in Wales. That is why we are focusing on those ones first, but tackling all storm overflows is going to be



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a very long game, because it effectively means resewering the whole of Wales, and that is going to take a long time.

Q123 Wayne David: Basically what you are saying is that it has to be a balance between the wider environmental solutions, plus your investment in the infrastructure. The two have to go together. Presumably, it is a question of where you place the emphasis, and the balance between the two.

Jason Rogers: Absolutely, yes. You are absolutely correct. The other element is innovation. It is how we look at things like nature-based solutions to actually help us. Investing in huge concrete structures on the network and tanks possibly isn't the right solution for us in the UK. We need to look at innovation and alternative methods for managing this problem.

Wayne David: Presumably you would agree, Mr Wilson.

Steve Wilson: Absolutely. I agree around innovation. We are really pushing the nature-based solution approach. There is also working in partnership with others. In Wales, particularly around our SAC rivers, we can probably get more phosphorous out by working with land managers and others to find good green solutions—planting strips of trees, buffer strips, and improving land management practices—than just by putting chemical dosing and lots of concrete and steel in small, rural sewage treatment works. That is the goal for us. We want to get the kilometrage of rivers improved up as high as we possibly can.

Q124 Wayne David: I suspect you are correct, but that was a general statement. What can you say in practical terms about the relationships you are developing with other organisations to help to tackle the problems you have described?

Jason Rogers: In Hafren Dyfrdwy, we have a catchment team. We have a team of agroecologists who engage with the farming community to look at regenerative farming practices—river buffers to reduce farm run-off into rivers and so on. We have active relationships with the farming community in that area. It is definitely a team approach, from a Hafren Dyfrdwy perspective.

Steve Wilson: I have a couple of examples. On the River Wye in Herefordshire, we have been working in partnership with the local authority, building some integrated wetlands to allow new housing growth and create some capacity, and take more phosphorous out.

We are encouraging NRW to change some of its policies. To help us to do that in Wales, we have published a guide to all local authorities to say, "These are places where we could do this in Wales." There are quite a few on the Teifi we are actually exploring at the moment, where we could put some wetlands in.

On the River Usk, we are looking at a nutrient trading pilot scheme, so that we can try to encourage other land managers to tackle that. We have put £1 million in to try to get that nutrient trading pilot off and running.



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Q125 Wayne David: But on those efforts that you are making, you may come to the conclusion that it is all very well and good encouraging people to do this and providing extra resources to help that, but if the problem is not just that but weakness in legislation, you might find yourself in the situation that you have to lobby Government to change the regulations and tighten up the law. Are you prepared to do that?

Steve Wilson: As you know, we have been quite a campaigning organisation around things such as wet wipe bans; one of the biggest causes of pollution in Wales is still blockages of the sewer network and wet wipes. We are not frightened of doing those kinds of activities, but we clearly have to get our own house in order in a lot of places at the moment, and focusing on investing in our assets is the top priority.

Q126 Wayne David: Just finally—

Chair: Really quickly.

Wayne David: I want to ask about improving the decrepit infrastructure that you have inherited. How do you decide what areas to prioritise, given that the scale of the problem is huge?

Steve Wilson: That is where these water quality assessments are really important to us. We want to tackle storm overflows and sewer improvements based on harm, and by getting out there and getting all this study data, so that we know where the impacts are happening. That will be our priority order: we are going to tackle those creating the highest level of harm first, and work down that list. We are going to tackle SAC rivers, because they are most important to us. We are going to protect bathing waters. We do have a priority list to work through.

Q127 Wayne David: Is that publicly available?

Steve Wilson: We have just produced a new manifesto on what we are trying to do on rivers, and it is in there, yes.

Q128 Ben Lake: I will come back to the manifesto in a moment. My colleague, Mr Baynes, pointed out the Ofwat investment allowances and the investment against some of those allowances. I am interested to understand, Mr Wilson, why it is reported that, in the years 2020 to 2022, Welsh Water invested only 69% of its allowance. Is there any particular reason for that?

Steve Wilson: A phasing one. Particularly on storm overflows and phosphorus removal schemes, there is a huge amount of modelling work that we needed to do upstream of actually pouring concrete and building works extensions. For us, it was a phasing issue. Our intention is that we will have spent all that allowance, and more, by the end of the five-year period.

Q129 Ben Lake: I see. I read the manifesto for rivers with great interest, and noted that the Teifi—an SAC river, of course—features quite heavily in it. The details in the manifesto suggest that 66% of the orthophosphates going into the Teifi are actually from the wastewater and sewage



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treatment works. It is significantly higher than the other rivers—the Wye is 23%, the Dee 34% and the Usk 21%. Why is that?

