

## Response ID ANON-XXU5-KUTA-F

Submitted to Independent Water Commission – Call for Evidence  
Submitted on 2025-04-04 08:35:15

### About you

1 Would you like your response to be confidential?

No

2 If you answered yes, which information would you like to keep confidential and why?

Please explain here:

3 Do you consent to being contacted by the Independent Water Commission about your response?

Yes

4 If you consented above, please provide your full name.

Name:  
Michael Nicholson

5 If you consented above, please provide your email address.

Email:  
mnicholson@ieep.uk

6 In what capacity are you completing this Call for Evidence?

As an NGO or other non-profit public interest group

7 What is the name of the organisation or interested group that you are responding on behalf of?

Organisation:  
Institute for European Environmental Policy, UK

8 Where do you live?

England

### Business or Organisation Location

9 Where does your business or organisation operate? (Please select all that apply)

England, Wales, Scotland, Northern Ireland, Outside the UK, within the EU, Outside the UK, outside of the EU

### Water System Outcomes Top Priorities

10 Thinking ahead to what you would like the water system to look like in the future (e.g., in 25 years time), what outcomes from the water system are most important to you? (Please select your first priority here)

Improved water environment (e.g., health habitats for aquatic plants and animals)

If you selected other, please specify below:

Several of these should be priorities and are difficult to rank from 1-3. An improved water environment, water bodies that are safe for recreational use, wider public health outcomes, the contribution to net zero, resilience to climate change, reduce flood risk and recreational access to blue water bodies are all highly important and interconnected. Aesthetic quality is a 'nice to have' but will likely be dealt with by the above issues being tackled and limiting water bills is a separate issue linked to the other priorities, but also depends on the structure of the water industry.

### First Priority: Improved Water Environment

11a To what extent do you believe the overall water framework already delivers your chosen outcome: an improved water environment (e.g. healthy habitats for aquatic plants and animals)?

To some extent

## Water System Outcomes: Second Priority

10b Thinking ahead to what you would like the water system to look like in the future (e.g., in 25 years time), what outcomes from the water system are most important to you? (Please select your second priority here)

Water bodies being safe for swimming and other recreational uses (e.g. kayaking, paddleboarding)

If you selected other, please specify below. Where possible, please describe the extent to which this already being done.:

Bathing waters improved in quality significantly in the decades since the original Bathing Water Directive was adopted (1975), but there have been concerning problems in recent years. This shows that the priorities in this consultation are not just "which to improve first", but also what to not allow to get worse.

To note that IEEP UK wrote about implementation of wastewater policy here:

<https://ieep.uk/publications/diverging-wastewater-policy-the-implications-of-changes-to-eu-policy-for-the-uk/> .

## Second Priority: Safe Water Bodies for Swimming

11m To what extent do you believe the overall water framework already delivers your chosen outcome: water bodies being safe for swimming and other recreational uses (e.g. kayaking, paddleboarding)?

To some extent

## Water System Outcomes: Third Priority

10c Thinking ahead to what you would like the water system to look like in the future (e.g., in 25 years time), what outcomes from the water system are most important to you? (Please select your third priority here)

Resilience to climate change

If you selected other, please specify below:

This is a more difficult area and represents interlinkages between flood management, drought resilience, water quality and more, such as changing biodiversity. The current framework does seek to consider climate resilience, but more needs to be done.

## Third Priority: Resilience to Climate Change

11z To what extent do you believe the overall water framework already delivers your chosen outcome: resilience to climate change?

To some extent

## Management of Water

12 Who do you believe should be responsible for making decisions about what outcomes to prioritise from the water system?

This is not intended to be an exhaustive list. Apart from the above, please think about other bodies you consider to be relevant. :

The UK Government (for England) and the Welsh Government (for Wales) should be responsible for the outcomes to prioritise from the water system, based on advice from expert bodies including the Environment Agency, Natural England, NRW, etc. How those outcomes are then translated into tactical and operational decision making is a separate matter and for independent public bodies - whether they are the same ones or different one(s).

13 Do you believe there should be changes to roles and responsibilities for water management across local, regional and national levels?

Changes are needed

If you selected changes are needed, please explain below. Consider how you believe roles and responsibilities should be better organised across local, regional, and national levels, including who you believe should be the lead authority at each level and why. :

This depends a little on what the ultimate decision of the Government will be following the recommendations of this Commission.

