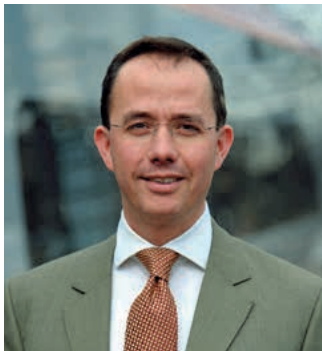


# Annual Review 2017/18



# Why we do what we do

**At Water UK, we believe everyone should have clean, safe, top quality drinking water, and we are passionate about the positive environmental role which water companies can play.**



The year brought a range of operational, market and regulatory developments, and a heightened public scrutiny of water companies in England. As a result, Water UK's work to raise awareness of the industry's achievements was a dominant theme for our activity during the year.

We significantly increased our engagement with politicians, media and regulators to set out companies' track record of service and environmental improvement, and raise questions about the potential consequences of nationalisation in England.

While our polling showed strong levels of public trust in water companies, we also supported the work of members to address specific areas of concern. Our work on building greater understanding of the water industry's crucial role in the life of the nation remains a key priority going into the following year.

The year also saw the publication of the Government's 25-year plan for the environment. We had worked with officials ahead of the plan's launch by the Prime Minister, which we welcomed and which set a significant policy agenda ahead.

Linked to the plan, together with our delivery partner City to Sea, we announced the sector's Refill initiative to make it easier for people to top up their reusable water bottles for free. We are on track to meet our goal of creating a national network of refill stations and help cut plastic bottle use by tens of millions each year.

Much of our work happens away from the spotlight, but is vitally important. It's about developing the frameworks and tools which support companies in their commitment to continuous improvement. During the year these ranged from developing the definitions for key performance measures to promote greater consistency of measurement between companies under the PR19 price review, to producing a new framework for the adoption of Sustainable Drainage Systems by water and sewerage companies.

And, as in previous years, we had a strong emphasis on communication, whether with our members on the implications of the new NIS Directive for their approaches to cyber security, or through working with City to Sea's social media campaign to reach a younger audience to help tackle sewer blockages.

Our work would not have been possible without the co-operation and contributions of member companies, many stakeholders and the hard-working team at Water UK. Thank you for your support and I look forward to continue working to ensure the success of a sector so central to our everyday lives.

A handwritten signature in black ink that reads "Michael Roberts". The signature is written in a cursive style and is underlined with a single horizontal line.

**Michael Roberts**  
Chief Executive, Water UK

# Water UK Vision and Priorities

Water UK is a membership organisation which represents all major statutory water and wastewater service providers in England, Scotland, Wales and Northern Ireland.



**Our vision** is of a trusted water sector, providing customers and communities with world-class services and enhancing the UK's quality of life.

**Our purpose** is to promote the conditions needed to achieve our vision through leadership in bringing people together, informing debate and generating ideas.

**Our priorities** are to help water and wastewater companies work with others to:

- Inform the operation and development of markets, and their regulation, in the long-term interests of customers
- Increase levels of customer and stakeholder trust in the sector
- Address short and long term pressures on UK water and wastewater networks posed by growing demand and climate change
- Make the case for smart design and enforcement of legislation/regulation governing water quality and wastewater in delivering public health and environmental improvements

## Who we work with

On behalf of our members we engage with Defra and with other government departments, and with the principal UK regulatory bodies - including Ofwat, the Environment Agency, the Drinking Water Inspectorate and their equivalents in Scotland, Wales and Northern Ireland.

We are active participants in EurEau, the European Federation of National Associations of Water and Wastewater Services. This provides a powerful platform for the industry within the European institutions.

Our broader stakeholder engagement programme of industry events and forums is supported by a number of partners, and we continue to develop opportunities for new partners.



# Resilience

## Managing precious water resources

Over the Winter and Spring we supported work by the National Infrastructure Commission (NIC) to understand water's long-term investment needs. We provided input throughout the creation of their 'Preparing for a Drier Future' report, and many of the NIC's recommendations reflect our view that 'twin track' action on supply and demand is essential for avoiding drought risk.

