

Environment, Food and Rural Affairs Committee

Oral evidence: Reforming the water sector, HC 588

Wednesday 12 March 2025

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Members present: Alistair Carmichael (Chair); Sarah Bool; Helena Dollimore; Sarah Dyke; Jayne Kirkham; Josh Newbury; Andrew Pakes; Jenny Riddell-Carpenter; Henry Tufnell.

Environmental Audit Committee member present: Blake Stephenson.

Questions 550 - 625

Witnesses

I: Ruth Jefferson, Chief Executive Officer, Wessex Water; Andy Pymer, Chief Financial Officer, Wessex Water.

II: Mark Thurston, Chief Executive Officer, Anglian Water.

Examination of witnesses

Witnesses: Ruth Jefferson and Andy Pymer.

Chair: Good morning, everybody, and welcome to this meeting of the Environment, Food and Rural Affairs Committee. Our inquiry this morning continues to centre around the future of the water industry, and we are delighted to be joined again by colleagues from the water industry itself. First we have a panel from Wessex Water. Good morning—you are very welcome to the Committee. Thank you for making the time to join us.

Can I ask you, for the benefit of those following our proceedings, and indeed for our own official record, to introduce yourselves and explain your role in the company?

Ruth Jefferson: Good morning, I am the chief executive of Wessex Water.

Andy Pymer: Good morning, everyone. I am the director of finance.

Q550 **Chair:** As you know, you are now the eighth of nine water companies that we are going to be seeing in the course of this inquiry. I have asked all others, and I will ask you the same question. Will you offer us insight, Ruth, into how you see the management of your organisation? What is important to you in terms of environmental performance, customer engagement, transparency, remuneration—those elements that you will be aware cause concern amongst your customers and the general public?

Ruth Jefferson: You might know that I am relatively new in the role of chief executive. However, I have been with Wessex for a number of years. The one thing that stands out for me is that we are absolutely about our people. We have about 2,500 employees, and they are all local or largely local. They are customers themselves and they are there to do the right thing, and that really runs through the organisation: our people really care about getting things right. They really care about customers, and for us that means we put customer service at the heart of everything we do. That is borne out in our performance. We do really well in the C-MeX. We also have a very strong Trustpilot score and we encourage our people to go the extra mile, so that ethos really runs through the business.

The other thing that we are acutely aware of is that we work in a really beautiful part of England: the south-west has a high number of SSSIs and 27% of the chalk streams in the country. We are very aware that we need to make sure that our activities do not impact the environment and should be enhancing the environment where they can. We are very keen, and work really hard to work with others, to make sure that we can bring the best. We have an in-house team of dedicated ecologists and environmentalists to make sure that we really are enhancing the environment.



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It goes further than that: we even work in partnership with the Wildlife Trust and the RSPB and have been behind a sort of call for action, really: an alternative way in which we might have a regulatory model that would focus on catchments. That is the SSWAN initiative. Our commitment to the environment is really clear.

It is also important to talk about our ownership: we are owned by a Malaysian family business that bought Wessex Water in 2002. This was their first investment in the UK and their message was, "Just be the best." We have continued to try to make sure we are the best. Things do not always go right, but we have that culture within the business whereby when it does not go right, we hold our hands up and try to fix it.

Generally our performance is good. We are top of customer service. We do very well on drinking water quality and in environmental performance. We want to do that in an open and transparent way; we hear the concerns about transparency, and we have led the way. In 2012, we were the first company to map our overflows that were operating in bathing waters. We want to be open and transparent in everything we do. We do not always get it right, but we try to fix it where that happens.

Q551 Chair: Since you have raised the question of your ownership, your predecessor was quite forthright on this. He described YTL as, "patient, long-term, committed," and spoke out against short-term investors, saying, "Why the hell would you let someone in who has a reputation for asset stripping?" One can only imagine who he might be talking about there. But it is still a somewhat convoluted structure of ownership, is it not, from the ultimate parent company to yourself, let alone then your own subsidiary downwards? Am I right in thinking that there are about eight different layers of corporate governance? Can you talk me through that? Would that be easier for you, or Mr Pymer?

Ruth Jefferson: I will start and then Andy can step in. We have a simple and straightforward corporate structure. The Wessex Water Services business is ringfenced. It is run as a standalone business. We have one subsidiary of Wessex Water Services, which is Wessex Water Services Finance plc. That exists purely to allow us to have access to the debt markets, which you cannot do without that entity, and then we have a holding company in Wessex Water Limited. YTL Utilities is another holding company within the UK, which has other activities outside of the regulated water and services business. For example, YTL are investing in a new town north of Bristol near Filton, and Brabazon new town is held in a separate part of the group structure. Within the UK, it is very simple and straightforward. There are holding companies outside of the UK because our parent company is in Malaysia.

Chair: In the Cayman Islands and Jersey?

Ruth Jefferson: That is correct, and then our ultimate owner is listed on the Malaysian stock exchange.



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Q552 Chair: I count four investment holding companies, an investment holding and management company and investment holding and provision of administration and technical support services in your family tree, so to speak. Does that really help the delivery of good quality water services?

Andy Pymer: The key focus in terms of the delivery of water, environmental services and customer service is very much within the ringfenced entity in the UK, and Wessex Water Services Ltd is that regulated entity. As Ruth said, there is one single company as a full subsidiary of that—a plc that is needed to raise debts on the debt markets.

Wessex Water Services has a single parent: Wessex Water Ltd, and within the Wessex Water Ltd company, there are other companies. For example, there is a joint billing company we have with Bristol Water, so we jointly bill customers in the Bristol Water region who are supplied with water by Bristol Water, and with wastewater by ourselves. It is better customer service to have a single bill and point of contact, so we have a joint billing company at the Wessex Water Ltd level. Then the ultimate parent company within the UK is YTL Utilities (UK) Ltd. That includes a construction business, for example, which is totally separate from the water business, but reflects YTL's other business interests within the UK, and the other investment and inward investment in growth and jobs that it is making into the UK economy.

Q553 Chair: You are classed as being a company in elevated concern: your gearing is around 70% at the moment, and Ofwat's target for companies is 55%. You are by no means unusual in the sector, but talk me through this relationship between Wessex Water and Ofwat, and how everybody seems quite happy to say your target is 55%, but it does not really matter, does it?

Andy Pymer: Yes, certainly. The level of gearing absolutely does matter. We are seeing that in examples in the industry in terms of resilience. The first thing I would say is that Ofwat does not set a target of 55%. When Ofwat sets a price control, it has to have a notional company, and it has chosen 55% in previous—

Chair: As a finance professional in the sector, is Ofwat wrong with this 55%?

Andy Pymer: No. Ofwat has to identify a notional company when it sets the price, and that is 55%.

Chair: We know about the notional company—you are company No. 8—but are they wrong?

Andy Pymer: Further on in the document, where Ofwat sets out the 55% for the notional company, a couple of pages later it then refers to its view on financial resilience and it says that it remains its view that gearing above 70% may not be consistent with long-term financial sustainability.



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Ofwat also has a metric, or a mechanism, in place in this five years, where, if companies are geared above 70%, they have to share some with customers. I would say, if anything, Ofwat has a target of 70%, not 55%. It uses different percentage gearing figures in different places for different purposes.

Chair: Nevertheless, you are in the “elevated concern” category.

Andy Pymer: Correct.

Q554 **Chair:** You have been overspending your expenditure allowances, so how are you going to ensure that you have financial stability in future?

Andy Pymer: On financial resilience, stepping back one has to ask, “What is the appropriate level of gearing?” Gearing is the debt, which is currently just at around 70%—or 69% in our case this year. The flip side of debt is the equity, which in our case means that we have an equity buffer of 31% in the business. To put that into context, that equity buffer equals two years of revenues from customers. This is a decision that we took on acquisition by YTL 20 years ago: what the appropriate level of equity buffer to have within the business would be. Two years of customer funding, bills and income is a good level of financial resilience, in our view; obviously other companies take different views. If you were geared at 55%, it would be a three-year equity buffer. If you were at 85%, it would be a one-year equity buffer. Certainly our view would be that a year would be too short, so 85% is not appropriate and, as I say, two years is. We have a two-year equity buffer in our current 69% gearing, and 69% is a good position to be in: it reflects a good equity buffer for the business.

Q555 **Chair:** Can I take you to your PR24 business plan? Ofwat offered you 17% less than you had asked for. You are now appealing that through the CMA process. Talk me through your thinking in the appeal and what are you going to do if your appeal does not succeed?

Ruth Jefferson: You are right, across the sector we had the largest reduction in allowances. We put forward a very ambitious plan—just over £5 billion—and the final determination came in at just over £4 billion, so we have a gap in funding.

We have never appealed a final determination before, so our decision to go to the board was not taken lightly. On this occasion, we have concluded that we do not have sufficient allowances to do everything that we need to do over the next five-year period, particularly in a couple of areas: our water supply base costs and our enhancement spend.

We have a very large programme of phosphorous removal to do over the next five years; we need to make improvements at 123 sites. We do not feel that we can make all those investments with the allowances we have received as part of that final determination, so we will ask the CMA to look again at that for us.



Chair: What will you do if you do not get it?

Ruth Jefferson: We are confident that we have a good position in front of the CMA. You cannot reasonably expect to get everything but, as we have talked about, we have a long-term owner who will do everything necessary to make sure that we can deliver what we have said we were going to deliver over the next five-year period, so we are confident that we will be able to do that.

Q556 **Chair:** As I say, you are the eighth company that we have spoken to. I might be wrong about this, but I think you are the first that has come before us saying that you are not paying dividends for the next five years. Talk us through that decision, which would be somewhat counterintuitive within the sector.

Ruth Jefferson: I will start at the high level, and then Andy might come in with the detail. Yes, our business plan was based on the fact that there would need to be some equity as part of that plan, and the decision of our shareholders is that the assumption will be that they will not take dividend over the next five-year period, which equates to about half a billion pounds over that time.

We assume that we will get the allowances we need from the CMA and from Ofwat's final determination, and with that position on the dividend we will then be able to deliver everything that we need to over the next five-year period. That said, if we do not receive everything at the CMA, our investors stand ready to do whatever is necessary to make sure that we are able to deliver our functions. Andy, do you want to add any detail?

Andy Pymer: We are at an interesting inflexion point in the history of the water industry. We are now ramping up to a significant investment programme. That was the logic for the privatised model in the first place: to be able to attract private investment, and that is now required to deliver the programme going forward.

In terms of equity support, I return to the point I was making earlier about maintaining the two years of equity buffer. Maintaining that 30% equity buffer requires YTL to keep the current or proposed dividends within the business in order to keep the equity in the business to reinvest in the assets and the needed improvements.

Chair: In some sense, is this a proof point for what your former chief executive said about YTL as an owner?

