

Llyr Gruffydd MS
Chair, Climate Change, Environment & Infrastructure Committee
Welsh Parliament
Cardiff Bay
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By email: seneddclimate@senedd.wales

23 February 2026

Dear Chair,

Thank you for the invitation to give evidence to the Climate Change, Environment and Infrastructure Committee on 5 March. I welcome the opportunity to discuss the challenges facing Dŵr Cymru Welsh Water and the wider water sector and outline how we are responding as a company. I would like to use this letter to set out my early reflections on the role, the broader context in which we operate, and my vision for Dŵr Cymru — drawing both on my experience here in Wales and on my previous leadership roles across the global water industry, most recently as Chief Executive of Sydney Water.

Since joining the company, I have travelled across our operating area to meet colleagues from all parts of the business: I have been struck by the depth of commitment, professionalism and public service ethos of our people, and by the pride they take in serving customers and communities across Wales and Herefordshire.

I have also met the Welsh Government's Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs, Huw Irranca-Davies, along with executives from the company's regulators which has also been invaluable in helping me understand the context within which we operate.

I joined Dŵr Cymru in October 2025 and formally took on the role of Chief Executive in early January. I was immediately struck by the strong desire in Wales for improved collaboration between all interested parties to drive the improvements that are expected by our customers. The opportunity to develop a new planning and regulatory framework for Wales based on tackling the whole water system is very much welcomed. The current framework is outdated, inefficient, and hinders the outcomes that are desired in Wales. Delivering ambitious change will require pace, clarity and strong leadership, and I'm determined that Dŵr Cymru will play its part in supporting this change.

I have spent my entire career in the water sector, working in many different countries around the world, including as Chief Executive of four water companies operating under both public and private models.

The not-for-profit model under which Dŵr Cymru operates is a defining feature of the company and one of the principal reasons I was attracted to this role. It combines the discipline of a regulated utility with a clear public-interest purpose, ensuring that value generated is returned directly to customers and communities.

A new vision

We're not-for-profit. Every single penny we make goes back into looking after your water and environment. You can contact us in Welsh or English.

Rydym yn gwmni nid-er-elw. Mae pob ceiniog a wnawn yn mynd i ofalu am eich dŵr a'ch amgylchedd. Cysylltwch a ni yn Gymraeg neu'n Saesneg.

Dŵr Cymru Cyf. (No./Rhif 2366777)
A limited Company registered in Wales:
Cwmni cyfyngedig wedi'i gofrestru yng Nghymru:

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Last month, we shared with colleagues a new vision for the company: “To foster thriving communities by providing world class water services.” This new vision places an expectation on the business to deliver performance that is amongst the best in the world.

We are conscious that our performance is not where we want to be at present. It will take time to recover fully, but we are clear in our ambition. Furthermore, our role as one of Wales’s largest private companies goes beyond the maintenance of our network of pipes, treatment works and reservoirs; it is about supporting and helping to build thriving communities, be that through improving the environment, increasing the amenity value of our estate, educating customers and communities to value water, or through driving the economic impact of our expenditure and investment in the communities we serve. Our impact is great, but our potential to help support thriving communities could be even greater.

This vision is also aligned with the principles of the Wellbeing of Future Generations Act - legislation that I have been very impressed with, and which complements our ownership model and purpose.

Whereas it was the company’s ownership model attracted me to the role of Chief Executive at Dŵr Cymru, the collaborative ethos I have witnessed across key organisations we work with in Wales, has reassured me that in Wales there are common goals to work towards for the benefit of our communities and customers. Furthermore, the work ethic of colleagues across Dŵr Cymru and our supply chain has given me the confidence that we have the skills and expertise to make the improvements we all want to achieve. These have all been significant positives in my first few weeks in post; however, there are two areas which have been worse than I anticipated: 1) the condition of many of our assets after years of underinvestment, 2) the inconsistency and complexity of the regulatory framework as it currently exists.

