# WRITTEN STATEMENT

# BY

# THE WELSH GOVERNMENT

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| **TITLE** | **Strategic Priorities and Objectives Statement for Ofwat (SPS)** |
| **DATE** | **6 July 2022** |
| **BY** | **Julie James, Minister for Climate Change** |

I have laid before the Senedd the Strategic Priorities and Objectives Statement for Ofwat (SPS) setting out our strategic priorities, objectives and expectations for Ofwat, the economic regulator of the water industry in Wales and England.

<https://senedd.wales/media/e4glau1y/sub-ld15229-e.pdf>

Ofwat makes determinations at 5 yearly intervals (price review) on the level of service customers can expect. This includes setting the charges to customers and the investment needed to protect and enhance the environment and addressing future challenges.

The SPS requires Ofwat to adopt an approach to the price review and regulation of water companies wholly or mainly in Wales firmly within the context of Welsh legislation and policy, supported by Welsh specific evidence to meet the needs of Welsh customers, citizens and the environment. It asks Ofwat to demonstrate how its major decisions are consistent with our expectations and priorities, for example, when establishing the methodology for price reviews, publishing draft and final determinations or proposals for change to the regulatory framework. Ofwat should seek to address future social, economic and environmental risks, challenges and emerging threats over the long-term.

Our water sector is facing an immediate and unprecedented challenge. Climate change means that over the next 20 years, Wales faces wetter winters, hotter drier summers, rising sea levels, and more frequent and intense extreme weather events. The need to achieve decarbonisation, climate resilience, and reverse the decline in biodiversity will require innovative solutions, behaviour change, and long-term investment in our water infrastructure. At the same time, cost of living challenges are the most acute in a generation, placing pressure on household incomes and the ability of many to pay for essentials like food, water, and energy.

The next water industry price review will need to respond to these substantial challenges to deliver the best value for customers, communities, and the environment.

Solutions to many of these challenges need strong local engagement and partnership working across catchments. We need innovative, evidenced based solutions and a Team Wales collaborative effort.

Water companies are major local employers, contractors and developers of workforce skills and expertise in Wales. They play an important part in enabling green growth and supporting the foundational economy in Wales. The SPS sets the expectation that Ofwat enables the water companies to align their procurement principles and practices with the Wales Procurement Policy Statement.

The SPS sets out 5 key priorities where we expect Ofwat to challenge or encourage water companies to deliver:

**Climate & Nature Emergencies –** Water companies should adopt practices and behaviour which sets them as an exemplar and to positively enable change to achieve a net zero carbon society in Wales.

**Environment** -we want to see a shift to a catchment based, outcomes-led approach with nature-based partnership (including customers) solutions that address problems at source. Companies should wherever possible meet or exceed the requirements of all environmental legislation and deliver wider environmental and social benefits while carrying out their functions.

**Resilience** – Water companies should anticipate, cope with, and recover from, disruption and maintain services for people and protect the natural environment, now and in the future.

**Asset Health –** Companies should demonstrate a clear understanding of the health of their assets including interdependencies, trends in the long-term, and how this impacts levels of overall resilience. Robust management of companies’ assets is a crucial element of achieving resilience in the water and wastewater sector in Wales.

**Customers and Communities -**  Water companies should provide transparent, accessible and sustainable financial support for those who struggle to pay. Ofwat should consider affordability for all customers and affordability for customers who are struggling to pay their water bill in the design of its regulatory framework and facilitate price determinations that provide value for money for current and future customers.

This SPS sets out the Welsh Government’s approach and its expectations of Ofwat and it will be kept under review.

I would like to thank all the organisations who have contributed to the development of this SPS. Water companies, regulators, advisory bodies, delivery partners and our key stakeholders have worked together in the spirt of co-operation to shape this SPS. I encourage them to continue this collaborative approach to provide strategic steer and challenge that will guide and inform our priorities and future ambition for the water sector in Wales.