

Callum Firth
Chair
Save the Teifi Group

21st February 2024

By email: callumfirth@aol.com

Dear Callum

Save the Teifi – ‘5 Asks’

Thank you for forwarding the above document to our Company Secretary which I received on 11th February.

First of all, can I say that I fully understand the concerns of your group and recognise the discontent that people feel in relation to our impact on the Teifi. Whilst we used the appropriate regulatory process to assess and target improvements, I can see that the timescales involved would seem unacceptably protracted. There is a clear lesson learnt for us here.

We are, as you are aware, expending every effort to support the ‘Teifi Demonstrator Catchment’ programme being promoted by Natural Resources Wales. As one of the main contributors we have committed resources to the proposal including a dedicated project manager, additional scientific expertise and £1m in funding to help the programmes objectives.

If I may I will respond to the five main points that you have raised:

1. We are well advanced with the capital investment scheme to upgrade Cardigan waste water treatment works. We are planning to start on site as early as we can at the start of the 2025/26 fiscal year, in April 2025. We are assessing opportunities to start the £20m scheme sooner, involving the local authorities and NRW and will confirm in due course, if we are able to do so. Ahead of starting on site, we intend to submit our planning application to the council in the next couple of months. We will consider the opportunity to utilise a low carbon nature based solution if feasible. We are fully open to explaining our selected proposal as well as the reasoning for it and to share it with you as scheme development progresses. We will also send a newsletter to residents in Cardigan to outline our plans and timescales involved.

We have accelerated £6m phosphate reduction investment at Lampeter and Llanybydder waste water treatment works which discharge into the Teifi, with both upgrades due to be delivered by April 2025. This is part of £140m additional funding brought forward through our 'not for profit' structure, across Wales that is enabling us to start work to improve coastal and river quality, which under the regulatory funding structure, would not have commenced until 2025. These two schemes will remove approximately two thirds of our required phosphorous reduction needs in the Teifi catchment.

2. Within our recent Price Review submission (PR24 covering the 2025 – 2030 regulatory period), we have proposed funds to support a live monitoring trial for the Teifi, looking at water quality. This will also be in support of the 'Teifi Demonstrator Catchment' project. To ensure an effective and efficient programme, it is essential that this live monitoring trial aligns with any proposals for further monitoring within the Demonstrator Catchment project, as well as the ambitions of other stakeholders such as local authorities. I would suggest that Kelly Jordon, whom you will know as our respective Coastal and River Quality Liaison Manager, reviews this potential opportunity and keeps your group informed of developments.

As recently discussed with Kelly, we will also review our coastal water models and if possible, use them to assess the tidal dynamics of the estuary and share written conclusions with you.

3. As you are aware, Dwr Cymru have a Citizen Science Support Programme available. This launched in Summer 2023, and we are keen to develop this framework to engage what we understand to be significant levels of interest in the catchment. Further to this we understand the 'Teifi Demonstrator Catchment' aims to include Citizen Science aspects, covering both qualitative and quantitative methods. Once again it is crucial to consider the demonstrator project and objectives that build from the pending 'Hackathon (28th / 29th February) to ensure effective application of community efforts and time, as well as producing useful data sets.

Kelly Jordan has already set up a working group for the Teifi and will be able to keep you informed of our plans and progress through that forum. We are very open to receiving this type of community support to aid us in understanding coastal and riverine ecosystems and from that where appropriate targeting improvements.

4. I note your comments relating to regulation and the role of Natural Resources Wales. Whilst the focus of this 'Ask' is aimed at NRW, I would assure you that we have and will continue to operate in an open and transparent manner when dealing with our regulators. We also apply this approach to other aspects of external scrutiny that is applied to us, such as compliance with Environmental Information Requests and liaison with water user groups. This was acknowledged by Prof. Peter Hammond in relation to his investigative work on the Teifi. We will also continue our support and liaison with the 'Better River Quality Taskforce for Wales, for overall water quality improvements.
5. In the current regulatory period, 2020 – 2025, all (100%) variable pay is allocated to performance targets, with 30% allocated to environmental measures. Effectively, there is no bonus scheme per se, as any variable reward is entirely based on the achievement of performance targets. These are set by our Remuneration Committee led by our Senior Independent Non Executive Director. As Executive Directors, we have no direct influence on what we are rewarded. In 2023, Ofwat, the water industry economic regulator reviewed alignment of delivery for customers and the environment in respect of companies variable pay schemes. They considered the Dwr Cymru scheme as being in the highest category for this,

achieving 80% compliance with their measurement framework. In fiscal year 2022/23 Mike Davis, our Chief Financial Officer and I as CEO, declined all our variable pay voluntarily, in recognition of a challenging year in terms of performance for the company.

I note the point about improvements to the river and treatment works must not come from customers' bills. We receive no other form of income. Respectfully, customer bills are our only source of income to run the business day to day and to fund long term investment. We do not have shareholders meaning that any 'gain' or dividend, is retained in the business for the benefit of customers. Since our formation in 2001, we have used any surplus to:

- Improve the financial resilience of the business, where we have used over £2bn to reduce gearing (borrowing) from 93% in 2001 to 58% currently. Our not for profit structure also enables us to borrow at more favourable rates to fund our investment programmes. The current period to 2025 will see over £2bn invested, growing to over £3.5bn between 2025 and 2030.
- Invest an additional £500m in our infrastructure, on top our multi billion regulatory investment programmes since 2001.
- Help those who struggle to pay their water charges, by having by proportion the largest social tariff scheme of any utility in the UK. Currently committing over £12m per annum to help over 130k customers in our operating area.

We are always sorry for any adverse impact we have on the environment and we intend to fully engage with communities on the Teifi as we deliver our planned investment and play our part in the ambitious 'Teifi Demonstrator Catchment' proposal. This engagement will clearly set out our improvements and respective timescales.

Please do not hesitate to contact Kelly Jordan or myself if you require any further information.

Yours sincerely



Peter Perry
Chief Executive