Andy Pymer: Yes, very much, in terms of that long-term commitment.

Ruth Jefferson: A responsible owner, absolutely.

Q557 **Chair:** Okay. You have also not been paying bonuses to your executives recently.

Andy Pymer: Certainly the chief executive did not take a bonus last year, that is right.



Ruth Jefferson: That is right—last year.

Chair: Where will you have to get to before you turn that tap back on?

Ruth Jefferson: Any decision to pay a bonus is, as you have heard—

Chair: With the independent remuneration committee, yes.

Ruth Jefferson: Yes, from an independent remuneration committee. We have 12 measures within that decision-making process; only if nine out of those 12 are met would a decision to pay a bonus even be on the table. As you said, last year the remuneration committee felt that, given we had two prosecutions from 2018 incidents, it was not appropriate to pay a bonus to the chief executive.

To expand on that, in previous periods where we have not met our environmental performance targets—when we were a two-star company, which we were not happy about—there were no bonuses paid for the environmental element. Where we had performed well in other elements, there may have been some bonus paid, but certainly our independent remuneration committee does apply that sort of balancing measure.

Chair: It links environmental performance to performance payments.

Ruth Jefferson: Absolutely. Equally, they would link customer service metrics. One of the metrics that we had previously, for example, was around the number of customers that we had on affordability programmes—our TAP programme. Again, we have very clear targets that we have to meet; if we do not meet them, we do not pay bonuses.

Chair: Sarah, you are going to lead on our questions on environmental performance.

Q558 **Sarah Dyke:** I am, but Chair, if I may, I will first come in on the back of the previous questions. If the business does not become more financially stable in the future, what assessment have you made about the impacts on your consumers? I am obviously particularly interested in those for Glastonbury and Somerton, my constituency.

Andy Pym: The business is currently operating at 70% gearing, with a 30% equity buffer, and we have been operating at that level for the last 22 years. In fact, to the Chair's earlier comment about the elevated concern, Ofwat had two issues for putting us into elevated concern this year, neither of which was anything to do with the gearing.

One was our interest cover ratios, which—with the high inflation that we have had ourselves, along with the sector as a whole—have seen a deterioration but we have now turned the corner on that. The second reason for elevated concern was our inadequate business plan rating at the draft determination, and at the final determination that has now been removed by Ofwat. Of the two issues that Ofwat had highlighted, one is completely solved and the other is well on its way to being solved. It is right that we ensure that we take action to preserve the financial



resilience of the business. We believe the current gearing level does exactly that, but we always keep that under review. The interests of customers—the ability to deliver for customers and the environment—are paramount in saying, “Do we have the financial firepower to be able to do that?”

Q559 Sarah Dyke: Let us move on to environmental performance. Wessex has seen increasing levels of pollution, or numbers of pollution incidents over the last couple of years, and data shows that you are over-using some sewage overflows. What explains this increase? Does the four-star rating from the Environment Agency seem appropriate in the context of the number of spills?

Ruth Jefferson: I entirely understand why you are asking that question. Last year we had 126 total pollutions, which is too many. According to the EA’s approach, the EPA, that did mean that overall we were a four-star company because we did not have many serious pollutions, and we were green in some of the other metrics that it tracks.

Pollution incident reduction is absolutely key to us, and that takes many different forms. Part of our approach is to use more technology to try to understand the network and spot issues before they happen. We were the first company to introduce StormHarvester—I think others have talked to you about this as well—which is the ability to have eyes on the network and make sure that we get to issues before they become serious pollution incidents. Over the next five years, we will put another 10,000 sewer monitors into the network. What we are seeing in the wastewater side of the business is equivalent to the telemetry and monitoring that we already have in the water supply, but we need to step it up and roll more out and we need to be getting back good information so that we can make those proactive interventions as opposed to reactive, which is obviously when it might have gone wrong.

You are right that our spill numbers are high. I talked earlier about the beautiful area in which we work, but that beautiful area has a lot of chalk. Our geology means that we have a lot of groundwater and when groundwater levels are high, our network becomes inundated with groundwater. That said, we still need to make sure that we are doing infiltration sealing and keeping it out of the network. Only 27% of the network is within our ownership and control, but we need to make sure that we are sealing it. The rest of the network is in private hands, and at the moment we do not have the powers to make those interventions in that side of the network. However, we will continue to do more infiltration sealing.

The groundwater-induced overflows at the top 10 of our frequently spilling overflows are all impacted by groundwater, so we are doing something a bit more alternative and nature-based, which is exactly where we want to be. For example, Shrewton—our second most frequently spilling overflow—is not just spilling for days; it is weeks and months of the year, because of those groundwater levels. That is not



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acceptable. We have put a nature-based solution on the end of that overflow. That nature-based solution is treating that groundwater and achieving E. coli removal levels that we see where we use UV disinfection on our water supply. It really does work and it is improving the bathing water quality.

Hanging Langford, where we have worked with the Wiltshire Wildlife Trust, is a great example of where we can do things together because we are all caring about the water quality. Another reed bed is having huge results. The parameters and the sample results we are seeing are showing that they are reducing not only the standard things you would expect, such as BOD, but also the E. coli. With that example at Hanging Langford, the Wiltshire Wildlife Trust now has a nature reserve that is starting to attract rare birds—the water rail, the reed warblers—so there are multiple benefits of some of these interventions.

We do have a lot to do on storm overflows. We do not sit here taking it lightly. There is about half a billion pounds-worth of improvements over the next five years. At the moment, we are spending about £3 million a month. We will spend around £7 million a month for the next five-year period and it will be a combination of different things: nature-based, storage and rainwater separation—keeping out of the foul network the rainwater that is currently inundating it. We are alive to the challenges.

Sarah Dyke: That is great. I am really pleased to hear that you are taking a more nature-based solution approach. I think you have 36 nature-based solutions across the patch, which is fantastic. I would love to come out and see some them.

Ruth Jefferson: Please do.

Q560 **Sarah Dyke:** You have said that the regulators are not sufficiently supportive of your ambitions to invest in more nature-based solutions to treat overflows. Why is that?

Ruth Jefferson: At the moment, the regulatory framework is not set up to allow these things at scale. You are right, Sarah: we have 36 trials, and they are going to be considered trials over the next five-year period. They are going to cost us around £100 million, but it is the right thing to do. We are keen that we put these nature-based solutions in and that we get the evidence to show that they work. Then we are hopeful that there will be the opportunity to do this at scale. Some of the work of the Cunliffe commission may be that opportunity; there are catchment-based approaches and we have been a big proponent of an alternative catchment-based approach to regulation.

Q561 **Sarah Dyke:** Recently you have upgraded five sewage works along the River Parrett, which runs through my constituency, and I was able to visit the Langport sewage works last summer as some of the upgrades were being installed. I understand from Dr Andrew Clegg, a local citizen scientist, that the water quality monitoring he has been carrying out near



the sewage outfalls just a little further down the stream is showing some minor improvements, which is fantastic.

On Monday this week I met a group from Langport town council and the Cocklemoor Community Trust, who, with me, are pushing for the River Parrett at Langport to receive the designated bathing water status that it deserves. So many people use the water; they are either in it or on it along that stretch. We were joined by members of the Wessex Water community outreach team, who were absolutely fantastic, all credit to them. It was really encouraging to hear more about some AI monitoring technology that you are using to check that the water is safe, and that there is an app that goes alongside it. Given that this waterway is regularly used recreationally, what further steps are you taking to ensure that the water is healthy for this site, but also others like it?

Ruth Jefferson: You are right: we have made some improvements at the Langport works to reduce the phosphates that are entering the river. The Tone and Parrett is a really good example of where you can do catchment-based approaches.

We need to remove two and a half tonnes of phosphorus, so, working with around 100 farmers, 1,300 hectares of cover crops have been planted, which are contributing to removing those phosphorus levels. We have also fenced watercourses with the farmers. Again, this is an example of where you can do things differently and improve water quality in a holistic way.

To your point around bathing waters, we really hear that our customers and communities want to enjoy water, so what we have been doing—you talked about AI—is some real water quality monitoring: producing apps that are then available to those who want to enjoy our rivers so that they can make an informed decision about whether or not they swim. That AI is really promising. It is about 95% as accurate as lab samples. Again, we are working with communities. Within our patch, we have three designated bathing waters at the moment, including the world's oldest open water swimming club at Farleigh Hungerford, which is not far from where we are based. We are really keen to support these groups and we are rolling out those apps where we can. Sarah, we will pick up with your constituents and make sure that we include them in that work.

Q562 **Sarah Dyke:** Thank you very much. Despite this, the Glastonbury water recycling centre spilled 94 times, polluting the Glastonbury mill stream and the River Brue for 1,267 hours last year. What kind of sewage monitoring system is being used at this site, and how can we stop this level of spills happening?

Ruth Jefferson: All our works and overflows are now fully monitored, and we make that information available on maps. That is probably common, and you will have heard it from other companies. That is live data.



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As I talked about earlier, we need to reduce these spills. Our pollution incident reduction approach is a combination of technologies—things such as StormHarvester and AI—and a combination of investment at our works. We appreciate we need to make sure we are maintaining our assets. It is also about working with our customers and communities: one of the biggest causes of pollution is blockages, so we have work to do with our customers around not misusing our sewers.

It is about having a combination of efforts and interventions. We are really pleased that we have a water guardian programme, where we have around 200 local individuals who help us keep eyes on those rivers and spot issues as they come along. It is about having multiple interventions. At Glastonbury, we have work to do. We need to work together on these issues.

Q563 Sarah Dyke: In 2024, the BBC identified 68 sites where sewage may have been discharged illegally in the Wessex region back in 2022. It found that Wessex had spilled for over 1,500 hours, some of which was on 19 July 2022, which you will remember was the hottest day on record. How was that allowed to happen?

Ruth Jefferson: There is a distinction. There are dry day spills that should not be happening, and we will make every effort to ensure that those spills are not taking place. With the example that the BBC cited—and we proactively provided the information that the BBC sought—it is groundwater again. Those are the sites that I referred to earlier, like at Shrewton, where, because of those high groundwater levels, the sewers are inundated and they are operating outside of extreme weather conditions. We will focus on these nature-based solutions to make sure that they are treated, because they are discharging for long periods.

Q564 Sarah Dyke: In 2024, the Advertising Standards Authority banned Wessex Water from releasing a TV advert about its plan to tackle storm overflows, as it was misleading and omitted the information about your overflow and environmental record. What does this tell us about your approach to transparency and investment?

Ruth Jefferson: We took down the TV advert following the authority's approach. We did not include the information that they expected. It was around our historic environmental performance. We will reflect on that and if we did introduce another TV advert, we would make sure that we were meeting all those requirements.

