

Date: 5 June 2016  
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## Environment, Food and Rural Affairs Committee Inquiry into the Regulation of the Water Industry

The NFU represents 55,000 members in England and Wales, involved in 46,000 farming businesses. In addition, we have 55,000 countryside members with an interest in farming and the countryside.

The overwhelming majority of our members rely wholly or partially on mains water supply to meet their domestic and/or 'general purpose' business needs such as cleaning processes and livestock drinking. Some horticultural producers, particularly those growing salads and fruit, rely on mains water for its quality and security of supply.

Farms tend to be geographically isolated in rural locations and so are particularly vulnerable to water supply interruptions.

### 1 Is regulation of the water industry improving outcomes for consumers and the environment?

The public water sector is subject to significant environmental, economic public health and consumer protection regulation and we think it entirely appropriate that this level of **scrutiny regulatory should be maintained**.

In our view the Consumer Council for Water carries out an important role in monitoring water company performance.

Performance in the water industry seems to have improved over the years in terms of levels of service provided to customers and, more recently, its commitment to improving long term resilience to water scarcity; legislation has played an important role in driving performance.

Water companies devote considerable effort to the development of business plans and water resources management plans (WRMPs), and their engagement with customers and other stakeholders continues to improve during their development of these plans.

The NFU has been pleased to engage with the water industry in the past few years as it has become more innovative in **long term planning using a multi-sector approach** (such as Water Resources East) and through identifying alternative approaches to 'end of pipe solutions' by working with farmers on **catchment management** initiatives.

**Retail competition** for non-household customers of water and wastewater services means that, since April 2017, farmers in England have been able to choose their retail supplier. The transition has not been wholly successful and we hope that the billing problems faced by NFU members – mostly resulting from poor/incorrect data transfer - are no more than 'teething problems'.

While we hope that customer complaints arising from the new retail market will prove to be short-lived, we are concerned that further **market reforms** could lead to further fragmentation and disconnection between the customer and the wholesale supplier of a vital farm input.

Meanwhile, water industry performance has improved scope for further improvement on issues such as customer metering, levels of leakage and working with customers to drive down per capita consumption.

In the creation and enforcement of regulation, it is often difficult to achieve the optimum balance between strategic goals and local priorities; the water industry is no different in this respect. Defra's recently published **abstraction plan** outlining a focus on catchment management gives the water industry the opportunity to find, in partnership with other sectors and actors, local solutions for locally identified problems.

## 2. Is the water industry adequately delivering a “twin-track approach” of increasing water supplies and reducing water demand?

Having recently submitted responses to some but by no means all of the public supply company draft WRMPs, we are satisfied that in general the water industry makes a considerable effort to both reduce demand and increase supplies (where needed).

Farmers as customers of water and waste water services need **uninterrupted supplies**, whilst farmers who abstract their own water will welcome sustainability reductions of some water company licences in water stressed areas if it reduces pressure on them as minor users as well as the environment. It is disappointing that water companies have been unable to **build new reservoir infrastructure** in places where they have been most needed and we hope that the forthcoming National Policy Statement on Water Resources will help to progress much needed new infrastructure.

We welcome more ambitious Ofwat targets on **water efficiency and leakage reduction**, and we support the challenges placed at the door of the water industry the National Infrastructure Commission in its recent report.

Some company draft plans increasingly recognise the importance of influencing **consumer behaviour** in future water use and efficiency, and we welcome this development.

We support the increasing installation of meters in homes, and we advocate **compulsory metering** in all areas (although we accept that the economics of installation needs careful consideration). We assume that the future installation of '**smart meters**' has the potential to deliver real progress in terms of efficient water use.

Our perception is that **leakage performance** has stalled over the past decade or so. Because leakage is often so visible, incidents can send wrong messages to consumers about waste and the importance of efficient use.

Given the nature of farms (large surface area with relatively lengthy pipework on the customers side of the meter), we are particularly interested in working with retailers on **developing leak detection services** for customers such as to save both water and water charges (which can be substantial in the case of burst pipes with the business customer liable).

## 3. How can innovation be increased in the water industry?

We believe that there are some innovative opportunities for **sub-national and regional level multi-sector planning**. Water company privatisation means that meeting supply and demand can sometimes lead to a lack of strategic dimension, particularly so in view of the illogical spatial areas in which some of the companies operate.

We are pleased to note a recent **strategic element to water planning is re-emerging** with a national focus on delivering long term resilience, and through the activities of the National Drought Group.

A **more strategic and integrated approach** gives sectors, such as agriculture, a better opportunity to engage with the water industry on issues of mutual interest. We have been particularly pleased to be actively involved in Water Resources East and, to a lesser extent, Water Resources South East.

We would like **agricultural supply and demand to at least be recognised** in water industry planning, although we recognise the farming sector has much to do 'in-house' to better understand our own constrained and unconstrained demands and how they should best be managed and met.

We hope that **multi-sector planning initiatives** developed through WRE will be recognised in the next round of water industry plans, WRMP24.

We note that **natural capital accounting** approaches are being developed by government and its agencies. Water management and long term planning of demand and supply are being included as part of this approach, and is included as part of Defra's 25 year Environment Plan. We support the general approach and we would like to be fully engaged in the development of these ideas which could have considerable consequences for farmers in terms of payments for public goods as part of post-CAP agricultural policy.

We would like to see the development of opportunities for **water re-use** in both the water and agricultural industries. Re-use guidelines are currently being developed in the European Union, and provision for national guidelines could usefully include opportunities for potable and non-potable use as part of the National Policy Statement for Water Resources.

#### 4. Are penalties and enforcement mechanisms encouraging responsible behaviour?

We have no comments to make.

#### 5. Are there any potential benefits for the environment that could be achieved through regulatory divergence post-Brexit?

Since regulations applying to the water industry and the protection of the environment tend to be nationally driven, albeit under an umbrella of EU regulations and directives, we doubt that regulatory divergence post-Brexit will offer many opportunities for substantive change.

We are interested in the extent to which **drinking water standards** from both public and private water sources are governed by EU regulations. Clearly public health concerns must remain paramount, but we would like to see regulations that protect drinking water devised and enforced in a sensible, risk-based way. In particular, with respect to Defra's latest proposals for managing private water supplies in premises such as farmhouse B&Bs, we believe that the intended approach to monitoring and sampling of sites fails the regulatory test of 'proportionality'.