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By email

Rt Hon Philip Dunne MP
Chair of the Environmental Audit Committee
House of Commons
London
SW1A 0AA

26 September 2023

Dear Mr Dunne,

Water Company Performance Report 2022–23

I am writing to inform you that, following the publication of reports on underperformance, water companies will have to return £114 million to customers through a bill rebate.

In 2019, Ofwat set all companies ambitious performance targets for their 5 year price control period (2020 to 2025), including 16% reduction in leakage, 30% reduction in pollution incidents and 41% reduction in internal sewer flooding. Three years into this price review period, it is clear that while some improvements have been made, progress is too slow and uneven.

Please find a summary [here](#) of how this may affect consumers, as well as details [here](#) of the performance and ranking of each individual water and wastewater company, all of which would be happy for you to share with your constituents.

The Water Company Performance Report categorises companies' performance as 'leading' 'average' or 'lagging' against a set of common metrics, including pollution incidents, customer service and leakage. This year, no company has been ranked in the 'leading' category.

Ofwat take our responsibility to drive better performance for customers and the environment seriously, so set stretching targets for companies. However, our latest findings show that, for the majority of companies, performance has fallen short. We are disappointed that companies have not met these targets, and this significant penalty shows that where performance is unacceptable, companies will face the consequences.

Ten companies are in the 'average' category and seven have been categorised as 'lagging'. Northumbrian Water and South West Water have moved up to average category. Anglian Water, Bristol Water and South East Water, have moved down to lagging company. Dŵr Cymru, Southern Water, Thames Water, and Yorkshire Water all remain lagging companies.

The Water Company Performance Report assesses company performance for the three years since the start of the current regulatory cycle (which covers 2020–2025). Over that time,



companies have shown improvements in areas including leakage and internal sewer flooding and last year, all but one company achieved the performance level for unplanned water outages.

However, across the board, progress has been too slow. In 2022/23, fewer than half of companies achieved their performance target on reducing pollution incidents and most companies failed to achieve their performance targets on mains repairs. This is matched by an overall decline in customer satisfaction during the past year.

This underperformance is disappointing for all who want to see the sector do better. It is not going to be an easy road for companies to regain public trust, they must improve their actions. Increased investment in the coming years and a solid financial footing must be underpinned by better performance, for customers and the environment. It is right that Ofwat incentivise companies where they meet and go beyond the strict requirements we place on them, but where they fall short, we will continue to use all regulatory powers at our disposal, and support the introduction of enhanced powers, to drive the improvements the public rightly expects.

As you may be aware, water companies are preparing to submit their business plans for 2025 to 2030 to Ofwat next week, on Monday 2nd October. We will examine the plans and what companies are committing to deliver for their customers and the environment to determine how much companies can charge customers from April 2025. We will consult on our draft determinations in June 2024 and publish our final decision in December 2024. We will engage with customers and stakeholders on business plans at independently chaired 'Your Water Your Say' meetings for every company over October and November 2023. We appreciate these plans will be of significant interest to you and your constituents given the potential implication they may have on service, environmental impact and bills. We will therefore write to you again to update further on the plans. Ofwat want to work as closely as possible with parliamentarians to ensure constituents' interests are protected and their voices represented.

I would be grateful if you are able to share this update with the wider Environmental Audit Committee members.

I hope this information is useful, and I look forward to being in touch again soon.

Yours sincerely,

David Black
Chief Executive, Ofwat