Q565 Helena Dollimore: I just wanted to probe a bit further, Ruth, on the issue around the TV advert. The Advertising Standards Authority said that that advert needed to come down, as it was misleading to the consumer: it confused the progress you had made, and implied you had made a lot more progress than was the case on tackling sewage. How much money did the TV advert cost the company?



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Ruth Jefferson: I do not have that figure with me, but I can certainly provide that to you. There would have been a cost associated with the advert, I appreciate that.

Helena Dollimore: Roughly what would that cost be? What would the marketing budget be every year?

Ruth Jefferson: I would not want to mislead you, Helena. I will certainly follow up, but I cannot imagine it was a significant amount of money. We do a lot of our work in-house in many areas, but I will certainly follow-up. The issue with the advert itself was around our environmental performance and the fact we were a two-star company. At the time that the advert was aired, we had not been confirmed as a four-star company, and that was an issue that the Advertising Standards Authority raised with us.

Q566 **Helena Dollimore:** There were other issues as well. It thought it was confusing to imply that you were operating on 21st-century practices when actually there are still issues with wastewater and rainwater being combined and going out together. That was the issue that the ASA was getting at. We need to get to the root of this, because water companies exist to provide clean water, and customers would find it quite concerning that on the one hand you are saying to us, "We're not sure we're going to have the right level of investment to invest in all the assets that we need to repair," but on the other hand, you are spending money on TV adverts that are found to be misleading. Would that money not be better spent on fixing the pipes?

Ruth Jefferson: I understand why you ask the question. In terms of the clean water element, we are very good in that space; we are considered a top performer. The advert itself was part of our package of engagement with our customers. We feel that we need to get some messages to customers, and we took a decision to do that by way of TV advert on that occasion. We do other things: we have a customer magazine, radio adverts and so on. It was a small fraction of the budget. I entirely appreciate that we need to invest. We have a programme of work over the next five years to do that. We are in a process with the CMA where we are seeking additional funding to make sure we can do everything that we need to do, but we are confident that we will make the improvements that are required.

Helena Dollimore: How much does the magazine cost?

Andy Pymer: It works out at about 13p per customer, so it is about £200,000 per year.

Helena Dollimore: To Sarah's point, on the hottest day of the year—19 July 2022—there were 68 sites where sewage may have been discharged illegally because wastewater and rainwater were being combined. That was on a day when, clearly, there was no rain. That is the misleading nature of the advert that the ASA banned. It was saying, "You're implying you're not doing that anymore, but actually you are." That is where the



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root of the problem is, and I think money should be spent very carefully, given the scale of the problem in the water industry.

Ruth Jefferson: I agree.

Chair: We have some questions now around the subject of water security. Jayne, do you want to lead on this?

Q567 **Jayne Kirkham:** Yes. Thank you for coming; it is nice to meet you.

My question is about water security. Your water resources management plan said that your area was classified as seriously water-stressed, and there was a drought, I understand, in 2022. How resilient have you been to drought over the past few years, and do you see that as a large risk in the future?

Ruth Jefferson: We have been very resilient to drought and have not had to put any temporary use bans—or hosepipe bans, as they were called traditionally—since 1976. We have a resilient position, which is helped by the fact in AMP6 we spent £230 million putting in a grid that allows us to move water across the network. That really does help and it means that where we have areas of stress, we can make sure that we have resilient supplies. In partnership with Pannon, South West Water, we have two or three strategic resource programmes over the next five-year period. One is a second reservoir at Cheddar, which will again have resilience for the north of the patch and for the South West Water area, and another is a reservoir in a quarry that is currently an active quarry but in the 2040s will no longer be mined and we will be able to use as an alternative source as well.

Q568 **Jayne Kirkham:** That is quite a long time away, though. How long do you think it will be before those two reservoirs are online, and will they definitely come online?

Ruth Jefferson: Yes. Cheddar 2 will be online early 2030s—2032. Spades will be in the ground in the next couple of years. Then Mendip quarry will follow after that. These are the longer-term plans. You are absolutely right that we need to be resilient for the future; we need to be able to invest for the future to make sure we have the water resources that we require.

Q569 **Jayne Kirkham:** In the seven years in between, your leakage reduction figures are not as high as they could be, and you seem to be somewhat reliant on mandatory water efficiency labelling and other Government-led reforms to reach your targets. Do you think that is realistic? Are you resilient enough as a company with your leakage targets? Do you think you will meet them? Is this reliance on Government targets realistic?

Ruth Jefferson: Our leakage performance has been very good historically, but you are right that there are a number of ways you can address the issues of water scarcity. Some is around leakage. Some is around consumption and behaviours, so we will work with our customers in that respect as well.



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On the leakage side, we will roll out more loggers over the next five-year period to make sure that we are spotting and fixing these leaks, and again, as part of our in-house approach, we have teams that are 24/7 looking for leaks and fixing them where we find them.

In terms of per capita water consumption, one of the key things over the next five years is a smart metering programme that we will roll out. We have deliberately targeted that smart metering programme of around 200,000, if not more, smart metres in the Hampshire Avon. This is a precious chalk stream, and therefore we need make sure that we are reducing those consumption levels and that we are monitoring usage as well. There are definitely different strategies and we are not just relying on a Government approach; we have things that we need to do as well, both on leakage and consumption.

Q570 Jayne Kirkham: You are looking at the smart metres to be 40% coverage by 2030, is that right?

Ruth Jefferson: That is right.

Q571 Jayne Kirkham: I am afraid I do not know your area very well—I am South West Water—how many reservoirs do you have?

Andy Pymer: Our largest reservoir is jointly owned with South West Water and that is the Wimbleball reservoir, which is about a third of our capacity. Then the company has around a dozen other reservoirs, chiefly in the west of the region. We are about 25% surface water, which is in the western part of our region, and 75% groundwater—boreholes and so on—which are in the north and the east of our region.

Q572 Jayne Kirkham: You are aware that you are a seriously water-stressed area, so my concern is: why has no investment in reservoirs been made before? We are looking at the first one coming online in 2032, so how come you did not invest in building reservoirs previously?

Andy Pymer: It is a mix of a whole range of different investments made to ensure water security. There is the grid, which Ruth mentioned, for £230 million; that has been a significant investment, which provides additional resilience. That was also used during some of the adverse storms. In fact we had red weather warnings within a few weeks of it being turned on and we were able to keep properties in supply, so that is resilience both to drought and to other extremes of weather.

Jayne Kirkham: So you chose that alternative.

Andy Pymer: That is correct. The way it works is that one comes up with a whole range of different options—reservoirs, smart metering, the grid and so on—and then works out which is the most cost effective. It is a full process that the industry as a whole does together with the regulators, and the most efficient and effective options are picked off.

Chair: We are going to move on now to some questions around asset health, high impact incidents and customer satisfaction. Henry, can I ask



you to lead the questions here?

Q573 Henry Tufnell: I want to ask about replacement rates. The Committee has heard from Ofwat that the current replacement rate is around 0.1%, and there is acceptance that that is not fast enough and that the correct rate would be something between 0.8% and 1%. At the moment, in terms of the price review, it is 0.4%.

It was interesting that when Severn Trent presented evidence, it said that the replacement rate should be reflective of that of the railways. What is your replacement rate?

Ruth Jefferson: Our replacement rate is 0.4%.

Andy Pymer: For the next five years—so 0.25% currently.

Ruth Jefferson: We will increase our rate of replacement over the next five years because, to your point, the current levels of investment assume that some water mains will last 400 years. We know that is not the case, so we need to make sure that we are increasing those levels.

On the wastewater side, the current rates of investment assume our sewerage network will last 800 years. Again, that is not the case. We understand and accept that we need to increase our levels of investment and over the next five years it will be 0.4% mains replacement rate.

Q574 Henry Tufnell: Can you comment on the 0.8%, 1%, or what was pointed out by Severn Trent in respect of the replacement rate being the same as the railways? How does the industry as a whole view that replacement rate?

Andy Pymer: Ultimately, when you reach a steady state, the question is: how long do these pipes last? In terms of how long sewers can last, it is a very wide range. The great sewer in Bath, where we are based, was built by the Romans 2,000 years ago, and is still there and operating. Clearly there are other sewers that have been built more recently—from pitch fibre tar, for example—that do not have anywhere near that sort of lifetime.

If you say around 0.8% to 1%, that would be 100 to 120 years, which is a reasonable average life for underground infrastructure. Interestingly, in the accounting standards, I think the assumption is 108 years, which would seem to be a reasonably long-run rate. The challenge is to get from where we are today to that long-run rate. It does not have to all be done overnight, but certainly you would expect there to be a gradual increase over time to that sort of level.

Q575 Henry Tufnell: Can I ask about the enhancement expenditure—the investment in infrastructure to improve services, which I think you have underspent by 16%? You gave evidence earlier that you are appealing the decision on that rate. Why, and what impact is that having?



Andy Pym: There are two reasons for that: partly it was a slower start at the beginning of the period, particularly with covid and other issues, which meant we spent less at the beginning than we would otherwise have done. We are slightly behind but we are certainly catching up. In this year, we are spending £439 million on capital investment in total: a very significant increase. We are also spending more than the maintenance allowance, and historically we have done for the last 20 years.

The second point, interestingly, is that the regulatory regime itself is set up as an incentive-based regime, with the intention of companies meeting the requirements in terms of the outcomes and outputs. Then, if there are efficiencies against that, that is encouraged by the regulatory regime and half those savings are then shared with customers.

The situation that we find ourselves in is that new issues, such as storm overflows, have come along that were not five years ago a part of the measurement process of what is delivered for the money spent—but they absolutely need to be a part of the measurement process now.

It is a mixture of both those things. In our own case, in total for the price review for this five-year period, we will overspend the total allowance that we have been given.

Q576 **Helena Dollimore:** I want to ask about major incidents that have occurred in your area. There was a particular incident in Wiltshire—in May 2023, I believe—where you were fined £300,000 for supplying water that was not fit for human consumption. This went on for three weeks. Before that happened, customers were complaining for weeks about a funny taste in the water. Do you accept that the water company perhaps did not react to those complaints and listen to the customers about the change they were seeing soon enough?

Ruth Jefferson: First, that incident should not have happened. We did receive complaints about taste. As you say, it went on to be prosecuted by the DWI, and we co-operated with that because it was an incident that could have been prevented.

Ultimately, it was a combination of factors, but it was a failure of processes at our works. We were doing some maintenance work; we work with activated carbon and we were replacing some of that. We did not have sufficient processes in place, and we put water into supply that should not have been in supply. From that perspective, it should not have happened and we have learned from that.

We were talking earlier about the grid and about different water sources: ground water and surface water sources. We have learned that sometimes as we use our grid, or we re-zone, customers are really sensitive to the taste of their water and we can often see increased contact around those activities. Where we are making those tweaks to the network, we are proactively contacting our customers in advance and



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making sure that they are aware. But that incident should not have happened.