Water UK also worked closely with the UK Government at all levels during the development of their Strategic Policy Statement (SPS), which came into force in November 2017. Our input means the SPS now recognises the long-term challenges facing the sector and, crucially, prioritises resilience alongside affordability.

## 21st Century Drainage

Long-term planning of drainage and wastewater services is essential for the future growth of the UK, and Water UK is working with governments, regulators and others to create a standard method to make it as effective as possible. In November 2017, we commissioned Atkins to develop the framework for Drainage and Wastewater Management Plans, which will provide a consistent, more transparent, way of planning. When the framework is published in September 2018 it will be easier to see the national picture and encourage co-operation to make drainage even better.

## Action on sewer blockages

Water companies spend £100 million each year clearing sewer blockages caused by wet wipes and other unflushable products. To combat this, this year we worked with environmental campaigners City to Sea on digital activity highlighting the plastic pollution caused by products which are not meant to be flushed down toilets. The campaign targeted a younger audience, with four videos receiving three million views on Facebook.

## Sustainable Drainage Systems

We produced a new framework for the adoption of Sustainable Drainage Systems (SuDS) by water and sewerage companies following extensive consultation. The new approach is a decisive change to the current way of working, because there has been concern that uncertainty over adoption has delayed implementation of SuDS in England. The new framework will provide more clarity, allowing for better planning. It was published for information in June 2018 and is expected to take effect in mid-2019 following approval by Ofwat as part of its new code on adoption agreements.

## Cyber Security

As the threats from cyber-attacks grow, Water UK's Strategic Security Board (SSB) has performed a vital role this year, providing an essential link between regulators, the Government and water companies. The new Networks and Information Systems Directive affects all producers of drinking water with more than 200,000 customers. Through the SSB, we have made sure that guidance and support audits against the new regulations will protect customers and the industry.

## Defra's 25-year environment plan

Water UK engaged actively with Defra officials ahead of publication of the Government's long-awaited plan in January 2018. Water is explicit in two of the plan's primary goals, and is implicit in most of the others. The plan referred to past progress in cleaning up the country's rivers and beaches, and to initiatives taken by individual companies and the sector as a whole, as well as future water and wastewater challenges to be addressed. In particular, we advised officials on the plan's aim to set an ambitious target for efficient use of water, and we continue to work with the Government on the follow-up to the plan's publication.



## Regulation

### Drinking water quality

Securing compliance over the medium to long term with standards regarding the presence in drinking water of metaldehyde (a chemical commonly used in slug pellets) continues to be a challenge.

Water UK has worked with regulators and the Government throughout the year to address the challenge, including helping the agriculture sector find alternatives to using metaldehyde. We expect Defra to consult over the Summer of 2018, to reach a sustainable solution that protects drinking water resources without adversely affecting farming.

### Improving EU directives

In February 2018 the European Commission proposed changes to the Drinking Water Directive (DWD), introducing new standards for, and extending the scope of, drinking water regulation. Although there are many positive improvements in the proposed text, particularly in terms of promoting public health, the changes also have significant potential to increase customer bills. We have worked closely

with UK and European parliamentarians and officials, and industry in other EU countries, to deliver position papers and proposed amendments to the DWD, and following negotiations we expect to see a revised DWD adopted in Spring 2019.

### Policy after the EU

Since January we have led discussions with senior officials in the Department for Exiting the European Union, the Treasury and Defra about environmental regulation and specific policy options after Brexit, using analysis conducted in-house and by companies. Our principal objectives are now reflected in the UK's negotiating position on future regulation and agricultural policy.

We have also been involved in ongoing discussions with Defra and others about the Government's future agenda of legislation for food, farming and the environment, and we have been developing a White Paper on future regulation to be released later in 2018.



# Reform



### Better customer service

Water UK and its members have been active in supporting the development of two important elements in Ofwat's methodology for the PR19 price review.

We have worked with Ofwat and the Consumer Council for Water to develop a new customer service measure to succeed the Service Incentive Mechanism (SIM) which the industry has used since 2010. C-MeX, as the new measure is known, will allow clearer comparisons between companies and aims to improve customer service further. The key principles of C-MeX were confirmed by Ofwat in December 2017 ahead of planned full implementation in 2020.