A global perspective

Whilst the challenges facing the water sector in Wales and the UK are undeniably of great concern to customers and stakeholders alike, they are not unique in either scale or type. In short, many countries around the world are struggling with the need to upgrade ageing infrastructure to deal with the impact of our changing climate. More volatile weather patterns, population change, increasing customer expectations and environmental obligations have been common challenges in every company I’ve led.

Having worked in both private and public water companies, I have seen obvious benefits and drawbacks of each model, but the common challenge is addressing all of the issues at a price that is affordable to customers. The increasing cost of meeting the growing list of challenges at the pace at which many stakeholders want them to be delivered is unaffordable and unfinanceable. Therefore, difficult decisions need to be made on scale and pace of change. The customer voice is key in developing a plan that balances financeability and affordability with delivering a pace of progress that tackles the problems being stored up for future generations.

Looking ahead, and learning from global best practice, Wales has the perfect opportunity to create a new water systems planning approach and regulatory framework that will help deliver improvements in the areas prioritised by our customers, at a cost and pace that they can afford. I’m excited by the potential for the reform of the sector in Wales as outlined by the Independent Water Commission led by Sir John Cunliffe, and the subsequent Green Paper published by Welsh Government, albeit I would encourage the pace of change to be accelerated.

It is for this reason that Dŵr Cymru will embark on its largest ever customer engagement programme this year to help shape a new long-term strategy to deliver our new vision of “fostering thriving communities by providing world class water services” that will be built with our customers and based on their priorities. This will be supplemented next year by a Long-Term Capital and Operational Plan that will provide the detail on how we deliver our strategy over the coming 25 years. Our customer engagement programme will include large scale customer workshops, open consultations, and the creation of a new ongoing Customer Panel to inform our decision-making.

Regulatory Reform: A once in a generation opportunity

The current regulatory framework in England and Wales was largely designed at the time the water sector in England and Wales was privatised; this was before the creation of the Assembly, and before Dŵr Cymru was acquired as a not-for-profit company by Glas Cymru in 2001. It was not designed for today’s Wales.

Over numerous Price Review periods, the current regulatory framework has grown increasingly complex, and there is a strong case for reform that improves coherence and focuses more clearly on outcomes. Over the past couple of decades, it seems that a desire to keep bills low has been at the expense of service improvements and much needed funds to maintain and adapt the networks and assets we depend on.

This is not an argument for weaker regulation - robust oversight and accountability are essential - however, a system that is overly punitive risks constraining investment capacity, which in turn can undermine environmental performance and long-term resilience. This can create an unhelpful cycle in which the ability to improve outcomes is progressively weakened.

It is encouraging that the Independent Water Commission’s Report provides a thorough and well-considered assessment of the challenges facing Wales’s water systems, including diagnoses of the issues that need to be addressed. The Commission put forward a comprehensive set of recommendations, recognising that there are no quick or simple fixes and that responsibility for current problems cannot be attributed to any single organisation.

These recommendations are both bold and ambitious and there is a clear need for alignment of the different regulators so that all public health and environmental requirements are adequately reflected in funding by the economic regulator.

Change must now happen at pace, so that the regulatory system evolves in a way that better serves customers, communities and the environment. We will continue to engage constructively with the Welsh Government and our regulators to help shape and deliver reforms that achieve the best outcomes for Wales.

The new regulatory framework for Wales needs to be designed to work within the Welsh context, embracing the principles of the Wellbeing of Future Generations Act, provide alignment between a common vision (led by customer priorities) through clear regulation and agreed delivery plans for all organisations that impact on water systems in Wales. Wales has historically embraced collaborative approaches, and the water sector should be no different – getting companies, regulators and Government to develop and deliver a clear plan will allow smoother and more efficient delivery and accelerate the pace of change.