Q577 Helena Dollimore: Making customers aware of a change that is harmless and is not an issue with the drinking water is one thing, which I think is what you are talking about there. What controls are now in place for when people phone up your helpline to say, "My water has suddenly got a funny taste"?

I appreciate this was not in your area but we have heard from South West Water about the very serious parasite outbreak in Devon, where people were phoning up and saying they were getting sick. That was not acted on soon enough. What mechanisms do you have in place to make sure that your customer service teams properly escalate that, so that people are not drinking unsafe water for three weeks?

Ruth Jefferson: We actively investigate every customer contact about drinking water quality. That is our way of making sure that we are taking each of those contacts very seriously. We refer that to our own internal teams who look at water quality. They will make a judgment call based on the information we receive. Do we need to go and visit the customer? Do we need to go and sample at the tap? Do we need to do further work? We do investigate those water quality contacts.

Q578 Helena Dollimore: Are you confident that an incident like this cannot happen again?

Ruth Jefferson: What I am confident of now is that we put every effort to make sure that those contacts are taken seriously.

Chair: That brings us to the end of our questioning for this morning. Thank you very much for your attendance and engagement. We have one other panel to take evidence from. We will then consider our next steps. You may anticipate hearing a bit further from us but thank you for your attendance today.

There are a couple of points on which I will follow up with you in correspondence, and we will hopefully be able to resolve them. Thank you for your attendance.

Examination of witness

Witness: Mark Thurston.

Chair: Good morning, Mark. Welcome to the Committee. Can I invite you to introduce yourself for the benefit of the official record?

Mark Thurston: Good morning. I am Mark Thurston. I am chief executive at Anglian Water. I have been in the company nine months—eight months in post. I am new to the business and to the sector. I have worked on the fringes of the water sector before, but this is my first time



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being in the water sector. I am also new to the region. I am not from the east of England, so I am learning as I am doing on three fronts.

My background is in capital delivery. That is where I have spent the last 20 to 25 years of my career, and that is part of why I think the board hired me. We have a big investment programme coming towards us in the next 10 to 15 years at Anglian, and that has been a lot of my focus since I have arrived in the business.

Chair: You came to Anglian from being chief executive of HS2.

Mark Thurston: I was chief executive at HS2 for six and a half years, yes.

Chair: So, you have just pursued a quiet life in your professional life.

Mark Thurston: When I said I was joining a water company, friends and family said to me, "Really?" I am sure we will get into some of what I have learned and observed. I know you have interviewed many of my peers for your Committee hearings. I probably bring a slightly different, fresher view, as I am the new kid among the group.

Chair: Is your background as an engineer?

Mark Thurston: I am a chartered electrical engineer, yes.

Q579 **Chair:** Mark, you will have heard the questions I asked of the previous panel, so I will give you the same opportunity to outline the sort of business that you want to run at Anglian Water. What are your views on customer engagement, environmental performance, transparency—the values of the company, if you like?

Mark Thurston: That is a good place to start because in taking a break between my last job and my new job, joining a very purpose and values-led business was important for me. I knew that was something that Anglian had quite a strong reputation for. It is a very purpose-led organisation. The purpose of the company is enshrined in the articles of the organisation, so it is something the board takes very seriously. It is something that has been in place now for some five years.

I have been impressed coming into the company. Interestingly, listening to Ruth, we are similar in that we have 6,000 employees who all live in the region; the majority of them are customers, and they are deeply invested in the region as customers and for customers. There are lots of things we need to be better at, and I am sure we are going to expose some of those in the next hour or so. Part of my decision to join the organisation was because of the challenges of what we have to deliver. Certainly, the investment that we will make in the next 10 or 15 years is going to have a profound effect on the economy of the region. The purpose talks about the organisation being focused on the social, environmental and economic prosperity of the region, and we are a big employer. There is a lot more opportunity for Anglian to contribute to the wider region.



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That would be my early impression, and the board takes the purpose very seriously. I have seen that at the management level in the time I have been with the business, certainly coming through the winter. Although a lot of my time has been focused on the price review work since I have been with the business, we have had our fair share of incidents over the winter and seeing how staff respond in real time through night and day to make sure we maintain customer supply. Customer service has been really impressive to see. Many of the employees have been with the company their whole careers; they have been there from school into technicians. Our graduate and apprenticeship programmes have been very successful. That sense of ownership of what the business stands for is quite powerful in Anglian and that is credit to my predecessor who had been in the business a long time. It has a very family culture and that is a good starting position for me to come in and move the business forward.

Chair: We are constrained for time and I do not want anybody to go away feeling that they have not had the opportunity to put their case and tell their story, but could we maybe just focus on keeping questions and answers quite tight? We are going to start with some questions around ownership, financial performance and returns. Andrew, can I ask you to lead this section, please?

Q580 **Andrew Pakes:** Nice to have you here, Mark. We have met previously, and there is a real sense of purpose that comes through from the frontline staff I have met at Anglian, either locally or more closely in the region. I have a couple of questions about bigger structure stuff because sometimes there is a dissonance between the frontline staff we meet as Members of Parliament and some corporate structures behind the company; we are really looking to understand some of that through this inquiry.

My first question is really around some stuff the Committee has been looking at where you have been described as having “opaque corporate structures”. We are really interested to understand how that criticism of your structure—I think it has been evidenced to previous Committees—sometimes allows you to sustain a higher level of debt without damaging some of your debt levels. Can you talk us through the structure of the company and whether that meets the definition of that family feeling that you have described about the operation?

Mark Thurston: Yes, and when I talk about the family feeling, that is very much in the water business—the regulated business. I know this has come up in some other hearings, and we are very live to this at Anglian. This is a company that has been around for 35 years. It was a plc listed business when it first came out of privatisation. It went into private ownership in, I think, 2006. You have a history of companies that are in the structure you refer to but, fundamentally, our business is very similar to Yorkshire Water’s. Actually, I saw the Yorkshire Committee session; I thought the CFO did a good job of explaining the three tiers.



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The holding company is where the shareholders sit. We have a midco, which is really where we draw the debt into the business—where we drill the finances into the business to fund the business. Then we have the operating company, the regulated business, where the employees sit. Fundamentally, those are the three tiers.

That has been very effective. It is not unusual for regulated businesses to look like that. It is certainly the best way to draw cost-effective finance into the organisation to drive that cost for customer value for money but, to your point around language like “opaqueness” and “transparency”, we recognise that is something we are going to have to address. My expectation is that those conversations start with the board and the shareholders, and that we will address that and simplify it as we go through AMP8. There are some entities in the structure that we are naturally closing down anyway for legal reasons. They are legacy companies of the history of the last 35 years, but we will naturally simplify that structure over AMP8.

Q581 Andrew Pakes: If we invite you back next year, do you think you would be able to say it is a simpler structure that we would understand, or is it a longer-term ambition to simplify?

Mark Thurston: In a year’s time we will have more clarity about what the structure will look like. It is going to take some time to get there because, among other things, we have to put more equity into the business. We are well within our acceptable gearing ratios but, again, we want to improve those for the reasons that your question talks to. Certainly in a year, I will be able to be more specific about what that final structure will look like as we commit to simplifying that over the next five years.

Q582 Andrew Pakes: As a CEO, do you understand the frustration many customers—businesses, farmers and domestic customers—feel between responsiveness of what they see as the logo of Anglian Water and then these big, opaque structures, and how the two do not seem to join together?

Mark Thurston: Candidly, in my eight months, I have had to get my head round this myself and there is a lot of history and detail there, which I would be very happy to share with the Committee because, to the Chair’s point, we could consume the time on this subject issue. We understand the issue and we want to simplify it. We need to make sure that there is no suspicion of opaqueness there; that is certainly not the intent. The board and the shareholders are very alive to that and, as I say, we will look to change that in time.

Q583 Andrew Pakes: We have asked this question of several companies: the business plan suggests you will retain a gearing level close to 70%, when Ofwat is recommending a gearing level of 55%. We covered this yesterday and in the previous session but, in your words, is that a sustainable approach, and can you explain your credit rating’s negative



outlook?

Mark Thurston: I will answer the last question first: there is a broader industry perspective of where the agencies are looking at the financial resilience of the water sector. As Anglian, we have been standard graded by Ofwat for some time, so Ofwat would hold us in reasonable regard. We are at 69% at the opco. As we go through AMP8, our intent is to get to 65%, so we want to reduce that. At the midco, we are currently at 79%; we want to get that down to 75%. The holdco is 84%. We are alive to those ratios. As you say, some agencies take a view on both: for individual companies and the sector as a whole. It plays to your earlier question, and that is something we will look to address over the next five years.

Q584 **Andrew Pakes:** From my estimation, about a quarter of customers' bills are currently used to service your debt levels. Do you think that is the right place for customers when we look at our bills?

Mark Thurston: One thing I should probably have said, Chair, is that I have a full pack of detailed information, much of which is historical, so I will try to do justice to many of these questions.

Andrew Pakes: My calculation is that it is broadly about 24% of customers' bills currently.

Mark Thurston: Yes, I recognise that number. Ofwat set a threshold of 18% and we are at 13% in this AMP. Ofwat set the threshold for 26% in AMP8, recognising there is greater investment required. That is for the future but, again, it is one of those measures that we are alive to.

Q585 **Andrew Pakes:** Can I ask you about another calculation? It seems that in 2023, Anglian paid shareholders £1,618 in dividends for every hour of sewage dumped into the environment. Do you think that was reasonable?

Mark Thurston: Our shareholders have had one dividend of about £90 million in the last five years. The only other return they get on their investment is through the cost of equity that is set by Ofwat. Clearly, our performance in the ODI regime is measured by a whole series of measures, with pollutions being one of those. That is the only time that any performance has been such in the company when a dividend has been justified. The board and the shareholders have not taken a dividend since and they will not take another dividend this side of the end of AMP7. I cannot comment on what the company did; there is a regime which drives that. There is no doubt that the size of that dividend would have been impacted by the pollution performance in the way you described, absolutely.

Q586 **Andrew Pakes:** We have seen this in a number of companies: when we talk about the basket of measures which lead to either executive pay or dividends, and then we talk about pollution, the two things seem completely disjointed. It is about understanding the corporate. Is the actual measure of pollution a direct factor in your dividend policy?



Mark Thurston: Absolutely: at executive level, at the company level, and in terms of what that would mean to how we drive outperformance into the business that would result in shareholder dividends. Pollution is one of those core factors and, to your question, if our pollution performance is not where it needs to be, then that will absolutely impact any dividends. Frankly, that is why our pollution performance in the subsequent two years—which I am sure we will come to—has not been good enough by some distance. It has been a big focus of mine since I arrived, and that has absolutely had an impact on any likely dividends for shareholders.

