

The Water Industry in Wales

Research Briefing

June 2026



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June 2026

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This Research Briefing provides an overview of the water industry in Wales including relevant legislation, the devolution settlement, water companies, Welsh Government policy and the roles and responsibilities of key organisations.

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1. Introduction

The water and sewerage industry in Wales is one of the most complicated areas within the devolution settlement, mainly because of the cross-border nature of water company boundaries. However, structural changes in the water industry in Wales and the West Midlands increased the alignment of water companies' appointment areas with national boundaries.

The industry is highly regulated to ensure high drinking water quality, adequate environmental protection and fair charging structures for customers and water companies alike.

This Research Briefing provides an overview of the industry in Wales, including the devolution settlement, the relevant legislation and policy, and the roles and responsibilities of key organisations.

2. Legislation

This section summarises the key legal frameworks governing water and sewerage services in Wales, including assimilated law (formerly known as retained EU law) and UK legislation.

Assimilated law (formerly known as retained EU law)

Water policy has been shaped by the UK's former membership of the European Union (EU). Some EU legislation continues to apply in Wales as domestic regulation or as assimilated law. 'Assimilated law' is the name given to the body of law previously referred to as retained EU law. Examples in the water industry include the:

- [Water Environment \(Water Framework Directive\) \(England and Wales\) Regulations 2017](#);
- [Bathing Water Regulations 2013](#);
- [Nitrate Pollution Prevention \(Wales\) Regulations 2013](#);
- [Urban Waste Water Treatment \(England and Wales\) Regulations 1994](#);
- [Water Supply \(Water Quality\) Regulations 2018](#) and [Private Water Supplies \(Wales\) Regulations 2017](#); and
- [The Conservation of Habitats and Species Regulations 2017](#).

UK Legislation

The [Water Industry Act 1991](#) (as amended by the [Water Industry Act 1999](#) and the [Water Act 2003](#)) sets out the regulatory, competition and consumer representation frameworks for the water sector in Wales and England.

The [Water Resources Act 1991](#) (as amended by the [Water Act 2003](#)) provides for the regulation of water resource management, abstraction and impounding, and water quality standards and pollution control, in Wales and England.

The [Water Act 2014](#) provides for the reform of the water industry, primarily in Wales and England. This includes enabling business and other non-household

customers to switch their water and sewerage suppliers from 1 April 2017 (though this is not in force in Wales; see 'Competition' section below). Part 4 of the Act makes provision for the introduction of affordable flood insurance for households at flood risk in the UK. The proposed flood reinsurance scheme **Flood Re** was **introduced by Ministerial direction** in 2015.

3. Devolution

This section explains how responsibilities for the water industry are divided between Welsh and UK institutions, including the implications of cross-border company areas.

The water and sewerage industry has been one of the most complicated areas within the devolution settlement. This is primarily because water company boundaries, which are based on water pipe and sewer networks, and predate devolution, reflect river catchments rather than the administrative border between Wales and England.

The **Government of Wales Act 2006** (GoWA 2006) devolved a number of powers relating to the water industry to the Senedd, including water supply, water resources management (including reservoirs), water quality, consumer representation, flood risk management and coastal protection.

GoWA 2006 was amended by the **Wales Act 2017** (2017 Act). Sections 48-52 of the 2017 Act introduced provisions for implementing several **Silk Commission recommendations** relating to water and sewerage, including:

- devolving powers over sewerage to the Senedd;
- introducing an intergovernmental protocol for managing cross-border water issues;
- removing the Secretary of State's power to intervene in cases where a Senedd Bill or the actions of a public body in Wales have serious adverse impacts on water resources, supply or quality in England; and
- aligning the boundary for legislative competence for water with the national border.

The **water protocol** for Wales and England was laid before the Senedd (then Assembly) and the UK Parliament in November 2017. The Secretary of State's intervention powers were repealed and replaced by the protocol **in April 2018**. However, the protocol doesn't include aligning legislative competence with the border (more information on this below).