Similarly, a new regulatory framework in Wales also needs to ensure that the maximum possible funding is available for investment, but at a level that is affordable for our customers. Without shareholders, we rely on customer bills to cover expenditure costs and in order to limit the cost to them, we must priorities our

investment carefully to ensure every pound is spent where it can have greatest impact. Similarly, we must minimise any financial penalties that risk lowering funds available for investment to improve services. The scale of the current penalty regime does not benefit either our customers, or the environment. Any future incentive regime needs to consider our ownership model and avoid any unintended consequences of placing us at risk of greater financial or operational performance strain.

Any future regulatory change also needs to put greater emphasis on increasing maintenance funding to tackle the additional strain on our networks to cope with the impact of climate change and other factors.

Whilst bills have increased steeply in the past 12 months or so, we continue to support our most vulnerable customers with additional financial support. But future investment decisions which are guided by the requirements of government and regulators, need to be agreed within the context of what is affordable by our customers. With this in mind, I was very pleased that the Welsh Government has referenced this point in its Green Paper by noting: *“It would mean that, for each price review, you could start with a broadly defined envelope of affordability, financeability and deliverability and then work to that envelope, rather than starting with what you might want to invest in and letting that drive the cost. Given the ongoing, high levels of investment anticipated to be necessary in the water sector, this would represent an important shift in ensuring future plans are affordable and would provide a better mechanism for making choices about priorities and trade-offs.”*

However, we are not waiting for such structural or legislative reforms to take effect: we are continuing to focus on improving our performance now and planning for a more resilient water system for the long term. Since January, we have begun significant work to reshape Welsh Water, so it is fit for the future. This includes changes to our structure, leadership and ways of working, all focused on improving performance, strengthening accountability and delivering better outcomes for customers and the environment.

Reshaping Dŵr Cymru

In September 2025, my predecessor, Pete Perry, announced plans to restructure the business which included a 12% reduction in employees working for the company. Since the start of the year, I've been working with approx. 70 colleagues from across the company to develop our new structure – one that is focussed on delivering consistent customer experience, good asset management, and strong customer and stakeholder engagement to develop and deliver our strategy and business plans.

I shared the new structure with the entire business earlier this month with the intention of having it in place by 1st May. I have reduced the number of members of the Executive Team by a third and reshaped the entire business around six business units to deliver a more aligned and efficient service for our customers.

We have received approximately 400 requests for voluntary redundancy and have so far identified some 250 roles that will be closed. Further reductions are expected as new systems and processes are introduced to reduce duplication and increase efficiency. We will strive to ensure any future redundancies occur through voluntary arrangements and natural churn and will continue to provide support to affected colleagues.

We have a very strong workforce and the changes I'm making are all designed to drive improved services and value for our customers. However, ensuring that we can operate on a sustainable financial footing and continue to raise sufficient funding to cover the level of investment needed is a non-negotiable that is increasingly challenging.

Our impact

Water is fundamental to everyday life and to the success of Wales as a nation. It protects public health, sustains the natural environment in which we live, learn and work, and underpins economic activity in every community — from small local businesses to nationally significant industries. Reliable, high-quality water and wastewater services are therefore not just utilities; they are essential public services that enable communities and places to thrive.

As a not-for-profit organisation, our purpose is unambiguous. Everything we do is for the benefit of customers and communities. We reinvest any financial surpluses into our assets, our people and our services so that decisions taken today strengthen resilience, wellbeing and environmental outcomes for generations to come. However, this model also brings constraints - most notably a constraint on the pace of investment arising from our inability to raise finance in equity markets. Being entirely funded by bonds, it is vital that we retain our strong credit rating, in order to keep down the cost of finance which is ultimately paid for by customers. This makes financial efficiency, long-term planning and regulatory stability even more critical for the long-term sustainability of the company.

We are reshaping the company to deliver our new vision *to foster thriving communities by providing world-class water services*. This is not simply an aspiration. It is a clear statement of intent about the role we play in Welsh society and the standards we set for ourselves.

Yours sincerely,

Roch Cheroux

Chief Executive

Dŵr Cymru Welsh Water