

Sir Jon Cunliffe

Chair, Independent Commission for Water

26 March 2025

Dear Sir Jon,

Independent Commission for Water – Call for Evidence

Thank you for your letter, dated 5 March 2025, drawing attention to the Independent Commission for Water's call for evidence.

While the Climate Change, Environment and Infrastructure Committee (the Committee) is not in a position to respond to the questions set out in the call for evidence, I thought it might be helpful to share with you our *Report on storm overflows in Wales* (March 2022) and our *Report on performance of Dŵr Cymru* (February 2024), which we hope will be of use to you.

The issues raised in the above reports, which may be particularly pertinent to the Commission's work, are summarised below.

Overarching Framework for the Management of Water

Measuring and assessing the water environment

On the matter of monitoring and reporting on the health of the water environment, in our *Report on storm overflows in Wales*, we highlighted the need to enhance existing monitoring arrangements with the aim of better understanding the impact of sewage spills on receiving water. We called for consideration to be given to the potential role of citizen science within these enhanced arrangements.

Water Industry Public Policy Objectives

Protecting the environment

As outlined in our *Report on storm overflows in Wales*, public confidence in the regulatory and enforcement regime for storm overflows is low. We emphasised the importance of ensuring that

Natural Resources Wales (NRW) is able to respond promptly and effectively to pollution incidents, and to be prepared to take enforcement action when permit breaches occur. We raised concern about NRW's ability to properly carry out its statutory roles and responsibilities due to a lack of capacity and resources.

On the matter of enforcement action, our *Report on performance of Dŵr Cymru*, notes that NRW has come under criticism for its progressive approach to enforcement and its apparent reluctance to prosecute Dŵr Cymru for permit breaches. We make clear that although prosecution is, quite rightly, available to NRW, it should not be viewed as the ultimate outcome.

Ownership

The not-for-profit model

As outlined in our *Report on performance of Dŵr Cymru*, the company's 'not-for-profit' model sets it aside from other water companies in Wales and England, which are privately-owned. Dŵr Cymru benefits from not having to pay dividends to shareholders. Instead, any financial surpluses can be used to accelerate investment and provide additional funding for social tariffs. Nevertheless, the 'not-for-profit' model should not become an excuse for under performance. While no model is perfect, Ofwat's suggestion in evidence to the Committee of an 'accountability deficit' arising from Dŵr Cymru's 'not-for-profit' status is a cause for concern. We made clear to Dŵr Cymru that we expect its internal governance arrangements to be sufficiently robust to hold company executives to account and to drive performance improvements.

The Committee awaits the findings of your review with interest.

Yours sincerely,



Llyr Gruffydd MS,
Chair, Climate Change, Environment, and Infrastructure Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.