



Department for Environment, Food & Rural Affairs

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Rt Hon Sir Julian Smith MP
House of Commons
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Your ref: JU82139
Our ref: MC2024/24801/NA

6 January 2025

Dear Sir Julian,

Thank you for your email of 24 December to the Secretary of State on behalf of your constituents about water bills. I am replying as the Minister responsible for this policy area.

We understand the financial pressures hardworking families are currently facing and we are pushing the sector to ensure support is available for vulnerable customers who are struggling to pay their bills.

Bills must remain affordable, and customers cannot be expected to pay the price for years of underperformance in the past. Billpayer money must be used to improve and build vital infrastructure.

The Secretary of State set out in his first week new steps specifically designed to protect customers. That includes an agreement that funding for vital infrastructure investment will be ringfenced and can only be spent on upgrades benefiting customers and the environment. Ofwat will ensure that when money for investment is not spent, companies refund customers. Money can never be allowed to be diverted for bonuses, dividends or salary increases.

This is in addition to other rules already in place, including:

- Penalties or fines must be paid out of companies' operating profits and having no impact on customer bills.
- Ofwat has also brought in a new mechanism to ensure customers are not paying for executive bonuses where companies fail to meet performance requirements.
- Ofwat will apply its recovery mechanism in relation to 2023-24 awards to block customers from paying for inappropriate executive bonuses.

The new Water (Special Measures) Bill sets out to further strengthen Ofwat's enforcement capabilities. The Bill allows Ofwat to drive criminal liability charges, issue both automatic and severe fines and ban the payment of bonuses if performance and environmental standards are not met.

This additional level of oversight will ensure that the company's customers are getting good value for money on their bills, with good daily service and the much-needed investment in vital infrastructure that they deserve.

There is a robust system of independent economic and environmental regulation for holding the water sector to account. It is of course right that we continue to look at the regulatory context, and where necessary take action to strengthen the regulatory framework.

This is why on 23 October; the Defra Secretary of State, alongside the Welsh Government, announced the launch of an Independent Commission to fundamentally transform how our water system works. It will be the biggest review of the water industry since privatisation, 35 years ago.

The Commission's chair, Sir Jon Cunliffe, will be supported by an advisory group of experts covering areas including the environment, public health, engineering, customers, investors and economics.

The Commission will report back in the first half of 2025. It will make recommendations to the government on how to tackle systemic issues to fundamentally transform the water sector. This will boost investability in the sector and contribute to economic growth, speed up delivery on infrastructure to support house building, clean up our waterways, and address water scarcity.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Emma Hardy', with a large, stylized initial 'E' and a long, sweeping tail.

EMMA HARDY MP