If the Govt decides to generally keep the same structures and bodies in place i.e., Defra > EA/NE/OFWA > Water Companies; then reforms such as to RBMP's, to resourcing off those public bodies, to monitoring and enforcement, to engagement with the public (particularly about what is and is not possible with the limited funding available) will be necessary. Ideally, here the Govt should also look to simplify the number of different statutory and non-statutory targets, goals and objectives, planning frameworks and harmonise the timing of the delivery of all of these plans and objectives with the Price Review.

Though it would be a huge and costly (administrative and bureaucratic) change, fundamentally re-structuring these bodies (EA/Ofwat/NE/DWI with elements of Defra's decision making power) into say a single national or several regional water structures (e.g., like the powerful Dutch Water Boards) would likely produce better results. It may also help to show the public that a line has been drawn under the existing model of regulation - whether that is

perceived as failing or not. This body or bodies would have to have the authority across several different remits - housebuilding and infrastructure planning, transport, environment, agriculture, etc., as well as have Ofwat's financial planning remit to sufficiently direct funding to where it needs to go to make the changes necessary - to prevent and remedy existing pollution, tackle emerging threats (e.g. pharmaceuticals and micro pollutants), tackle emissions from agriculture and transport (as well as from sewage), and cope with other Govt objectives for more infrastructure such as housebuilding and water resource objectives.

14 Do you believe changes are needed to help reduce the siloed approach to water management across different sectors? If so, what changes do you believe would be beneficial? (Please select up to 5 options)

A national scale systems planning authority\*, A regional or catchment scale systems planning authority\*, Streamlining or aligning existing water plans and planning processes across the water system, Increasing the status of water plans to influence other sectors (e.g. farmers, businesses, planning and development), Streamlining or aligning water management planning and other plans such as flood risk plans, local nature recovery strategies, and local plans for development, Pooling together existing funding streams at a spatial level\*\*\*

If you selected other, please specify below:

15 Do you believe there are barriers to money being spent more effectively and efficiently across different sectors to deliver the best outcomes for the water system? If so, what do you believe are the key barriers? (Please select up to 3 options)

Limitations of evidence on costs and benefits (including co-benefits, such as wider environmental or ecological outcomes), The scale at which actions are developed (e.g. actions are developed at too large or too small a scale, lack of spatially targeted actions), Planning timelines (e.g. timelines misaligned, too long, or too short)

If you selected other, please specify below:

16 In your opinion, is it more important that regional water system governance aligns with hydrological or local government boundaries?

Hydrological boundaries (e.g. water catchments, river basin districts)

## Management of the Water Environment

17 Do you believe changes are needed to the WFD Regulations, including for 2027 onwards? If so, which areas would benefit the most from change? (Please select all that apply)

Other

18 If you feel the WFD Regulations would benefit from change, please expand on where you feel changes are necessary and the reasons why.

Please expand below:

The overarching 'Good Ecological Status' objective should be preserved as it is, including the controversial 'one out, all out' rule. More important, is the need for improved communication of progress being made on each of the different quality parameters and these ought to be prioritised rather than abandoning the principle as a whole. Improved reporting and briefing of stakeholders (incl. the media) and using more robust online and interactive data and evidence on how and where water bodies are failing and which elements they're failing on, is very important and has not been given the priority it deserves. Where progress has been made in improving water quality against one or more of the quality parameters, these should be celebrated and applauded but where failures exist, further work needs to be done.

Similarly, recent chemical monitoring for uPBTs may have 'obscured' progress but it is important to be honest about the state of our waters than pretend these challenges do not exist. This should feed into a collective view of what is actually going on in our water bodies.

Where changes to WFD may be necessary, is around the capturing of small water bodies, and aligning these with biodiversity targets.

On RBMPs and governance; generally speaking, we consider RBMPs to be too broad and too vague and require more detail as well as require greater input and coordinated action from the different stakeholders involved such as local government, transport organisations and farmers.

Fundamentally, the recent Upper Costa Beck case has been borne of real and/or perceived frustration from local people of Govt and its agencies in (mis-)managing that specific river basin district. Administratively speaking though, it is highly unlikely that the EA will have the resources to replicate detailed water plans for each and every water body, but the Govt and its agencies should show more creative ways of addressing the concerns of those involved.