Q587 **Andrew Pakes:** Ofwat has said that in 2023-2024 you were the third worst performer. In its latest report, the EA says that you are one of four companies responsible for 90% of the serious pollution. My figures here say that over the last 15 years Anglian has been found guilty of 74 different breaches in environment law and has paid fines totalling almost £4 million. How bad does your performance have to be before the water company's licence is revoked or challenged by Ofwat?

Mark Thurston: Let me deal with your first point. I recognise that our pollution performance is unacceptable; it is the thing that is defining the company. To the earlier question, I have been very impressed with what I have seen in the company thus far. Anglian is very good at many things but, for a range of reasons, our pollution performance is unacceptable. Our shareholders put an additional £100 million into the business just over a year ago to help address that. We are well through the investment and that is making an impact. We have huge provision for investment in our water recycling infrastructure in AMP8 but, realistically, it is probably going to take us two to three years of AMP8 to really start to make a difference to some situations we find ourselves in in terms of asset health, the amount of flow in our system, and some other issues around groundwater. We have some serious challenges in our pollution area.

We have been an EPA two-star company, and I have set a challenge for the organisation that we should be looking to get back to an EPA three-star through the middle of this AMP and get back to what Anglian has historically been, which is a four-star company, towards the end of the AMP. This is a long game for us. Frankly, we cannot run at this problem quick enough, and we have totally reset our approach to water recycling in the last couple of years. We brought in a new director, who is part of my leadership team. It is the single biggest thing that the organisation is focused on, alongside all those other things that we have to do.

Q588 **Andrew Pakes:** I recognise that there has been some change in corporate behaviour and that you are new. We often ask about executive pay and bonuses, and the particular case of your predecessor receiving, I think, a £300,000 bonus. Then, the following year there was a decision where a bonus was not paid out. Is that a policy that extends across the executive team, or just the CEO? Given the long-term nature of turning this round, and because of the environmental problems you are putting



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right, how likely is it that you will go back to a policy of receiving a bonus in the next price review period?

Mark Thurston: In terms of commenting on the past, I know my predecessor did forgo his bonus in his last year for exactly the reasons you say. We have an incentive regime for the executive team at Anglian. As you would expect, it is set against a whole series of measures: pollutions, safety, financial performance, leakage, and customer service. Ultimately, the board and the remco decide whether that is justified. It is quite formulaic, but they have discretion. If any particular measure is unacceptable, they can, frankly, choose not to pay bonuses. It is within their gift. Thus far, that has not affected me because I have not been there long enough but, to your point, the executive team would only expect to earn any incentive element of their remuneration if performance is acceptable, and that is the role of the remco.

Q589 **Andrew Pakes:** I understand the difference between remco and independent boards, but in terms of your belief and your level of comfort, what would be an acceptable level of pollution for you to still receive a bonus payment?

Mark Thurston: That is a fascinating question because, arguably, one pollution is one pollution too many, is it not? We all come from a world where we want to be at zero pollutions. At Anglian, the reality of what we are staring at is that we are some way from getting there. The board is going to have to take a decision around keeping people, incentivising people, motivating people, and retaining the right talent in the organisation. We look at a whole series of factors and the board is going to have to take a view on whether pollution is sufficiently important to nullify or otherwise any incentive. That is a totally legitimate question and it is a legitimate conversation around the board table at Anglian.

Q590 **Andrew Pakes:** Do you have board-level discussions around the level of public anger about the way that pollution seems to be not dealt with, and this dissonance between corporate behaviour and the continued pollution and spills into rivers in my patch in Peterborough and more widely in the areas of several Members?

Mark Thurston: We do, absolutely. Since I have arrived, I have commissioned three pieces of work. One is around pollutions. I brought an independent consultant in because this is not my technical background. I wanted to get under the skin of what is really going on with our work on pollutions. Are we making the right interventions? Is the money we are spending going to get us there fast enough? Do we have the right management arrangements and technology in place? It has been a really insightful piece of work. I would happily share the summary of the work with you the Committee because it is a very useful piece of work, and the consultant is going to present it to our board at the end of this month.



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To your question, this is very much on the board's agenda. The board is very exercised about our pollutions performance and the impact it is having on customers, brand and reputation. I assure the Committee that this is front and centre of my and the board's agenda.

Q591 Jenny Riddell-Carpenter: Good to see you, Mark. We are both new into our jobs, and I am conscious that there are four of my colleagues on the Committee who represent areas covered by Anglian Water. I want to pick up on a point made by my colleague, Andy. Your predecessor earned £1.3 million as a combined package for remuneration. I tried to find your basic package and your former remuneration package, but I cannot find it online. Can you give us a breakdown of your salary and what any future earnings for a bonus could look like under conditions where you would qualify for it?

Mark Thurston: You are right; my personal arrangements are not in the public domain yet. They will go into the accounts, which will go into the public domain sometime later this year. In the round, my compensation package is very consistent with my predecessor, and I know it has been benchmarked across industries. In that regard, I am not an outlier. My base pay is £720,000. There is then an incentive element on top of that. We talked about performance with Mr Pakes earlier, but I have not been in the company a full year yet so, frankly, that is somewhat in the future and not really a focus for me. My focus has been really getting my arms around the company.

Q592 Jenny Riddell-Carpenter: I appreciate you have not completed a full financial year, but could you be in a situation where you would likely receive a bonus this financial year?

Mark Thurston: Two things: we have not got to the end of the year, and that is not my decision—it is a decision for the board. Frankly, the special measures Bill is probably going to have another bearing on how executives are paid or remunerated in this industry. There are a number of uncertainties there, which I have not overly focused on because I have been really trying to get my arms around the day job and, frankly, it is something for the board in the future.

Q593 Jenny Riddell-Carpenter: I appreciate we do not want to spend the entire session talking about bonuses, but this is a really important point. Naturally, there is a lack of consistency between each of the remuneration committees in different organisations, but we have just heard from Wessex Water that unless nine of the 12 minimum standards are met, the executives would not be put forward for consideration. Even then, if they met all nine, there is still no chance that they would qualify for a bonus. I appreciate you gave an answer earlier, but I was not entirely clear how your board considers the merits and the qualifications for getting a bonus.

Mark Thurston: I will try to do this justice in a short time. We have an incentive regime for senior leaders in our business that is set against a



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series of performance measures. Pollutions will be one of them, but there are others. Each has to carry some sort of weighting, so it is quite formulaic. There are lots of measures and indicators in our sector which roll this up into a percentage, which would then lead to an entitlement to that incentive as part of people's compensation. However, the board retains the right to not honour that, if it sees fit, for issues around customer perception, pollutions or whatever. The board retains its discretion as to what it chooses to give, but there is a performance regime that is not dissimilar to many other businesses. All companies will do it slightly differently, but we have one that is very transparent and, again, we could share the detail of that with the Committee if that is helpful.

Jenny Riddell-Carpenter: If it is transparent, it would be great if you could share the detail.

Chair: We will move on to questions around environmental performance. Sarah Bool will lead the questioning this time.

Q594 **Sarah Bool:** Good to see you, Mark. Anglian Water is the largest water company in England and Wales by geographical area. As Andrew mentioned before, in that context, you have had to return £38.1 million to customers this year through lower bills, due to falling behind on targets. Anglian Water is the third worst performer with 40.16 incidents per 10,000 km of sewers. It is responsible for 11 serious pollution incidents. It has the most non-compliant treatment works in the whole sector, at 13, and has been convicted of 105 environmental offences since the 1990s. That also includes a fine of £500,000 in January 2023 for the discharge of 6 million litres of sewage into the River Great Ouse in May 2017, which is in my constituency. Is it understandable that customer satisfaction is decreasing?

Mark Thurston: Interestingly, our customer score in the last two quarters is going up, which, in the light of the facts you have just shared with me, would seem counterintuitive. Actually, customers are getting more satisfied with our work. I could relate to some specific stats because we have made some big improvements over the last six months but, if you stand back and take all of what you have said in the round, it proves that I have a job to do. To come back to the earlier question: the fundamentals of Anglian are very sound, but there is work to do to drive performance.

Your point around pollutions and some other issues you referred to are the things that are defining us at the moment. Part of why I took the role is because there will be a big investment in Anglian in the next 10 to 15 years. We have a lot of work to do to invest in our asset base, increase our asset health, and expand the capacity of our system. We have reservoirs and pipelines to build, and huge investment in our water recycling infrastructure. It points to the fact that, yes, performance has not been where it needs to be. That needs to change—it needs to



improve—and that is part of what I have been setting about in the last six or seven months.

Q595 Sarah Bool: That sounds very positive about the future, but the Environment Agency has expressed concerns that Anglian Water cannot and will not ever change in terms of its pollution. With the greatest respect, in my constituency of South Northamptonshire, HS2 has had a huge impact and it has scarred the constituency. Perhaps your involvement with that will strike fear into their hearts as to whether you will be able to deliver on the changes that you are promising. What will you do to instil confidence that we will see this change under your leadership?

Mark Thurston: We have a very good relationship with the Environment Agency, both locally and what I would call corporately. We are well aware that, as an EPA two-star company, we have work to do. As I have already said, we can see a trajectory going into AMP8 where we would start to improve that position. In terms of confidence, part of why I got this job and part of why I wanted this job was to bring in some of my experience in infrastructure projects. To some extent in Anglian, we have learned through the strategic pipeline project that, probably for the first time in the company's history, our work is very much in the public domain. A lot of the work that the water company has done has often been behind the fence of our own facilities. Customers do not necessarily see that work. We need to be much more diligent and much more engaged with local stakeholders so that people understand when we are going to be doing the work.

For example, there is a huge amount of consultation going on at the moment around the two reservoirs that we have to build in the next 10 to 15 years. That is really part of what I hope to bring to the organisation. Historically, Anglian has a good reputation around project delivery but at a relatively modest scale. The conversations we are having internally are that we are moving from being a water company to an infrastructure company.

We have many different challenges. To your question, we are really dialling up our engagement with local authorities, the agencies, the NGOs, and our customers so they understand why we are doing the work we are doing when we are doing it. Inevitably, it will be very disruptive—to your experience of building a railway through your constituency. Again, that is the challenge, and there is huge opportunity for the region with all that investment, but we have to tread carefully because our licence to operate as a business is only as good as the way we take our customers and those stakeholders that are impacted by our work with us. My experience is that if people feel like that is done to them rather than with them, then that is when you start to lose that reputational bank balance. That is the job over the next few years.

Q596 Sarah Bool: What will you actually do in that regard? As I said, with HS2, there is a particular village in my constituency, Greatworth, that has



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been having road closures from HS2, but then Anglian Water is also coming in and closing roads at the same time, and they are not consulting. My village in particular is being locked in. You said, "Oh, we need to have that greater transparency," but what are you going to be putting in place—or what have you put in place, because you have only been in role for a few months now?