Legislative and executive competence

Competences over the water industry are set out in the **Water Industry Act 1991**. The legislation distinguishes between **‘undertakers’ and ‘licensees.’** (or ‘licensed suppliers’):

- undertakers are statutory appointees responsible for providing water or sewerage services in a region (appointment area) of Wales or England; and
- licensed suppliers are companies or persons with a right to use undertakers’ infrastructure to supply non-household customers.

Undertakers’ appointment areas are based on river catchments and may therefore straddle the Wales/England border.

Legislative competence over water and sewerage undertakers is currently devolved on a **‘wholly or mainly’** basis. The appointment and regulation of an undertaker is devolved if the undertaker’s appointment area lies wholly or mainly in Wales (‘Welsh undertaker’), and it is reserved if the undertaker’s appointment area lies wholly or mainly in England (‘English undertaker’).

Regulation of licensed water suppliers operates on a similar basis. Regulation is devolved if the licensed supplier uses the system of a Welsh undertaker and reserved if it uses the system of an English undertaker.

Under the **Water Industry Act 1991**, executive competence in relation to the activities of the water and sewerage industry has largely been devolved in relation to undertakers wholly or mainly in Wales, although there are exceptions to this.

While these legislative and executive powers are largely symmetrical for Wales and England, there are several asymmetries in legislative competence. Areas of English undertakers that lie in Wales are reserved. However, areas of Welsh undertakers that lie in England are not devolved because they lie outside the Senedd’s geographic competence (**section 108A(2)(b) of GoWA 2006**, as amended by 2017 Act).

In practice, this means that although Welsh Ministers can, for example, make certain secondary legislation in relation to the whole of Dŵr Cymru’s appointment or supply area (thus affecting some customers in England), the legislative competence of the Senedd would not necessarily enable the Senedd to make primary legislation on the same matter.

The **Silk Commission recommendation** to align the boundary for legislative competence for water with the national border would effectively end the regulation of the industry in Wales on a ‘wholly and mainly’ basis. Provisions for implementing this recommendation are made in **section 48(1) of the 2017 Act**. However, at the time of writing, the relevant section has not been brought into force.

In response to a **Plenary debate on the subject in 2023**, the then Minister said that, with the creation of Hafren Dyfrdwy (to effectively align with the border between Wales and England - **further information below**) and the water protocol, “the main purpose of the powers under section 48(1) have already been delivered without the need to commence the provision”.

In 2025, in **response to a Sixth Senedd committee report** on the Water (Special Measures) Bill LCM, the then Cabinet Secretary reiterated this position, adding that “Section 48(1) is commenceable by the Secretary of State”.

Plaid Cymru’s 2026 Manifesto committed to formally request the full devolution of powers over water in Wales, as provided for by the 2017 Act.