## Measuring and Assessing the Water Environment

19 Do you believe changes are needed to improve how we monitor and report on the health of the water environment? If so, what changes do you believe could lead to improvements? (Please select all that apply)

Data sharing platforms for government and third-party evidence/data, Expanding out from the water body level to report on a whole catchment, Full or partial integration with wider environmental/water monitoring

If you selected other, please specify below:

## Strategic Direction for the Water Industry

20 What role do you believe the government can play in providing strategic direction for the water industry?

By 'strategic direction' we mean, for example: the Strategic Policy Statement / the Strategic Priorities and Objectives Statement; Government targets (e.g. in the Environment Act 2021 and the Plan for Water in England only); the Price Review Forum (Wales only). This is not an exhaustive list. Please answer below. :

See Q21

21 What changes, if any, should be made to how the government provides strategic direction for the water industry?

Changes are needed

If you selected that changes are needed, please describe what changes you feel are needed and why.:

There is a fundamental disconnect between environmental objectives set out in the Environmental Improvement Plan and as translated into river basin management planning (and their Programme of Measures), with the Price Review and Water Companies own Water Industry National Environment Programmes (WINEPs). Added to this and potentially complicating matters are top down Strategic Policy Statements from the Secretary of State, water resource planning and an array of statutory and non-statutory targets, objectives and plans. Figure 12 in the call for evidence is an excellent demonstration of the complicated and 'busy' landscape of the various planning frameworks. It is doubtful that the various public bodies involved have sufficient resource (especially after significant budgetary cuts leading to reductions in staff numbers) to effectively scrutinise and input into all of these.

There is a plethora of competing statutory and non-statutory demands (with little indication of their priority status in relation to each other) whilst being placed inside arbitrary timeframes with huge sums of money attached to them that are not synchronised to maximise their impact.

In summary therefore, a tidying up, simplification and prioritisation of the various statutory and non-statutory targets, objectives and plans would be helpful as would better aligning all environmental requirements linked to investment with the Price Review.

22 Do you believe there are barriers to effective long-term water industry planning? If so, what factors do you believe are preventing effective long-term water industry planning? (Please select all that apply)

Limited clear guidance from UK and Welsh Governments on priorities and how to manage trade-offs, Regulators are not adequately supporting effective planning (e.g. through guidance, scrutiny), Unclear what duties and functions other stakeholders (e.g. local authorities) are expected to deliver to contribute to plans, Issues with data and assumptions (e.g. inconsistent or inadequate scenarios and assumptions across plans, data on asset performance not adequately collected), Engagement with customers and environmental or local groups (e.g. too much engagement, too little, engagement is not meaningful, engagement is not local), Regulatory requirements don't support sufficient long-term certainty or respond well to emerging issues/policy changes, Plans don't interact well together (e.g. duplication, decisions/timelines/asks conflict, and/or decisions aren't sequenced in the right order across plans)

If you selected other, please specify below:

23 What changes, if any, would help water companies to use planning frameworks more effectively to fulfil their duties and deliver their functions?

Please answer and explain below:

### The Regulators

24 How would you rate the performance of the water regulatory framework?

Performing averagely

25 To what extent do water regulators coordinate effectively in the regulation of the water industry?

To some extent

26 What changes, if any, do you consider are needed to the framework of water regulators to improve the regulation of the water industry? Please consider both potential benefits and costs of any proposed changes.

Please answer and explain below, providing supporting examples or evidence, where possible:

The regulators need to focus better on enforcement of the legislation already in place. There are clear failures with regard to this, which undermines the achievement of the strategic goals and public trust in the regulators. Of course cuts to resources (leading to reductions in staff numbers) have been one cause of this, but there are also failures to enforce which are more than simply the result of resources. The costs of enforcement are significant but in theory those costs should be recoverable and any penalties imposed should be dissuasive to prevent further wrongdoing. It would appear that at least in the latter case, that penalties are not dissuasive enough in sharpening the minds the regulated community.

The current Govt's Water (Special Measures) Act 2024 is a positive step in the right direction in lowering the burden of proof and the previous (Conservative) Govt made positive steps too in removing the £250,000 cap for variable monetary penalties in favour of unlimited VMPs.