Mark Thurston: We certainly need to work with local authorities. Organisations like Anglian, or HS2 for that matter, cannot just go and close roads without getting local authority consultation. As Anglian, we have to work much better with the local authorities to make sure there is a co-ordinated approach to things like road traffic management and the sort of things that we will need to do. We have done a lot of engagement around the region with landowners, particularly for the pipeline projects. There has been a lot of learning in the organisation as to what that means. For that very reason, I have done three regional events along the line of route of the SPA pipeline because we have realised that we need to be open. The project got off to a poor start due to covid and weather and other things. We have a really solid plan for that programme going forward and, again, we can be much more certain with people about when we are likely to be in their constituency and when we are likely to create that disruption. My experience is that people can accept it if it is predictable; it is when it becomes unpredictable that you then really start to lose the battle.

Q597 **Sarah Bool:** It has been reported that thousands of pollution tests were passed at sewerage points that were actually never carried out. Do you have a transparency problem? It seems you have quite an opaque structure but, equally, we see some of these results. What is going on there?

Mark Thurston: I am not sure what you are referring to. I do not recognise the transparency problem in that regard. I do not know how much the Committee has been briefed on. The sampling programme was an education for me. If the Committee wants to come to our labs in Huntingdon, I would happily host you. In our labs, we do 3.5 million tests a year. We take 275,000 samples a year—750 samples are taken every day. We run 10,000 tests a day on all the water going into our supply system and all the effluent that will go back into the natural environment. That is all regulated by the DWI or through the EA. One of the early observations for me coming in was what goes on behind the scenes to make sure that we provide safe drinking water into the system and that we make sure that we test any effluent that goes back into the natural environment. I do not recognise the statement around transparency there. All that is audited by the agencies and, again, we would be happy to share some of that with the Committee.

Q598 **Sarah Bool:** Thank you. We have been given various bits of information on this at certain points. For example, it has been reported that Anglian saw the highest rise in the hours of raw sewage pumped into rivers than any water company. It was a 205% increase, and that was of 273,163



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hours. Often, it is common that people blame wet weather but, actually, 17% of those overflows were estimated, using EA data still in development, to have happened for reasons other than high rainfall. There is a lot of information and you have a lot of facts, so perhaps we should have more data sharing. It is not a very positive picture, from what we are seeing.

Mark Thurston: I agree that our pollutions position is not a positive story. Before I arrived, there were a couple of very bad winters when it comes to rainfall, so there were unprecedented numbers. In our consultation with customers, our customer feedback is that they would rather see us put much more resilience into our system to deal with hydraulic overloading, which is a technical term for having too much flow in the system.

The other issue that Anglian suffers is that 28% of the land in Anglian is below sea level, so we are very prone to flooding. It is very flat; we do not have the benefit of gravity to move water or sewage around the network, so we have a huge number of pumps. Many of those pumps are life expired. There is a real issue about the asset health of our pumping system.

Of course, the other issue with Anglian is that we have seen a huge amount of contingency and a huge amount of growth. There has been a huge amount of development in and around the region at Cambridge, Peterborough, Milton Keynes, Colchester, and Northampton. We are not a statutory consultee in development. Developers have a right to connect. We exercise our voice and we work closely with local authorities, but an issue for us is to make sure that we continue to invest in our asset base to cope with the growth of the region. There is a whole series of factors, some of our own making and some external, that are playing into the performance you refer to.

Q599 **Chair:** On transparency, outflow testing has been reported in *The Guardian*. This comes back to the question about self-monitoring. The information we have is that, in some cases, outflow stopped for just an hour or two. On one day in May 2021, a flow abruptly stopped just before a tester arrived. On a day in November 2022, a no-flow was recorded, even though the works appeared to be close to capacity. An Anglian Water spokesperson said there were legitimate reasons for the number of no-flow samples linked. It sounds as if you were just turning off the water and that was a way of avoiding the test.

Mark Thurston: Sorry, Chair, was this in *The Observer*?

Chair: *The Guardian*.

Mark Thurston: Again, we can account for all those issues. We have 76,000 km of sewers; we have over 1,400 water treatment works. They took a very narrow sample in a very particular geography.

Q600 **Chair:** Are you able to give us a categorical assurance that you are not



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manipulating the outflow?

Mark Thurston: Absolutely. The independent sampling programme in the water sector is something to see up close. It is very impressive. It is regulated by both DWI and the EA and if you want some assurance, we can confirm that in writing.

Q601 **Chair:** You said earlier you have a good relationship with the Environment Agency. As a parliamentarian, that makes my antennae twitch. I would much rather hear companies complaining about the relationship with their regulators. Is it too cozy?

Mark Thurston: No, no, no. I would not want to confuse a good relationship with it being too cozy. It is a very businesslike relationship with the agency, both at chair and chief exec, but also on the ground with the regional team. At the end of the day, the Agency and the water company in all parts of the country have mutual interest in protecting the environment and doing the right thing by customers.

Q602 **Chair:** Then, in July last year, you were ordered to pay £50,000 for failing to provide records to the Environment Agency without reasonable excuse three times between January '22 and January '23.

Mark Thurston: That was a court case that was playing out not long after I arrived. There were three cases around withholding information. We were found not guilty of the two most serious. There was one that we were fined £25,000 for. That was a mistake on the part of the company. It was not a conscious withholding; it was an error. Nevertheless, we accepted that and were fined £25,000, and I think we paid £25,000 in costs.

Q603 **Chair:** Do you understand why I asked you the questions at the start about company culture around transparency?

Mark Thurston: Absolutely, yes.

Q604 **Chair:** This does not look like a company that, at least in the past, has valued that transparency.

Mark Thurston: I cannot comment on the past. I can only give you an answer on what I have seen since I have been there. I do not see anything there that concerns me about the sampling regime, and the transparency between the management team and the board. We are very open with our regulators. Candidly, it is not something that I am worried about, but I understand it is an issue for this Committee.

Chair: It is an issue for a lot of the customers and the Members of this Committee.

Mark Thurston: Yes, and it has been a line of inquiry for many of these Committee hearings, but we have two customer boards. To come back to my point: our articles enshrine our purpose and our investment in the region. We have a quarterly customer session this week, where customers come and meet the organisation to see what we are doing.



They challenge us on our performance. I have not seen anything in my time in the organisation that points to some of your suggestions.

- Q605 **Jenny Riddell-Carpenter:** I just want to ask a few questions on testing and sampling. When we last met, we discussed citizen scientists and the testing they conduct. You will appreciate that at Suffolk Coastal, we have a lot of bathing water. We have the entire coastline, but also some significant rivers—the River Blyth and the River Deben, which you will know well. Citizen scientists are frequently and regularly testing that water. When we last spoke, we discussed the idea of the work that you could do to support that more. Is that something that you have looked at, and are you working actively with citizen scientists like the Deben Climate Centre and more widely across the Anglian footprint as well?

Mark Thurston: Candidly, Jenny, I do not know the answer to that question specifically. I know we talked about it. The work has moved on; I am not up to speed with the detail. We have done a lot of work on bathing waters. I think the stat is something like 92% of the bathing waters in our region are either good or excellent, so the company has moved a lot in that area. Certainly in the River Deben—I think you are briefed—there are investment plans in AMP8 to do further work there as well. Perhaps I can come back to your office on the question of work with that organisation specifically.

- Q606 **Jenny Riddell-Carpenter:** The last time we spoke there was appetite for Anglian Water to work alongside some of that citizen testing work that is going on. There is so much work that they are doing and there is so much stuff that you as an organisation could do to help them, be it financially or more broadly just supporting their work, but I appreciate there is a lot of duplication in some of the testing that is going on.

Is quaternary disinfection around wastewater and outlets near and around bathing water areas something that you are considering? It exists in Europe and is used in wastewater recycling, particularly in areas of bathing water such as the Deben. Is quaternary disinfection something that you are considering?

Mark Thurston: It is interesting. I have not heard that term in the time I have been here, so let me take that away and come back to you on that.

Jenny Riddell-Carpenter: Thank you.

Chair: This has excited a bit of interest. Andrew and Jayne, can we keep it tight because I do not want to miss out any questions?

- Q607 **Jayne Kirkham:** I have a really quick question. When South West Water came, I asked about the Friends of Mylor Creek, which had been trying to test. South West Water was happy to work with them and enable testing and they have set up some meetings to do that. Considering what Jenny was just saying, would Anglian be prepared to do the same and help the people who are trying to test?



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Mark Thurston: Philosophically, absolutely we would. I apologise—I do not have the detail and I will pick this up with Jenny’s office directly.

Jayne Kirkham: Thank you. That is all I wanted to check.

Q608 **Andrew Pakes:** I have a couple of questions. One is on something I am really passionate about: protecting our water resources. You know the region that we live in. Roughly, East Anglia is responsible for about 10% of the world’s supply of chalk streams, all of which are environmentally damaged. The operations of your company are a key determinant in whether we repair that or damage it further. You claim that you are going to stop this environmental damage by 2050 through two main mechanisms of reducing leakages and reducing customer demand. Prior to your arrival, the record of the company has not been good on that. We have seen leakages increase; we have seen demand management not being met. How do you expect customers to believe that you will meet that 2050 target based on your past performance?

Mark Thurston: There are actually three things. First, we have more metering of our customers on a percentage basis than any other water company at over 1 million of our customers. Anglian supplies about 2.5 million households. We are about halfway through fitting those households with smart meters and we will complete that programme in AMP8. That has had an impact on per capita use on a daily basis, and we see a difference with the customers who use smart meters. Within five years, where we can, all customers who want a smart meter will have one.

Secondly, our leakage performance is as good as any in the industry. To your point, Andrew, water resources have historically been the focus of investment in Anglian because there has been a demand from growth and from agriculture. We have the lowest rainfall in the country, and we have done something like 180 km of mains repairs and remediation work in AMP7. That is 1,100 km in AMP8, so it is a big programme to continue to sustain and improve that leakage position in the next five years.

Thirdly—which comes back to why I am in this job—we have to complete these pipelines and build these two reservoirs. We have lots of water in the north of the region, but we are quite water starved in the south of the region, with huge demand in and around places like Cambridge and Colchester. The other big play for Anglian in the next 10 to 15 years is bringing water down and building two new reservoirs so that we have that resilient water supply for the region for the next generation and beyond—to your 2050 date.

Q609 **Andrew Pakes:** In some earlier answers, you talked to Jenny and others about the importance of collaboration, working together, and consultation. Can I ask you about a particular example which my exceptional colleague, the hon. Member for Lowestoft, has been raising with me, knowing my interest in the issue? She says Kessingland in her constituency, which is in Suffolk, has had a serious issue with sewage



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coming up people's drains and toilets, and that this has been an ongoing issue for over a decade.