4. Water companies in Wales

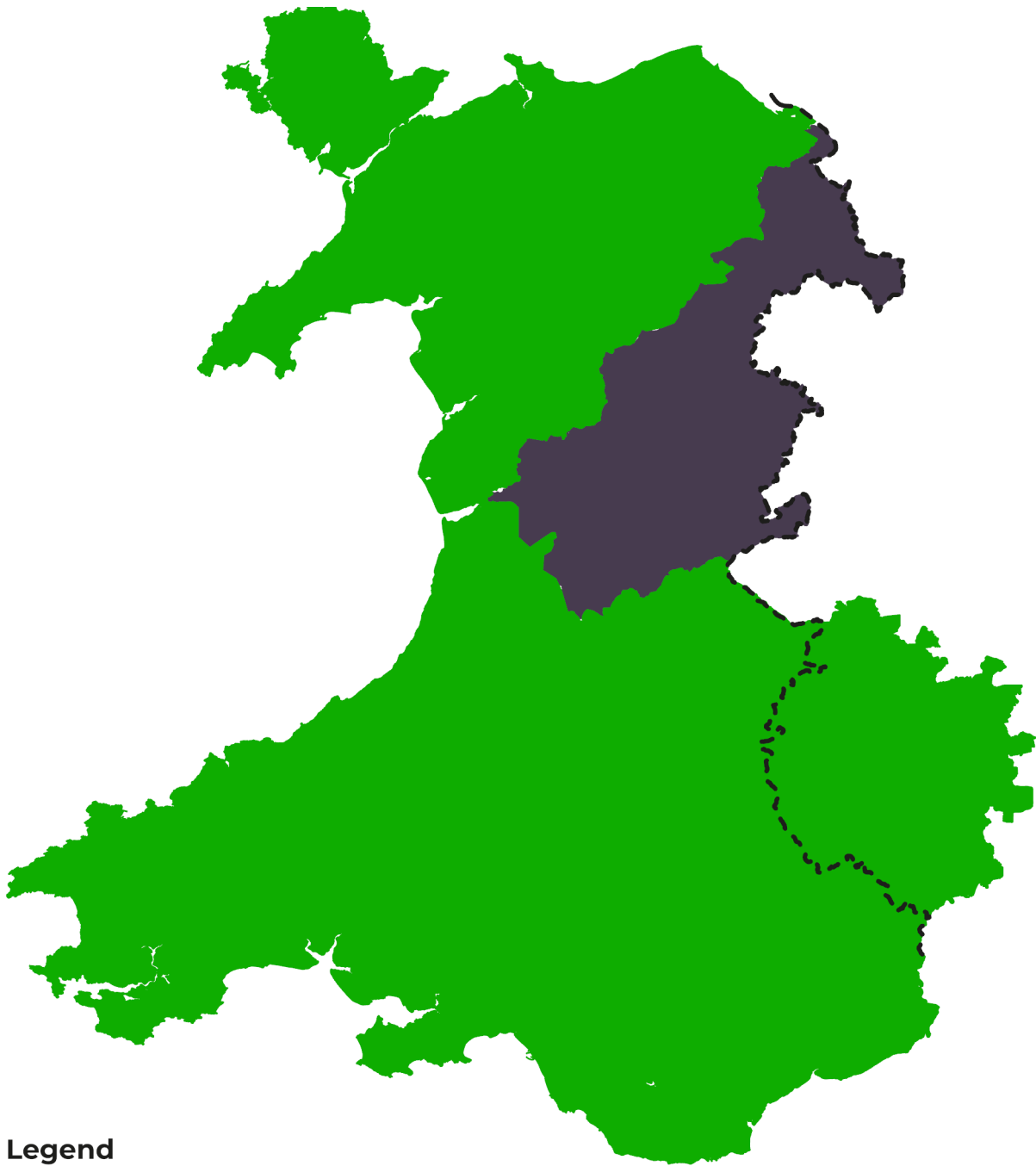
This section outlines the main water and sewerage undertakers operating in Wales and how their appointment areas relate to the Wales–England border.

The two main water companies serving customers in Wales are shown in the maps below. Both companies are undertakers by statutory appointment whose appointment area lies wholly or mainly in Wales.

Water supply and wastewater boundaries below differ as the two services are regulated and appointed separately. While water supply boundaries are relatively flexible and can be extended or reconfigured, wastewater boundaries largely remained tied to existing sewerage networks and treatment catchments.

As a result, companies may be appointed to provide water, sewerage, or both within different geographic areas, so their boundaries do not necessarily align.

