

## **1. REGULATORY UPDATE**

The purpose of this paper is to update the Water Forum on the latest regulatory developments in terms of messages from Ofwat and legislation relating to drinking water quality and environmental management and associated guidance. This summary highlights guidance from Ofwat and signposts the level of engagement that NWG achieves with the Drinking Water Inspectorate (DWI) and the Environment Agency (EA) as part of our regulatory approach. It provides insight into areas that need to be addressed within our business plan for PR19.

## **2. OFWAT**

Ofwat published its draft 2019 Periodic Review methodology in July. There was little reaction beyond industry stakeholders, although PwC and the Moodys rating agency described the approach as challenging. Richard Khaldi, until recently an Ofwat Director and now at PA Consulting, commented that 'this will be a tough review for companies'.

Part of the regulatory cycle is the requirement to publish our annual assurance plan. We would like to notify the Forum that we will be preparing our draft assurance plan ready for publication before the end of November 2017. This will then be issued for consultation prior to publication of our final assurance plan before the end of March 2018. It is important that the Forum is involved in the process and able to contribute to the assurance plan. We will make sure we provide these opportunities and updates on progress as the plan is developed.

The Ofwat Chief Executive, Cathryn Ross announced that she is to leave Ofwat to join BT later this year.

Ofwat announced they are to carry out an investigation into Thames Water to consider whether enforcement action is required following its failure to meet its leakage commitments.

In June, the Ofwat Chairman Jonson Cox, published an open letter in Utility Week to Thames Water over reforms required to their corporate governance arrangements.

## **3. DRINKING WATER**

The Chief Inspector of the DWI, Marcus Rink, has released the annual report for drinking water quality in England and Wales for the year 2016. The focus of the review was preventative risk management and the need for effective long term planning to improve water quality. The story is being framed around the new performance measure being proposed by DWI, the Compliance Risk Index. The new measure creates a more tangible link to asset management than previous performance metrics and highlights more readily what is important to companies, customers and regulators in terms of achieving compliance with the Drinking Water Directive.

NWG's risk score for both the northern and Essex & Suffolk regions is slightly worse than national average, however it does help to confirm that our long term catchment management strategy to mitigate pesticide diffuse pollution should remain a priority, as does our focus on water treatment works resilience and single points of process failure.

## **4. ENVIRONMENT**

The final draft Water Industry Strategic Environmental Requirements (WISER) has been released for final review and replaces DEFRA's Statement of Obligations. It is a joint document from the EA and Natural England and sets out their ambitions for environmental performance, natural habitats, plus drought and flood resilience. It signposts statutory obligations and regulatory expectations, identifies the need for partnership working, innovation to improve environmental value and achieve outcomes.

WISER is helping to direct the water industry National Environment Programme (NEP). NWG has a number of schemes being promoted to achieve Water Framework Directive good status in rivers linked to phosphorus levels, as well ensuring growth schemes do not affect waste water treatment plant performance.

Storm overflows are located along the sewerage system and provide a mechanism to spill a combination of storm water and sewage waste water caused by exceedance of sewer capacity during heavy rainfall. These overflows can spill to streams, rivers or coastal areas.

The EA is introducing spill frequency trigger permits to storm overflows discharging to coastal protected areas that have already been improved through previous NEPs. The proposed new permit conditions will become operational no later than March 2020 and we will start permitting in Autumn 2016.

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