IEEP UK has written about environmental crime, including in relation to the water sector, here:  
<https://ieep.uk/publications/the-new-eu-environmental-crime-directive-a-diverging-approach-with-the-uk/>

27 To what extent do you think the water industry regulators have the capacity, capabilities and skills required to effectively perform their roles?

Please provide information to support your views on the capacity and capability of regulators, including, where possible, supporting evidence and examples :

They have the skills. Their capacity has been reduced and the costs of enforcement are often significant. However, much can be done with other non-compliance actions and these are sadly lacking.

## Economic Regulation

28 To what extent do you think the economic regulatory framework is delivering positive outcomes?

Not Answered

29 How do you think the Price Review process should balance the need to keep customer bills low with the need for infrastructure resilience? (Infrastructure resilience is the ability of an organisation's infrastructure, and the skills to run that infrastructure, to avoid, cope with, and recover from disruption in its performance)

Please answer and explain below, providing supporting examples or evidence, where possible:

30 What, if any, changes could be made to the Price Review process to better enable the water industry to deliver positive outcomes?

Please answer and explain below, providing supporting examples or evidence, where possible:

31 What, if any, changes could be made to the Price Review process on assessing and setting base expenditure to effectively support infrastructure maintenance?

Please answer and explain below, providing supporting examples or evidence, where possible:

32 What, if any, changes could be made to the Price Review process on assessing and setting enhancement expenditure to effectively support infrastructure improvements?

Please answer and explain below, providing supporting examples or evidence, where possible.:

33 What, if any, changes could be made to the Price Review Process on assessing and setting the Weighted Average Cost of Capital (WACC) to effectively attract investment in the water industry?

Please answer and explain below, providing supporting examples or evidence, where possible.:

34 What, if any, changes could be made to the Price Review process on assessing and setting performance incentives to effectively secure infrastructure delivery? This could be across Outcome Delivery Incentives (ODIs) to effectively deliver for customers, the environment and public health; and/or across Price Control Deliverables (PCDs), for example

Please answer and explain below, providing supporting examples or evidence, where possible.:

## Customer Bills

35 To what extent does the economic regulatory framework deliver acceptable water bills for customers?

Not Answered

36 What, if any, changes would help ensure customers are paying fairly for the water they use? (Please select all that apply)

If you selected other, please specify below:

## Customer Protections

37 To what extent does the regulatory framework protect customers from poor service?

Not Answered

38 To what extent does the regulatory framework ensure that vulnerable customers are effectively supported?

Not Answered

39 What, if any, changes to the regulatory framework would better incentivise water companies to deliver and maintain high customer standards? (Please select all that apply)

If you selected other, please specify below:

40 What, if any, changes to the regulatory framework would improve support for customers in vulnerable circumstances? (Please select all that apply)

If you selected other, please specify below:

## Financial Resilience

41 To what extent is change required to the economic regulatory framework to support water companies' financial resilience?

Not Answered

42 Which of the following changes to the economic regulatory framework, if any, would improve outcomes for the water industry? (Please select all that apply)

If you selected other, please specify below:

43 Do you think there is evidence on the historical relationship between debt, dividends, and expenditure at water companies that the commission should be looking at?

Please answer and explain below, providing supporting examples and evidence, where possible.:

## Investment

44 To what extent does the economic regulatory framework support or hinder investment into the sector?

Not Answered

45 How do financial returns in the water sector compare to other similar sectors (for example, energy)?

Please answer and explain below, providing supporting examples or evidence, where possible.:

46 What options, if any, would incentivise investment in the water sector?

Please answer and explain below, providing supporting examples or evidence, where possible.:

47 How does the public and political portrayal of water companies in the media and elsewhere affect the attractiveness of the water sector to investors?

Not Answered

If you selected other, please specify below:

## Competition

48 To what extent should further competition in the water industry be encouraged through regulation?

Please answer below and provide evidence and examples, where possible:

49 Which of the following schemes, if any, have failed to provide effective levels of competition and efficiency? (Please select all that apply)

50 Which of the following changes to competition schemes, if any, would improve outcomes for the sector? (Please select all that apply)

If you selected other, please specify below:

51 To what extent would greater market tendering of infrastructure delivery projects improve outcomes?

Please answer and explain below, providing evidence and examples, where possible:

## Water Industry Public Policy Outcomes

52 Do you believe that legal and/or regulatory requirements would benefit from review or consolidation?

Please answer and explain below, providing evidence and examples, where possible:

This is a confusingly introduced question! Most legislation benefits from periodic review. Consolidation is a different matter. While some consolidation could take place which is focused around the water industry, this would involve legislation that is not simply about that sector, such as wider environment, agriculture, marine, etc. Therefore, it is important that any consolidation should consider the broader implications, not just the topic of interest today.