In 2016, the neighbourhood plan said that Anglian Water was aware of the issues and was working with the then MP and council to resolve them. If you were resolving the issues in 2016, why, nearly a decade later, is sewage coming up people's toilets? As CEO, will you give a commitment to take a personal lead on working with that Member to make sure that in 10 years' time a member of this Committee does not have to ask your successor, or maybe you, exactly the same question?

Mark Thurston: It comes back to some of the Committee's questions. Our pollutions performance has to improve significantly. I cannot comment on a specific case. You absolutely have my commitment to take that up with the team and we would not wait 10 years for that. Certainly, we will do that in short order. I do not know the specifics of the case in point, but leave that as a commitment on my part to follow up.

Q610 **Chair:** Before we move on, you have a 2050 target. Why is it going to take 25 years?

Mark Thurston: I am not sure it will.

Chair: Targets of that length are virtually meaningless unless you have some sort of route map and targets to meet along the road.

Mark Thurston: I agree, Chair. If you come back to my point, we will have a fully smart-metered customer base by the end of the AMP. The first reservoir—the Fens reservoir—should be in service by the mid to late '30s, with the Lincolnshire reservoir coming two or three years later. There is no reason why we cannot outperform that date and provide a resilient water supply system in the region within the next 15 years.

Q611 **Chair:** We need to pick this up in correspondence. If you are going to have a 2050 target, what are the staging posts in 2030, '35, '40, and '45?

Mark Thurston: That is in our water resources management plan, but we will summarise that in a separate note. I think that would be helpful.

Chair: That would be helpful. We are wearing through the clock at least. We have some questions around asset health, high impact incidents, and customer satisfaction. Josh, you are going to lead us in this.

Q612 **Josh Newbury:** This follows on quite nicely from the questions that Andrew was just putting to you. Obviously, the company made certain commitments around severe incidents in 2016. Some questions I have for you relate to incidents that happened just last year. Anglian was responsible for a number of severe sewer flooding incidents in Norfolk and Cambridgeshire, and those isolated incidents reflect a bigger picture of internal sewer flooding rising over the last four years, despite Ofwat's target, which was for a reduction of 41% across the industry. Why are those rates rising, why are we seeing more of these severe incidents, and



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how are you tackling that problem?

Mark Thurston: Again, this is all part of the basket of our water recycling system being adequate. To outline some stats, our incidents for sewer flooding are 2.27 against the target of 1.44. To your point, we are off that target. Our expectation is that by the time we get to the end of year 5, once we have agreed that with the agency, that will be back down to somewhere between 1.3 and 1.6. Again, coming back to the work I have commissioned externally, we have seen a slight tick-up in improvement in internal and external sewer flooding in the last few months because we have had a bit of a concerted effort since I have arrived. Again, that plays to the investment programme we need to make in the next five years.

Q613 **Josh Newbury:** Investment is welcome and, as you said, that will start to resolve the issue, but it is also a broader point around how the company responds to these incidents when they occur. In February of last year, residents in Hickling in Norfolk reported that untreated sewage was rising into toilets, gardens and sinks. In response, Anglian stated that it was confident that the sewerage systems were working as they should. Do you stand by that assessment?

Mark Thurston: That sounds totally unacceptable. That comes back to the point as to why customers would be angry. For that to be happening and for the company to suggest that it is all okay, frankly, just does not wash—excuse the pun. To come back to the culture question, during my time at the company I have seen the frontline staff being very responsive and I find it hard to accept that the company would have taken that position in light of the situation you described. It plays into this wider issue: this pollution issue is the thing that is defining us as a company and until we can really get to the point where we have turned this around, frankly, it will be the thing that characterises Anglian Water. Rest assured, it is absolutely my focus.

Q614 **Josh Newbury:** Absolutely, and I appreciate this was before your time. The answers you have given today have been open and you have been honest with us about the improvements that need to be made, so we really appreciate that.

To go back to the incident in Hickling, it was only after a meeting, which was organised by the former MP Duncan Baker with various stakeholders, that Anglian committed to reviewing that incident. I appreciate you might not have the details to hand, but would you be able to update us at some point on whether that review has been carried out and, if so, what the findings were?

Mark Thurston: Absolutely. We will pick that up and I can write to the Committee. I would be amazed if that has not closed down since. Again, coming in relatively new, where I have seen the company has been impressive is the work with customers around blockages. We have done a lot of campaigns on customer behaviour. People's stuff still gets into our system. We ran a trial in an area in Northampton where we removed



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something like 10,000 wipes in 19 days. The system is struggling to cope with additional demand growth, so it is all part of a complex picture that we need to fix.

Josh Newbury: Yes, absolutely. One of the companies that was giving evidence yesterday put the challenge to us around wet wipes and I totally appreciate that is a massive challenge.

Mark Thurston: We need legislation like for plastic bags at supermarkets; it is a similar thing. These things are coded biodegradable, but the reality is they have to sit in water for months for them to biodegrade, but it is too late when they are stuck in our sewer system and it is all backing up into people's houses.

Q615 **Josh Newbury:** Finally, on the Hickling incident, could you also let us know, perhaps in writing after the session, what you have done to compensate those customers and, essentially, make amends to that village that went through a pretty horrific incident, which I am sure you do not want to see.

Mark Thurston: No, it does sound exactly that. Yes, I will.

Q616 **Josh Newbury:** Thank you. I would like to move on to water supply interruptions. The Ofwat target is an average of five minutes and 23 seconds per customer. For Anglian to meet that, I understand it would be a 45% reduction on current performance. For you to meet your sewer flooding target, you would need a reduction of 24%. That is obviously a really tall order. With all the investment you have told us you are going to be making, do you think you are going to be able to come close to meeting that in the next five years?

Mark Thurston: It would be slightly naive of me, especially as a slight newbie, to predict the future and say it is going to be fine. I recognise your stats around the 45%, but there were two very specific incidents—one at Ipswich and one at Stamford—which fundamentally affected our water supply aggregate score. If you look at all other incidents, the average is 13 seconds. If you took those outlying incidents out of the equation, our interruption performance is very, very good. When I have been out on site with the staff or in the water supply side, this is a constant focus. We had an incident at the weekend where people worked into the night and something like 40,000 properties were off supply. People are very aware that they are on the clock and they have to get back into supply.

If we took those outlying incidents, together with some issues we had around flooding and a couple of works that were inundated, the underlying trend is quite good. It proves the point that we need to make sure the system is resilient for the future. That asset health and asset resilience issue is a much broader issue, not just for Anglian but for the sector.

Q617 **Josh Newbury:** Just digging into the reasons behind some of that—



apologies for the pun—we have heard that replacement rates for assets across the sector should be around 0.8% to 1% to reflect an average lifespan of 100 to 125 years. It seems that that rate is not really being met anywhere across the industry, and the final determination from this price review only commits companies to 0.4%. In recent years, we have seen that that has been going up but, clearly, it is not where it needs to be. Anglian has been underspending its allowances for enhancement work for a number of years, so how quickly are you replacing your assets, and does that explain some incidents that you said are putting your figures out?

Mark Thurston: I will try to be quick, because I am conscious of the time. There are some specific issues around underspend on enhancements, whereas we have driven some efficiency in water recycling, particularly around our phosphorous schemes. However, the underspend on enhancements meant that we could not meet the requirements and we recycled that money into our base costs.

There was an interesting reference to the railways earlier. We have three buckets of money: our core maintenance, our enhancements, and then a layer in between called capital maintenance, which, effectively, in the world that I come from, is the renewals. That is where you spend money renewing your assets. Having gone to site, and as an engineer, I would say that our assets are tired and life expired. To your 0.4%, there is nowhere near enough money in the system. This is clearly a legacy of many AMPs that have preceded us—which we know have kept bills low, so I am not going to be drawn on that. The reality is that we are staring into a 20 to 25-year programme of asset replacement in the water sector if we want resilient water infrastructure in this country. It is a fact; you can see it.

For the manufacturing industry, we provide 1.2 billion litres of a food grade product to 7 million people every day, and we are renewing assets at a 0.4% rate. The manufacturing industry does it at 2%. As an industry, we have some work to do to start to recognise that we have ageing assets that need systematically replacing over the next 20 years or more. I agree absolutely with the point.

Josh Newbury: Hopefully, in five years' time it will be a rosier picture and the Committee will have a better picture to paint.

Mark Thurston: Let us hope so.

Q618 **Josh Newbury:** Lastly, you mentioned that customer satisfaction has been going up in the last couple of quarters. I appreciate that you are new to your role, but the long-term trend has not been particularly good for Anglian's customer satisfaction. You have been rising up the ranks in recent years, but only because the scores of other companies have been falling faster.

Mark Thurston: We are not as bad as the others—is that what you are saying?



Josh Newbury: That is the reality.

Mark Thurston: I am not sure I take comfort from that really.

Josh Newbury: The score dropped from 83 in 2020-21 to 77.5 in 2023-24. Why do you think that is?

Mark Thurston: It is for a range of reasons, and we have touched on some already. The pollutions performance has been a factor. The incident that you referred to is a case in point. We have work to do. Again, to come back to the culture of the business, our purpose is enshrined in our articles. We care deeply for this, but we have more work to do. That is the job for the next months and years ahead, because, frankly, our customers give us our licence. There is an official licence question about the licence as a company, but it is the customers that are your judge—and we have work to do.

Q619 **Andrew Pakes:** In terms of customer satisfaction in the region, we are holding you to a high level because of your background in infrastructure. We have some critical infrastructure coming—the South Lincolnshire and the Fens reservoirs—which should be here already. One of the problems is that we have not invested in our infrastructure, so we are holding you, because of your professional background, to deliver those projects.

Sadly, when I speak to some of my farming community and farmers about their expectation of customer satisfaction, consultation and involvement, given these two huge projects, one of the big words that comes back is “arrogance” about the way the consultation is done. There are particular fears around the delivery and the management of some pipe projects we already have coming through my patch and in the region. This is about the relationship between Anglian and its farmers. You are about to undertake two of the biggest projects that the country, not just Anglian, will have seen. How can you address the fact that you have customers who look after and tend our land, who are part of the structure you will be building in and seeking to work with? How can you reassure me that they are not going to come back to me in two years’ time and say that “arrogance” is still the key word they take back when it comes to dealing with consultation?

Mark Thurston: Andrew, you have my commitment. The idea of being arrogant sits very uncomfortably with me. Interestingly, I was out on a Fens reservoir visit only a few weeks ago and a local landowner was out jogging. He saw we had hi-vis on and stopped us. Frankly, in real time he took us to task because he owned some of the land and was making the point that the land agent had been expecting but he was waiting to hear what was going on. It was a sobering moment for me personally to be on site with a local landowner who basically said, “What’s going on here? When am I going to find out when you are going to want to buy the land, and when are we going to go to DCO?”