Figure 1: water company water supply areas

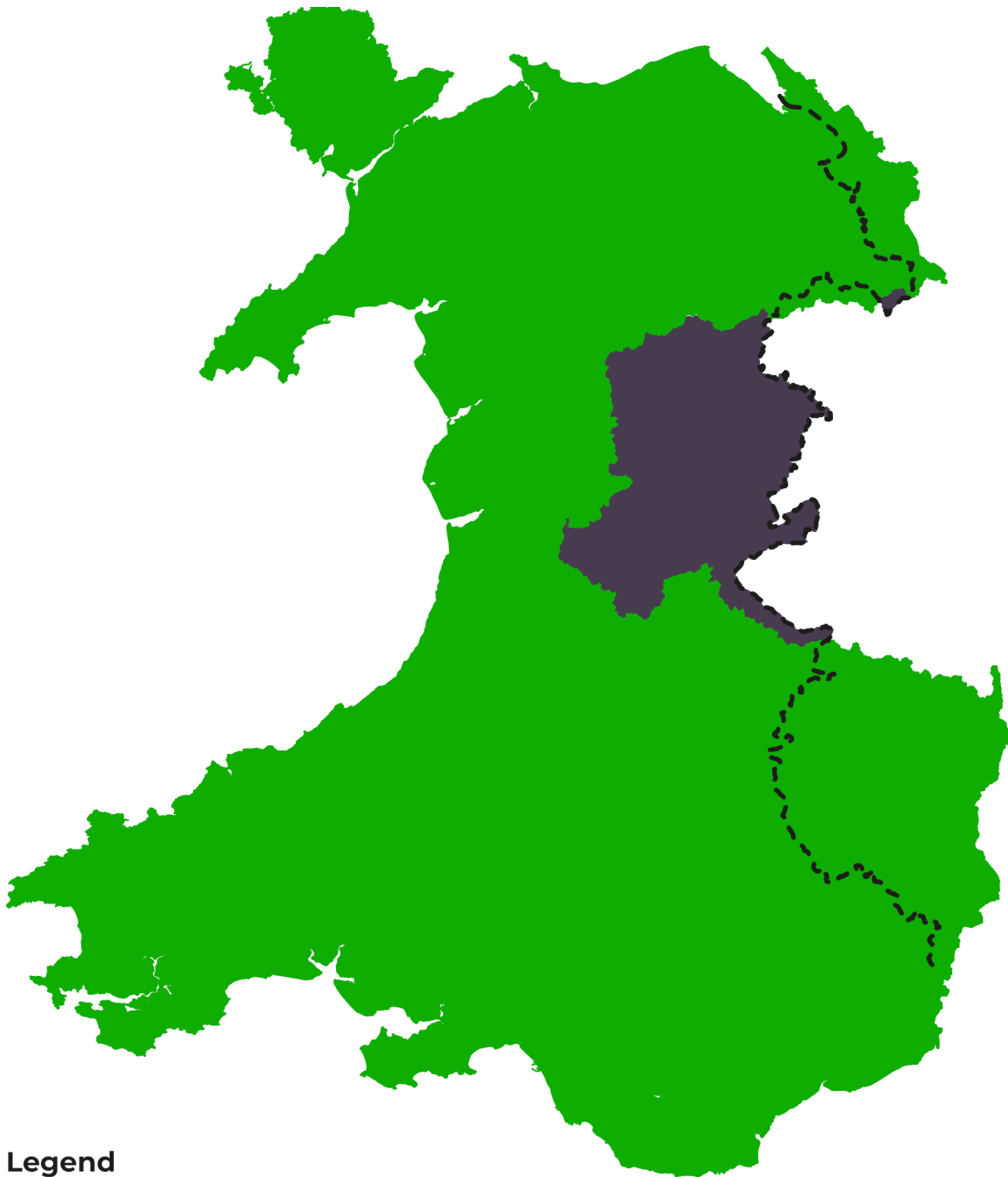


Legend

- Dwr Cymru Welsh Water Appointed Water Supply Area
- Hafren Dyfrdwy Appointed Water Supply Area
- England and Wales Border

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Figure 2: water company wastewater areas



Legend

- Dwr Cymru Welsh Water Appointed Wastewater Area
- Hafren Dyfrdwy Appointed Wastewater Area
- England and Wales Border

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Dŵr Cymru (Welsh Water)

Dŵr Cymru is a private, not-for-profit water and sewerage company covering most of Wales and some adjoining areas of England. It serves over three million people and since 2001 has been owned by **Glas Cymru**.

Glas Cymru is a single purpose company formed to own, finance and manage Dŵr Cymru. It is a 'company limited by guarantee' and because it has no shareholders, any financial surpluses are reinvested into Dŵr Cymru.

Hafren Dyfrdwy (Severn Dee)

Hafren Dyfrdwy is a water and sewerage company serving 87,000 water and 22,000 waste customers in north east Wales. The company was **restructured and renamed in July 2018**, after Severn Trent Plc **bought Dee Valley Water** for £84 million in February 2017. The **Competition and Market Authority** investigated and cleared the purchase in 2016.