## Protecting the Environment

53 Do you believe that the system of environmental regulation, monitoring and enforcement is ensuring water company compliance with environmental standards?

To some extent

54 Which of the following changes to water industry environmental regulatory requirements, if any, would improve outcomes from the sector? (Please select all that apply)

A review and rationalisation of the water industry environmental legislative framework, Legislative reforms to address current and emerging threats

If you selected other, please specify below:

55 Which of the following changes to the water industry environmental regulation, monitoring and enforcement framework, if any, would improve outcomes for the sector? (Please select all that apply)

Enhanced monitoring, including reform of operator self-monitoring, Expanded use of inspections and audits, Swifter enforcement

If you selected other, please specify below:

## Delivering Clean Drinking Water

56 What changes, if any, could be made to the drinking water regulatory system to maintain world leading drinking water quality? (Please select all that apply)

Other (please specify)

If you selected other, please specify below:

Drinking water is arguably the first role of Govt in this area, but challenges to DW quality would appear to be of a lower magnitude for the water sector as a whole than say the environmental and financing of the sector.

However, this is not to say that it should be ignored. Future proofing of infrastructure and technological capacity - i.e., securing long term supply, managing the threats from climate change and vigilance to emerging issues (e.g., new-er pollutants) as well as ratcheting up drinking water standards in line with standards across Europe.

## Securing Resilient Water Supply

57 To what extent is the overall water regulatory framework securing resilient long-term supplies of water?

Very little

58 What changes, if any, could be made to the overall water regulatory framework to ensure it can secure a resilient long-term supply of water? (Please select all that apply)

Integrated water management framework to improve the management of the water system, Changes to regulatory responsibilities or introduction of new requirements or standards to oversee delivery, New water demand and efficiency policies

If you selected other, or want to provide additional views, please specify below:

## Infrastructure and Supply Chain Resilience and Security

59 To what extent does the overall water regulatory framework support or hinder infrastructure resilience? When considering your answer, please think about future pressures including factors such as climate change and population growth.

Not Answered

60 To what extent does the overall water regulatory framework support or hinder infrastructure security? When considering your answers, please think about evolving security threats such as cyber security.

Not Answered

61 To what extent does the overall water regulatory framework support or hinder effective management of supply chain risks? When considering your answers, please think about disruption in and constraints from supply chains.

Not Answered

62 What changes, if any, could be made to the overall water regulatory framework to better support infrastructure resilience? (Please select all that apply)

If you selected other, please specify below:

63 What changes, if any, could be made to the overall water regulatory framework to better support infrastructure security? (Please select all that apply)

If you selected other, please specify below:

64 What changes, if any, could be made to the overall water regulatory framework to better manage risks from supply chains? (Please select all that apply)

If you selected other, please specify below:

### Innovation and technology

65 To what extent does the overall water regulatory framework currently support or hinder innovation?

Not Answered

66 Which of the following changes in the sector, if any, would enable innovation outcomes? (Please select all that apply)

If you selected other, please specify below:

67 What opportunities, if any, do new technologies present for companies and the regulators?

Please answer and explain below, providing evidence and examples, where possible. :

### Ownership

68 What impact, if any, has consolidation of water companies had on their performance?

Please answer and explain below:

69 What impact, if any, does whether or not a water company is listed on the stock exchange have on their performance?

Please answer and explain below:

70 What impact, if any, do complex company structures like Whole Business Securitisation have on water company performance?

Please answer and explain below:

71 What impact, if any, does the type of investor (for example, private equity firms, pension funds) have on water company performance?

Please answer and explain below:

### Ownership (for Wales only)

72 How effective has Dŵr Cymru Welsh Water's not-for-profit model been in driving improved outcomes?

Please explain below:

73 What are the risks associated with Dŵr Cymru Welsh Water's not-for-profit model?

Please explain below: