

## Written evidence from Anglian Water Services Ltd

Thank you very much for the opportunity to submit evidence to your committee's inquiry into river water quality. Anglian Water is the country's largest water and water recycling company by geographical area, serving over 6 million customers in the east of England. The region we serve is severely water-stressed, has one of the highest rates of new housing growth, is critical for UK food production, and is already experiencing the impacts of climate change. The region also has an abundance of iconic waterways and designated habitats, including the Ouse Washes, Norfolk Broads and many chalk rivers such as the Lark, Nar and Wensum.

We can expect patterns of rainfall to become more erratic as the climate warms, which together with housing growth and intensive agriculture will place even greater pressure on our rivers. This means all sectors will need to abstract less water so we can leave more in the environment for nature, whilst also working with government, landowners and other stakeholders to address the full range of reasons why rivers are failing water quality standards. In our region, our operations account for only around 20% of the reasons for waterbodies falling short of good ecological status.

Storm Christoph has demonstrated again that water company infrastructure has to cope with the consequences of inadequate planning controls, a lack of past attention to surface water management, and insufficient maintenance of drainage features. Pollution incidents and storm overflows are often a consequence of too much rainwater entering our sewers, far more than they were ever designed to take. Infiltration from elevated river and ground water levels can also cause significant issues. Pollutions are compounded by avoidable blockages; wet wipes and other detritus flushed down toilets that then combine in our sewers with congealed fats, oils and grease from homes and food service establishments.

We were therefore pleased to see your private member's bill address the underlying causes as well as the consequences of storm overflows. We fully endorse the new shared objective with government and our regulators to eliminate harm from storm overflows that your bill has inspired. We hope this objective will result in clear guidance to Ofwat within the government's forthcoming Strategic Policy Statement for the next price review (PR24).

But if we are to make progress the policy proposals in the second half of your bill also need to be taken up by government. Alongside sustained investment by water companies over multiple price control periods, the government needs to take decisive steps to address the wider societal causes of poor river water quality. Only then will we see rivers and water bodies returning to good health.

You may also be aware that we were one of four companies who felt they had no option but to reject Ofwat's Final Determination for PR19 and [appeal to the Competition and Markets Authority](#). Our business plan for 2020-2025 was underfunded by nearly £750 million, and the allowed costs of financing were too low. We hope the CMA's redetermination later this month will reinstate at least some of the funding our customers support and address the financeability problems we have identified. The redetermination will be essential to allowing us to maintain and optimise our existing assets, as well as to enhance our networks to ensure

we are resilient to the impacts of climate change and housing growth. The government then needs to ensure that the problems of PR19 are not repeated at PR24.

Our natural environmental programme does however include more than 2,000 individual improvement projects including river restoration schemes and up to 34 new treatment wetlands. We were delighted to hear in December that the Environment Secretary has approved our request to accelerate more than £300 million of this investment as part of our [Green Recovery Five-Point Plan](#). Unique amongst water companies, we have also agreed to cap our groundwater abstraction licences to recent actual levels as part of our [Water Resources Management Plan](#). Alongside this, our [Pollution Incident Reduction Plan](#) sets out the range of activity we will pursue to reduce serious pollutions to zero by 2025 and achieve a minimum reduction of 40% in all pollution categories. We will be consulting on a draft [Drainage and Wastewater Management Plan](#) next year, and were delighted that Minister Pow committed during the Report stage of the Environment Bill that these plans will be a shared endeavour with local authorities, the Environment Agency and Internal Drainage Boards.

We see meeting these plans and objectives as core to fulfilling our purpose as a water company, which is *to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop*. Our purpose has been enshrined for the long-term through [a change to our Articles of Association](#), which also places duties on our board to act in the best long-term interests of customers, employees and suppliers whilst delivering positive outcomes for society and the environment.

The annex to this letter provides responses to the specific questions being considered by your inquiry. I would welcome the opportunity to discuss these proposals in further detail if that would be of interest.