Ofwat have also proposed a new measure – known as D-MeX – to promote excellent customer service by companies' developer services activities. Water UK has drawn together a wide range of stakeholders from the developer and self-lay sectors to assist Ofwat in finding the most appropriate structure for the new measure and in setting up the necessary mechanisms to implement it.

### Performance measurement

At PR19, the ability to compare fairly between companies will be more important than ever, with bigger penalties for poor performance. Water UK and Ofwat jointly commissioned

KPMG and Jacobs in December 2017 to review the consistency of reporting of key performance measures, and recommend changes to reporting definitions to improve the comparability of data. The revised reporting definitions were confirmed by Ofwat in March 2018 as those to be used for PR19 and for public reporting from 2020.

### Transparency in housing and development

The sector's new connections charging regime was implemented by companies on 1st April 2018. Water UK carried out significant research on how the new rules could be implemented and on how unnecessary divergences between companies' approaches could be minimised. This was set out to developers at a special conference organised by Water UK in January. The new approach will dramatically increase the level of transparency customers have at the early stages of housing development, helping to accelerate the rate of housing growth.

A group established by Water UK also started work on new water asset adoption arrangements that will further enable housing growth via alternative connection providers. Water UK is undertaking this work on behalf of all its members in order to implement Ofwat's adoption code. The new approach is expected to come into effect in 2019.





## Reputation

### Promoting drinking water, cutting plastic

Water UK, with the support of our delivery partner City to Sea, announced in January our drinking water Refill initiative aiming to cut plastic bottle use by tens of millions each year. The scheme was referred to in Defra's 25-year environment plan, which highlighted the environmental necessity of tackling plastic pollution.

By creating a national network of points where people can top up their water bottles for free, public access to drinking water will be greatly increased. Companies will create a network of tens of thousands of Refill points by 2021, with local plans published by September 2018.

### Informing the public debate about water

The legitimacy of private water companies in England operating in the public interest came under significant challenge during the year from several quarters and proved to be a dominant theme for our activity in 2017/18. The sector has many positive achievements of which it is proud, but there is also a common commitment among companies to see genuine issues of concern addressed in a way which recognises that, in a diverse sector, not all the issues are universally relevant.

Water UK worked alongside member companies as they engaged with regulators and Government on a potential reform programme focussed on a number of corporate financing and governance arrangements. The ongoing dialogue has seen individual companies, where relevant, make specific commitments to action (for example, to end the use of offshore financing structures) and is set to see further developments as companies develop their business plans under the PR19 price review process.

With the emergence of the debate about potential nationalisation of English water companies, we were active in improving the evidence base about the track record of the sector since privatisation and about the potential consequences of nationalisation. In November 2017, we

published analysis by Frontier Economics which showed that industry productivity has increased by 64% since privatisation in 1989. We also worked alongside member companies who commissioned reports from the Centre for Policy Studies and the Social Market Foundation which estimated that it would cost a future government up to £90 billion to buy water companies in England.

In addition, Water UK has significantly increased its communications and stakeholder engagement work to help improve awareness of the water sector's record of achievement and how it is looking to tackle future challenges. We have an ongoing programme of meetings with parliamentarians from the main Westminster political parties and we have actively used a range of methods to reach out to wider audiences, including the use of our Working4Water campaign and microsite to share more broadly the industry's achievements to date. We began regularly tracking consumer attitudes to water which reveal that customers have high overall levels of trust in their water company, and we aim to increase trust levels even higher.

### Help where it's needed

In October 2017 Water UK and the Energy Networks Association announced a major project to make it easier for customers to get the help they need from their utility providers.

Water and energy providers both offer 'priority services' to those customers that need additional help, but these schemes currently need to be applied for separately. A pilot scheme launched in parts of North West England covered by United Utilities and Electricity North West will allow the companies to work together to share customer information - with customer consent - so that customers only have to apply to schemes once to receive vital support from both providers.

Lessons learnt from the pilot are being incorporated into plans for a national rollout by 2020.



Water UK represents UK water and wastewater service suppliers at national and European level.

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