Department
for Environment,
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Cllr Rachel Millward
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17 March 2025

Dear Cllr Millward,

Thank you for your letter of 5 February to the Secretary of State about Southern Water. I am replying as the Minister responsible for this policy area and I apologise for the delay in doing so.

The government has been clear there is no excuse for poor performance, and we will not look the other way while companies routinely fail to meet agreed standards. Water companies, including Southern Water, must take seriously their role in meeting the public and regulators expectations.

For too long, investment has not kept pace with the challenges of an ageing infrastructure system, a rapidly growing population and climate change. Ofwat published its final determinations for Price Review 2024 on 19 December, which sets company expenditure and customer bills for 2025-2030.This will deliver substantial, lasting, improvements for customers and the environment through a £104 billion upgrade for the water sector.

This investment will mean cleaner rivers, seas and lakes across the country, more jobs and more investment into the UK. Increased revenue will fund:

- Reducing the number of spills from storm overflows by 45% (compared with 2021 levels) by upgrading over 2,800 storm overflows
- Improving river water quality by improving over 1700 wastewater treatment works
- Targeting companies to reduce leakage by a further 17% to the lowest level since privatisation
- £8 billion to boost water supplies including progressing nine new reservoirs and nine large-scale water transfer schemes
- Triple the replacement rate of water mains pipes
- Install 10 million smart meters

We agree that the water sector requires a complete reset, with a reformed water sector to deliver a system fit to deliver for the country. The government has already demonstrated a clear commitment to change by delivering the Water (Special Measures) Act (WSMA) that will drive meaningful improvements in the performance and culture of the water industry as a first important step in enabling wider, transformative change across the water sector.

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The WSMA will provide the most significant increase in enforcement powers to the regulators in a decade, giving them the teeth they need to take tougher action against water companies in the next investment period, which is due to start in April this year. These include new powers to enable the Environment Agency to recover costs associated with its enforcement activity of the water industry.

However, this Act is just one part of our wider plans to bring about transformative change for the water sector. The Independent Water Commission, announced by the UK and Welsh Governments and chaired by former Deputy Governor of the Bank of England Sir Jon Cunliffe, is intended to deliver a reset to the sector and is expected to be the biggest review of the water industry since privatisation. The Independent Commission published an eight week Call for Evidence on 27 February setting out the issues in the sector and areas for change the commission wishes to explore, including water industry ownership models, environmental regulation and legal target and objectives related to water. The public, environment groups, investors and all interested parties have been invited to share their views until midnight on 23 April. They can read the relevant documents on GOV.UK and share their views through Defra's online consultation tool, Citizen Space.

The government will continue to work with water sector regulators to hold water companies to account on poor performance and drive improvements which benefit customers and the environment.

I would like to thank you for your kind offer to meet and discuss these important issues, my office will be in touch if diary time allows.

Yours sincerely,



EMMA HARDY MP