With every best wish,

**Daniel Johns**

Head of Public Affairs

**EAC inquiry 'Water Quality in Rivers'*****Responses to consultation questions – Anglian Water Services Ltd*****River water quality**

1. *What are the best indicators for river water quality that could be used as targets being developed under the Environment Bill?*

We endorse Water UK's recommendation that the ecological risk indicators within the Water Framework Directive (WFD) should be retained. However, the WFD does not apply to smaller water bodies. There is a case to extend WFD requirements to headwaters and tributaries that are important to the overall ecological health of catchments.

We reject Defra's proposal to base legislative targets for water quality under the Environment Bill on levels of phosphate and nitrate from wastewater and agriculture (see [policy paper](#) of August 2020). Defining these targets so narrowly will encourage end-of-pipe solutions and silo thinking, when much more could be achieved through collaboration, nature-based solutions and whole catchment approaches. Whilst an important element, addressing P and N from these sources will not be enough to return water bodies to good ecological health.

However, we strongly support Defra's proposal to legislate for a national water saving target based on water company Distribution Input. This is a much better, holistic measure of water demand as it includes leakage and consumption by both households and non-household users of public water supplies.

2. *How could drainage and sewage management plans, introduced by the Environment Bill, play a role in reduced sewer discharges?*

We hope that Drainage and Wastewater Management Plans will fulfil the recommendations made by both the Climate Change Committee and the National Infrastructure Commission for water companies to better understand and invest in addressing the long-term pressures on water company sewerage networks as part of local flood risk management strategies. We were pleased to hear the Minister commit during the Report stage of the Environment Bill that the Flood and Water Management Act will be amended to make sure all risk management authorities cooperate in the production of these plans. We strongly support DWMPs becoming statutory documents, as is already proposed in the Environment Bill. Otherwise there is a risk that the investments identified within the plans will not be funded by our economic regulator Ofwat.

The first iteration of our DWMP has considered more than half of our water recycling catchments that together serve 97% of customer properties. We have already consulted on [the 'Strategic Context' for our DWMP](#), which outlined 10 planning objectives to focus on with our stakeholders. These include internal and external flooding, managing frequent flood events, tackling pollution incidents, and addressing storm overflows (sewer discharges).

3. *How adequate are the monitoring and reporting requirements around water company discharges? How can technology improve and assist with transparency and enforcement?*

Monitoring and reporting are critical tools in helping us and others to understand how our network behaves including during severe weather events and local flooding.

Anglian Water already has the largest telemetry network in Europe. In addition to what we have, we are rolling out Event Duration Monitors (EDMs) and other in-system monitoring with the intention of achieving full coverage of all overflows. This will allow us to better understand our network, to target investigations, proactively spot issues ahead of an incident, and decide where best to invest in the longer term.

Unique amongst water companies we give the Environment Agency access to our pollutions app and live dataset. This means there is complete transparency in the east of England on our pollution performance and the EA can see events as they occur.

There is significant potential for water companies to develop new ways to give users much more useful and timely information about river water quality impacts from water company assets. Rather than relying on the raw CSO data available at present, which only indicates that there has been a spill but not its magnitude nor impact, we could take the same approach as we have for coastal bathing water quality. Our BeachAware system, a first for the industry, provides users with near real-time data on whether a recent CSO may have caused local bathing waters to drop below the 'satisfactory' bathing water classification as set out in the Bathing Water Directive. As was the case with BeachAware, and the similar state-of-the-art system we developed for shellfish producers, there would need to be considerable investment in, and testing and refinement of, complex hydrological models and data systems to turn the raw CSO spill data into useful and timely information. This could be developed for all the inland waters in our region and potentially across the country if funding were available.

It is worth noting that to give a full picture of water quality impacts on inland rivers, other sectors such as agriculture would also need to be included. Water companies alone can only provide information about their assets. In our region for example, run off from agriculture is a significant factor in rural areas for water quality, accounting for almost half of the reasons why water bodies fall short of good ecological status.

4. *What is the impact of plastic pollution and other materials on drainage and water quality in rivers and what should be done to mitigate it?*

Plastic pollution caused primarily by discarded wet wipes caused significant and lasting damage to our sewers and the natural environment. Sewer blockages can cause pollution incidents, and around 80% of blockages are avoidable. Sewers get clogged by wet wipes, sanitary products and other non-flushables combining with discarded fats, oil and grease (FOG) from homes and food service establishments. We spend around £20 million a year clearing these fatbergs and other blockages.

We strongly support the Sewage (Inland Water) Bill's proposals to ban wet wipes containing synthetic fibres, and to regulate food service establishments to make sure

they capture and recycle fats and oils rather than dispose of them into drains and sewers.

An alternative to banning wet wipes containing plastic fibres would be to use clauses in the Environment Bill to apply extended producer responsibility to wet wipe manufacturers (clauses 49 and 50). Ideally, manufacturers would need to modify their products to meet the water industry's *Fine to Flush* standard. Natracare *Safe to Flush* wipes and Andrex *Washlets* already meet the standard, and it is time that all manufacturers followed their lead.

In addition, there is scope to update food hygiene regulations and the FSA's Food Hygiene Rating Scheme to include FOG management as an integral part of good food hygiene. We have written to the Food Standards Agency to explore these opportunities.

**5. *How can consumers be persuaded to change their behaviour to minimise pollution?***

We already engage with the community through our very successful RiverCare and BeachCare programmes where local volunteers 'adopt' a stretch of waterbody and look after it, undertaking activities such as litter removal, spotting pollution risks, removing invasive species, and gathering data on ecological quality.

When working with customers, we find that the most effective method of communication is informing people of their impact on the local natural features and assets they care about rather than using more generalised messages. We have successfully applied behavioural economics to our recent water efficiency campaigns for example, and will be scaling this up as we roll out smart meters across the region.

There is also significant scope to apply the polluter pays principles to businesses that have an interaction with the environment. We support the Broadway Initiative's call for the Environment Bill to place a new 'duty of care' on businesses.

**6. *What is the required investment level needed to minimise storm overflows vs the scope for sustainable drainage and nature-based solutions?***

The way that Ofwat has approached the most recent price reviews for the water industry has not supported the long-term strategies for nature, water resources and wastewater networks that we think are necessary. Rather, the focus of the economic regulator has been on reducing bills for customers in the short term at the expense of the long-term investment needed to address the challenges of climate change and population growth. Our customers strongly support more investment, with this considered to be more important than bill reductions especially if all it does is postpone investment into future periods.

The regulatory system poses specific challenges to nature-based solutions. Price reviews look to set five-year funding envelopes and associated performance commitments. But it takes more than five years for the benefits and outcomes from nature-based solutions to be realised, as plants and trees take time to grow and for natural processes to become established. Nature-based solutions also create longer-term maintenance requirements that may or may not be funded by our regulator in

future price controls, creating uncertainty for companies. Both restrictions encourage water companies back toward more capital- and carbon-intensive solutions.

There is considerable scope for retrofit sustainable drainage systems (SuDS) to help mitigate rainwater flows into our network. We are exploring opportunities and costs as part of our Drainage and Wastewater Management Plan. We are already working with the Department for Education to develop more schools projects, building on [our pilot with All Saints Primary School](#) in Newmarket. We are also testing smart rainwater collection and recycling systems in our 'smarter drop street' pilot in Newmarket. However, plans to roll these programmes out at scale depend on future funding settlements.

We would recommend creating a system of catchment-based plans spanning drainage, water quality, water resources and environmental improvement created collaboratively with partners and supported by our economic regulator at each price review. DWMPs will be a step forward, but there is a need to bring together what could be called 'local environmental improvement plans' agreed with other stakeholders and delivered collectively in a coordinated way. The local Nature Recovery Strategies proposed in the Environment Bill are likely to focus solely on supporting wildlife and protected habitats without addressing the root causes of habitat degradation.

**7. *How effective are the planning policy and standards around sustainable drainage systems to reduce urban diffuse pollution in England?***

Weaknesses in the planning system regarding SuDS mean new housing continues to place pressure on our drainage and sewerage networks.

We endorse Water UK's response to the inquiry which recommends:

- Removing developers' automatic right to connect surface water drainage to existing combined and foul water systems. Removing this right was recommended by Sir Michael Pitt's review of the 2007 flooding yet remains in place.
- Updating planning guidance to reflect new environmental policy objectives and ensure all new developments of any scale incorporate high-quality, multi-functional SuDS.
- The current [non-statutory technical standards for SuDS](#) should be updated to promote early consideration of drainage requirements in development plans and designs that deliver water quality and biodiversity benefits as well as flow management.

**8. *Should local authorities and highways agencies be given a duty to prevent pollution to watercourses without prior treatment?***

Yes. Responsibility to resolve these issues cannot fall solely on the water sector. Anglian Water is responsible for around a fifth of the reasons why water bodies fall short of good ecological status in our region. Farmers and other landowners, highways authorities, local government and industry also need to be held accountable for the river pollution they cause. For example, highways authorities should use natural SuDS features to help slow and clean water before it enters drains.

9. *How effective is Ofwat's remit and regulation of water companies? Does it facilitate sufficient investment in improvements to water quality, including sustainable drainage systems and nature-based solutions such as constructed wetlands?*

We welcome moves by Ofwat over recent price reviews toward totex thinking, outcomes-based regulation and the ODI framework, which allows us to seek innovative and efficient ways to deliver the outcomes that are most important to our customers. However, PR19 has revealed some significant problems in relation to enabling the investment that is needed to deliver improvements and to respond to the increasing risks to resilience posed by climate change and growth. Also, as discussed under Q6, the approach to allowing investment in nature-based solutions is not yet mature, and some simple regulatory barriers remain.

We welcome the joint Ofwat/Defra/EA task force that is considering how the Water Industry National Environment Programme (WINEP) can be changed so that it delivers better environmental outcomes by being more outcome-focused, flexible and collaborative. We hope this results in a 'catchment first' approach, whereby catchment- and nature-based solutions become the default, and point-source interventions only pursued where necessary.

We also hope that Ofwat's PR24 methodology will consider how to facilitate greater investment to address resilience, and to facilitate a step change in the number of nature-based solutions that companies can deliver. One of the challenges is in how long-term maintenance costs for catchment- and nature-based solutions are dealt with in price reviews. At present, if a nature-based solution is agreed, the opex costs are only allowed for in the first AMP of its operation, whereas the full cost of a capex scheme can be recovered over the lifetime of the asset.

10. *Is adequate investment being made in adapting water treatment systems to future climate change?*

No. There has been insufficient funding allocated in PR19 to water resources and wastewater treatment by our regulator. We therefore sought a redetermination of our business plan by the Competition and Markets Authority and expect the outcome of this to be announced in February.

Anglian Water's business plan for 2020-2025 was underfunded by a total of nearly £750 million in Ofwat's Final Determination, including:

- A £318m gap in funding to support and accommodate new housing growth.
- A £161m gap in funding to enhance water and water recycling services, including for climate change.
- A £265m gap in funding to maintain existing water and water recycling assets.

The need for this investment, even where established through the statutory Water Resource Management Plan process and endorsed by the Secretary of State, was challenged by Ofwat through its PR19 process. We hope the CMA's redetermination will reinforce the principle that the need for and scope of investments should be set and agreed within statutory WRMPs, the WINEP and now within DWMPs. Price reviews should then only consider the efficient costs, and not look again at whether the investments are necessary. There are several examples where during PR19 Ofwat

denied funding and reduced the scope as well as the efficient costs of our investment plans.

11. How could the designation of inland bathing waters by water companies affect the costs of achieving the associated water quality standards?

Water companies cannot designate bathing waters – only local Authorities or landowners can apply for bathing water designation to the Environment Agency. Once designated, the water company has the obligation to provide the necessary asset investment required to meet the required biological standards for a bathing water. This requirement only applies to water company assets.

The Water Industry National Environment Programme is currently focused on addressing the reasons why water bodies fall short of good ecological status. Bathing water quality standards would place additional requirements for investment in water treatment works, but it would also require pollution from agricultural land, highway drains and other local authority assets, and local business activity, to be addressed. The costs for all sectors in meeting bathing water quality standards will be site-specific, and considerable. There will also be health and safety requirements to consider, and potentially facilities for changing, toilets and so forth.

We welcome the agreement by Defra to designate the River Wharfe at Ilkley as England's first inland bathing water. We look forward to working with water users in our region to explore opportunities for inland bathing waters in the east of England.

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