Again, to my earlier point, it has been a really sobering learning exercise for the company to realise that when we go into the public domain to



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build infrastructure it is about how transparent, professional and diligent we are in engaging with people to make sure they understand what is going on. That is the game. As with the HS2 question, you are not behind the privilege of your own fence line, you are out in the fields, the roads and the communities. We are probably going to go through an extra loop of consultation on the first reservoir before we bring it forward for DCO for that very reason.

Clearly, there is a lot of good that can come from the reservoirs in the region, but getting there can be painful for local communities, local business owners, and local landowners. Our job is to strike that balance. It comes back to the point that we need to be doing this with the local people, and for it not to be something that is done to them, because that is when you have that sense of arrogance—and that is not going to get us to where we need to get to.

Chair: Just out of interest, did he know that he had lucked out and stopped the chief executive in the hi-vis?

Mark Thurston: I do not think he knew who I was actually, and you will not blame me for not volunteering that information.

Chair: Any Member of Parliament who has ever taken a London taxi knows exactly where you are on that point.

Mark Thurston: Suffice to say, Chair, my team looked quite awkward because they knew who I was.

Chair: We will move on, then. We are joined today by Blake Stephenson MP, guesting from the Environmental Audit Committee. Blake, you are going to lead our questioning in relation to water security. Welcome to the Committee.

Q620 **Blake Stephenson:** Thank you, Chair, and thank you, Mark, for coming along. I represent Mid Bedfordshire, which is on the western edge of your territory, but I also have an interest in the whole region as vice chair of the east of England APPG. As we have discussed today, the east is one of the driest areas in England. Droughts are common, but so is flooding. My area was hit quite heavily with flooding in September and October last year. I am interested in talking a little about water resilience and flood management. We have talked about your efforts to reduce leakage, and I would like to dig into that a little. Your progress on leakage has stalled since 2021-22, from the data that I have seen. I would like to know why that is the case and what you are doing about it.

Mark Thurston: It is interesting. The same amount of water leaves our system today as it did at privatisation, and we have something like 25% more properties in the patch. Over time, the leakage has massively improved and it is now as good as it has ever been, notwithstanding that you have made reference to some near-term changes. We have got to the point where we have probably made all the, what I might call, tactical interventions we can make into our main system, and that is why I made



the point earlier that we have an 1,100 km programme in AMP8 on leakage.

There was a conscious decision to have a reduced amount of leakage intervention in AMP7. If you go back to AMP6 and AMP5, my understanding is it was higher. AMP 7 has seen a dip, and that really kicks up again now in AMP8. We have something like 39,000 km of water mains, and we are doing 1,100 km in one AMP so, again, that is a relatively small percentage, but it is ultimately going to make a difference.

The other thing that we have seen huge benefit of is the impact of the smart metering programme. Because of the smart metering programme we can see where customers are losing water overnight because we can see they are using water when they are clearly not and it is because it is on their side. We can work with those customers to intervene and get that water usage and leakage dealt with.

There is a whole series of things we are doing with technology to improve the resilience and monitoring of our system so we can find leakage. We have done a lot of work around pressure balancing. We have a network in Anglian between the three main reservoirs, and the leakage detection teams are taking me through how we can manage pressure to make sure we reduce leakage in the system in a way that customers do not notice but whereby we can make sure we do not unduly put more pressure than necessary into the system.

The wider point around resilience of water supply—the conversation with Andrew—is the investment in the pipelines and the reservoirs. There is huge demand from agriculture, development in building and property, as well as all the industrial needs. We are going to need more water in this region—which is the driest and is water starved—in the next 20 years. That is part of the big investment programme.

Q621 Blake Stephenson: Thanks for walking us through what you are doing, but it is still the case that Ofwat is concerned about Anglian Water not meeting its targets. Is it right to be concerned?

Mark Thurston: I am concerned, but it is interesting: our actual leakage number is one of the best in the industry, but the way the Ofwat measure works is that it measures you against percentage improvement from where you start at the beginning of the AMP, and, as with any improvement, we are at the point of the curve where our ability to improve is much harder because we are already outperforming most. That is why we have made a point of investing significantly more. There is an issue with the way the leakage target works in the Ofwat model, but I do not want to hide behind the model. The reality is that the investment in the next five years is going to make a difference. As a company, we are one of the frontier performers on leakage, and it has been an area where Anglian has historically invested for several AMPs.



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Q622 Blake Stephenson: On water supply, a spokesman has said that East Anglia would run out of water within the next five to 10 years without the new £500 million pipeline. In the answer to a previous question, you said you, “have a solid plan.” How confident are you that that £500 million pipeline is going to be delivered, and on time, so that people in East Anglia do not run out of water in the next five to 10 years?

Mark Thurston: I do not reckon I am going to run out of water.

Blake Stephenson: There is plenty of water.

Mark Thurston: It is in the wrong parts of the geography, hence the pipeline bringing it from north to south. It is the south part of the patch where we are struggling. Of course, the other thing is that we provide water to Cambridge Water and to Affinity Water, so we have a relationship where we bulk supply water through the three main reservoirs to the others.

To your question, we have a really solid programme on the pipeline. We have learned a lot around how we manage production in the winter period. We effectively suspend work now, and then go much more aggressively on the programme through the spring, summer and early autumn months rather than digging trenches in these very wet winters. It is low lying land and the water table is high. Again, you have to remember this is potable water, so the hygiene around this pipeline is important for when it is installed. We have a forward plan that has that pipeline finished by 2028 and that is going to make a huge difference to places like Cambridge, Colchester and others. It is over half delivered—over 200 km of this pipeline is already in the ground—so we are well on our way.

Q623 Blake Stephenson: Have we seen the end of repeated delays?

Mark Thurston: I think so, yes. I have the Secretary of State on site tomorrow. He is coming to Rede, where we have built a big service reservoir near Bury St Edmunds. That is an important part of the new infrastructure.

Blake Stephenson: I am not sure the Secretary of State is going to dig the trench though.

Mark Thurston: I will show him anyway. We will put him in a jacket and a hat and he will get to see it, and he will get a sense of the scale of what we are doing.

Blake Stephenson: Jenny, do you want to come in on this?

Q624 Jenny Riddell-Carpenter: Suffolk is one of the hardest hit in terms of being the driest area of the region. I want to raise something that may be of interest to other Members; I am keen to hear your answer.

Sizewell C is in my constituency. It does not have enough water to do the build-out programme, so is having to build a separate desalination tank.



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As you know, that will only last for the duration of the construction and then, effectively, it will be decommissioned. I am sure it is the same for many other MPs. In my constituency, there are no new licences being brought on for new businesses, because of the water concerns that you and Ofwat have about no incoming water. Those new licences are being suspended for, I believe, five years—it might be longer—but it means that no new businesses are able to function in that area. Is desalination something that you are looking at in the short to medium term?

Mark Thurston: We have some money in our PR24 plans to look at two desal plants on the coast.

Jenny Riddell-Carpenter: On the coast? Where would that be?

Mark Thurston: I am not going to guess the names. It is a big geography; I am learning it. One is further north. There is one in north Suffolk, and one is further up near the Humber. We are also talking to Julia and her team at Sizewell about the desal plant that they are going to build because there is an opportunity to stand back and look at that as a permanent asset for the region, alongside the two that we are going to investigate as well.

Q625 **Blake Stephenson:** I have one final question, and I will try to make it quick. It is about housing growth, which we have touched on today. Mid Bedfordshire, like many other areas, has seen rapid housing growth over the past decades. Is the planning system robust enough to ensure that water and sewerage infrastructure is delivered at the same pace as housing? You mentioned earlier that you are not a statutory consultee. If you were a statutory consultee, what difference would that make?

Regardless of all that, what actions are you taking to ensure that there is sufficient capacity in the network to cope with new developments? In my area I have a new town, Wixams. It suffered heavily in the flooding because it was new infrastructure going into old, and where it meets you get overflows. I am keen to know what you think about the planning, but also what are you doing anyway when we have these new towns?

Mark Thurston: Growth provision has been in AMP7. There will be funding to deal with growth in the system in AMP8. We are in a conversation with a development in Norfolk, where we are saying that if this development were to go ahead, notwithstanding we are not a statutory consultee, our system could not cope. We are looking to accelerate some works at the local water recycling centre because, although we can probably get water to it, it is dealing with the waste that is going to be the problem for us.

If you take a step back and think about the Government's wider growth agenda—I think that is why this Committee is looking at this subject—making sure the right water infrastructure is there is going to be crucial for the country to grow and build the houses that the Government have committed to. To your point, that is as acute an issue as it is in east of



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England as it is anywhere, because of places like Bedford and the other growth towns and the new towns that are springing up.

Again, the Government are committed to look at the broader planning environment. The water companies, as a statutory undertaker, have to work with developers and local authorities to make sure that the capacity of the water infrastructure is adequate and that there is sufficient funding to deal with that. That is a real conundrum. I do not have an answer, but I agree with your hypothesis that this is a really crucial issue and we need to bring planning, growth and water infrastructure together to move the country forward. As I say, we can feel that acutely.

To the earlier question around the south of our patch: if we are not careful, we as a water company are going to get in the way of growth because we literally cannot supply the water. To Jenny's point, there are businesses that are looking to get connected, and we just cannot give them that. We had an issue with a big drinks manufacturer in Northampton. We got right to the point of them getting planning consent to build a factory—hundreds of jobs in construction, dozens of jobs in operations—and literally at the last minute someone said, "Well, what about the water?" They took that manufacturing plant to another part of the country because we could not supply. This is a macroeconomic issue as well as a local one, and we feel that the water company—I probably speak for all of us—has an important voice to play in that.

Chair: That concludes our questions for today. To your point about the purpose of the investigation, you will be aware that the Secretary of State has invited Sir Jon Cunliffe to come forward with proposals for reform. The purpose of our evidence-taking sessions has been very much to uncover the evidence that might inform Sir Jon's investigation, and it has been enormously helpful. You are the final of the chief executives that we are intending to see at this point. Thames Water is not being seen, but it has other things on its mind at the moment.

I hope we will issue a report in fairly early course, subject to the agreement of the rest of the Committee. Thereafter, once we have Sir Jon's conclusions, we will probably return to this issue. The operation of the sector is of enormous macroeconomic importance and of wider public interest.

You are the final chief executive, and I think it is fair to say that you are the only one who has appeared before a Committee that included five representatives of areas within your catchment. I appreciate the willingness to engage at that very granular level. We are grateful to you for taking the time. You will be hearing from us further to correspond on those areas that we have identified.

Mark Thurston: Of course.

Chair: Thank you for attending today and thank you to colleagues for their participation.