Steve Wilson: Each river is different, but that is the importance of getting this data out there, so we can understand that a one-size-fits-all approach does not work. We have some large-ish sewage treatments—2,000 or 3,000 population equivalent—at Newcastle Emlyn and Llandysul downwards. That is the area where we have to really start to focus on improving those discharges. This is how the regulatory process works: we get the data, work with the NRW—and EA in England—to decide which works need to be prioritised and build these five-year investment plans based on that.

The SAC data changing was a bit of a surprise to us all. We have to play catch-up, and that is what we are doing. You can tell by our investment on the River Wye that that has been known about for some time. We have, in this five-year period, a lot of investment—over £60 million—on the River Wye, with 11 schemes. We did not have anything on the Usk, and we had very little, actually, on the Teifi. Now that we have this data, we are pushing ahead with a big plan for our 2025 investment cycle, but we are trying to deliver some early schemes now to make some early gains.

Q130 **Ben Lake:** What you say there is interesting, because some constituents of mine on the Ceredigion side—and I suppose some others on the other side of the Teifi in other constituencies—will be very conscious at the moment that there is a moratorium on development in the area. It is having a significant economic cost, but an even more severe social cost, with schools, and you name it, being held in a state of disarray.

You have mentioned the projects on the Wye, the Dee and the Usk. Reading through the manifesto, it is clear that there is a lot of work on wastewater treatment on those sorts of rivers, yet when it comes to the data that you provide in the manifesto, the contribution from wastewater plants does not seem to be as high a proportion compared with the Teifi. If we look at the Teifi, we have the very welcome £1.3 million for the Lampeter wastewater treatment works and then a to-be-confirmed investment in the Llanybydder waste treatment works.

Put yourself in the shoes of one of my constituents. They can see that there is a complete prohibition on development, and has been now for the best part of two years. We are then told that we will have phosphate stripping on, I assume, two wastewater sites in the Teifi, when the Wye, the Dee and the Usk get investment of £80 million, £25 million and £20-odd million. Are we to be confident that the investment in those two treatment works will reduce the 66% contribution?

Steve Wilson: Yes, they will make a material difference. What we are also doing is looking at creating what we call backstop limits. We are working with NRW to say, "These are sites where we don't need to put phosphorous stripping in, but we mustn't prevent deterioration, so we will accept a phosphorous permit limit," and in that way there will be some headroom that will allow growth. So there will be more than just those



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sites—we think about another 14 little catchments within the Teifi. We should be able to unlock that moratorium.

One of the most exciting things is that the Teifi is the best river that we have seen in Wales for opportunities for wetlands—joint integrated wetlands—to use nature to take more phosphorous out of the river. We are working with Ceredigion Council and others, particularly the nutrient management board that has been set up for the Cleddau, Teifi and Tywi, to work on some of those schemes.

Q131 Ben Lake: Can I take that as a reassurance that although perhaps there has been a lack of investment, or less investment, in recent years, you are telling me that as part of the manifesto for rivers and future investment plans, places like the Teifi and places in Ceredigion will receive more investment in the future? There are concerns about the age and resilience of infrastructure in Ceredigion.

Steve Wilson: I absolutely agree, and yes. We are not going to leave any of those rivers behind.

Chair: Rob has a very quick final question.

Q132 Rob Roberts: I want very briefly to touch on something that Mr Baynes said earlier. Mr Wilson, you have said a number of times things like, “We have to get our own house in order,” “The numbers are awful; I accept that,” “We’ve got to start to focus on”—etc. Will you go back to your board, tell them that perhaps they should not take huge bonuses until they have fixed these things, and pay them based on performance rather than anything else?

Steve Wilson: Well, our board meeting is running today and tomorrow. That is where I will be heading straight after this. They will be listening and taking notes from this.

The performance of the company crosses many different areas. There are all sorts of elements of water quality around safety and environmental improvement. All remuneration committees take a balanced view of operating across a number of different performance areas, and that is how the bonus scheme is worked out.

Rob Roberts: I will take that as a no. Thank you, Chair.

Chair: Thank you. Let us bring this session to an end. Speaking personally, I am slightly less concerned about the remuneration if there are some very clear pathways to improve performance. At the end of this session, I feel pretty depressed right now for my constituents in Pembrokeshire who, in 2021, had more than 79,000 hours of sewage outflow into waters in Pembrokeshire. Last summer they were subjected to a hosepipe ban. We have not even got on to talking about the water that leaks out of the system, which meant that one of the rainiest parts of the country was put under a hosepipe ban last summer. On top of that, they have the prospect of higher bills, but not necessarily a clear plan for reducing sewage discharges.



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I really do appreciate your coming here and giving us your time, responding to the questions frankly and explaining some of the complexities and nuances around the issue, which is a very emotive one. I think there will be a rising tide of public concern about the issue, not just in Wales but across the UK, in the years ahead. Thank you very much.