Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref JH NM AH
Ein cyf/Our ref HIDCC/00382/26

Jane Hutt MS
Member of the Senedd for the Vale of Glamorgan
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March 2026

Dear Jane,

Thank you for contacting me regarding the concerns raised by your constituent, Ms Anwen Hopkins, about Dŵr Cymru. I appreciate the strength of public feeling surrounding matters of water quality, governance, and affordability, and I am pleased to have the opportunity to address each of the questions she has outlined.

Dŵr Cymru is a not-for-profit water and wastewater company that serves most of Wales and some areas of England. Unlike many other companies, it does not have shareholders; instead, any financial surpluses it generates are reinvested for the benefit of its customers and the environment. Ownership lies with Glas Cymru, a company limited by guarantee. Its members act as guardians of the organisation rather than financial investors. Bondholders provide loans to the company as they would to other utilities, with returns based on bond terms, but they do not exert control over the business.

Appointments to Welsh Water's Board are made independently by Glas Cymru. The Welsh Government does not appoint, approve, or veto directors. Nevertheless, we expect the company to uphold the highest standards of governance, integrity, and transparency. It is essential that the public can have confidence in those who oversee crucial services, especially considering the challenges currently facing the water environment.

Dŵr Cymru, like all water companies, funds major infrastructure projects through long-term borrowing. Ofwat, the independent economic regulator for the water sector, oversees the company's level of debt and financial stability. For the current price review period, Ofwat has categorised Welsh Water as "stable" in terms of financial resilience.

The Welsh Government does not underwrite Welsh Water's debt, but we do expect Ofwat to ensure that the company's financial structure remains robust and sustainable. Recent

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

reforms, including the Water (Special Measures) Act 2025, now allow for tougher action should a company's financial position pose a risk to customers or the environment. Ofwat, rather than the Welsh Government, sets the framework that determines customer bills. Welsh Water must demonstrate that its expenditure is efficient, its investments are justified, and that customers are receiving value for money. We recognise the significant pressures households are currently facing and expect both Ofwat and Welsh Water to prioritise affordability when finalising the 2025–30 business plan.

The Welsh Government does not directly regulate Welsh Water's finances—this is the responsibility of Ofwat for economic matters and Natural Resources Wales (NRW) for environmental regulation. However, we engage regularly with both regulators and meet with Welsh Water's leadership to raise concerns, challenge performance, and ensure that Welsh priorities are properly reflected in decisions affecting local communities.

Recent years have seen Welsh Water's performance, particularly regarding pollution incidents, leakage, and storm overflows, fall short of the required standard. We have been clear about our dissatisfaction, both publicly and privately. In response, we have:

- Pressed for stronger regulatory action, supporting Ofwat's recent enforcement steps;
- Introduced the new transition Special Measures regime, allowing Ofwat to intervene more quickly and decisively;
- Published the Green Paper on water governance, which proposes reforms to strengthen accountability and transparency;
- Secured enhanced investment commitments, including major programmes aimed at reducing storm overflows and improving wastewater treatment.

Ofwat assesses value for money by considering service performance, investment delivery, customer outcomes, and comparative benchmarking across the sector. The Welsh Government's role is to set the strategic policy direction and to expect Ofwat to hold companies to account when performance does not meet the required standards.

NRW is responsible for environmental compliance, including sewage discharges, permitting, and enforcement. The Welsh Government has been clear in its expectation that both NRW and Ofwat act decisively where companies fail to meet standards. We have also set out, in our Programme for Government, a commitment to significantly reduce storm overflows and restore river health throughout Wales.

Glas Cymru's not-for-profit model is unique, and while it has delivered benefits over the long term, we fully recognise the need for greater transparency and responsiveness to public expectations. Our Green Paper consultation specifically seeks public views on reforms aimed at strengthening openness, accountability, and customer representation within the company's governance.

If Welsh Water's financial or operational performance were to deteriorate to a point where it posed an unacceptable risk to customers or the environment, the reformed Special Measures framework gives Ofwat significantly enhanced powers to intervene. We would fully expect Ofwat to use these powers as necessary. The Welsh Government will continue to scrutinise performance closely and will act where needed to protect the interests of the people of Wales.

Dŵr Cymru's "not-for-profit" status is accurate in that it reinvests all surpluses and has no shareholders. However, I understand concerns regarding clarity and public perception. We expect all water companies to communicate transparently, and we will consider these issues further as part of our ongoing governance reform work.

Thank you once again for raising these important issues. I hope this response offers reassurance that the Welsh Government is acting decisively and transparently to enhance the performance and accountability of Welsh Water.

Yours sincerely,

Huw Irranca-Davies AS/MS
Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

PLEASE LEAVE BLANK

To: Huw Irranca-Davies Deputy First Minister
From: [redacted]
Ext:

Date: March 2026

[Ref] HIDCC/00382/26

CC: Chris Jones DD
Mining Legacy Water and flood Mailbox
[redacted]

Welsh Water Issues

1. Jane Hutt MS, has written to you raising concerns from her constituent relating to Dŵr Cymru and its governance.

2. As you are aware the Channel 4 Docu-drama Dirty Business has caused several people to question the appointment of Sir James Bevan to Dŵr Cymru's Board. Some other more general queries are also raised regarding Dŵr Cymru.

3. A draft response is attached.