Hafren Dyfrdwy brings together Welsh customers previously served by Severn Trent Water and Dee Valley Water. Dee Valley Water used to be a water only company supplying around 258,000 customers in north east Wales and the north west of England. Severn Trent Water is a water and sewerage company covering much of the English midlands and, before July 2018, part of neighboring mid-Wales.

After purchasing the company, Dee Valley Water and Severn Trent Water **were granted a variation** (see below section New Appointments and Variations) to effectively exchange the appointment areas of the two companies in a way that aligned with the border between Wales and England.

Since the variation, appointment areas in Wales are appointed exclusively to Welsh undertakers and fall under devolved competence. Previously, the UK Government regulated areas in mid-Wales that were served by the English undertaker Severn Trent Water. As a result of this restructuring, **customers in relevant areas fall under different regulations**. In particular, non-household customers in Powys who had previously switched suppliers under UK regulation became customers of Hafren Dyfrdwy and, now under Welsh regulations, are only allowed to change suppliers if they use over 50 million liters per year (see section Competition).

Severn Trent Plc is traded on the **London Stock Exchange** and is a constituent of the FTSE 100 Index.

New Appointments and Variations

New appointments and variations (NAVS) (previously known as 'inset appointments') enable existing water or sewerage suppliers to be replaced by another, for a specific area. Under certain criteria, it allows some customers to choose a different supplier.

A new appointment occurs when a company is appointed for the first time to provide water and/or sewerage services for a specific geographic area.

A variation occurs when an existing appointed company asks to vary its existing appointment so that it can change or extend the areas to which it provides services.

NAVS may be granted in cases where:

- an area does not contain any premises that receive services from an appointed water or sewerage company (it is 'unserved');
- a customer uses (or is likely to use) at least 250 million litres of water a year (in Welsh undertakers' appointment areas) or 50 million litres of water a year (in English undertaker's appointment areas) at each of its premises and wants to change its supplier; or
- the existing appointed company agrees to transfer part of its area to a different company.

Ofwat, the current economic regulator of the water sector in Wales and England, is responsible for consulting on and granting NAVS. The successful appointee can serve its new customer(s) either using its own resources or methods of treatment, or by requesting the use of the existing supplier's assets.

5. Welsh Government policy

This section summarises the Welsh Government’s role in setting strategic direction for the water sector and the main policy levers it uses.

The Welsh Government is responsible for setting the strategic policy for water in Wales, within which the following organisations operate:

- water companies wholly or mainly in Wales - Dŵr Cymru and Hafren Dyfrdwy;
- Ofwat;
- Natural Resources Wales;
- the Drinking Water Inspectorate; and
- local authorities.

Water Strategy for Wales

The 2011-2016 Welsh Government published its **Water Strategy for Wales** in May 2015, which outlines policy direction within six key themes:

- ‘Water for nature, people and business’ - sustainable management of the quality and quantity of water resources;
- ‘Improving the way we plan and manage our water services’ – ensuring sustainable and resilient water services;
- ‘Delivering excellent services to customers’ - access to affordable water and sewerage services;
- ‘Protecting and improving drinking water quality’ – maintaining current high standards of public drinking water quality and ensuring compliance with the Drinking Water Directive;
- ‘21st century sewerage and drainage system’ – managing waste and surface water in an integrated way; and
- Supporting delivery of objectives and key outcomes.

The document includes a high-level action plan outlining how the strategy will be delivered until 2025, together with a commitment by the then Welsh Government to review and report on progress annually, however the only **update to the action plan** available was published in September 2016. There is no updated strategy published at the time of writing, however a new strategy is proposed as part of wider water sector reform proposals (details below).

Water sector reform proposals

In October 2024, the UK and Welsh governments launched a joint **"Independent Commission into the water sector and its regulation"**, which aimed to “form the largest review of the industry since privatisation”.

On 3 February 2026 the then Welsh Government published its **Green Paper: Shaping the Future of Water Governance in Wales**, which outlines the “initial direction of travel” toward a “fundamental reset” of the water sector in Wales.

The Green Paper includes the then Welsh Government’s response to the **final report of the Independent Water Commission** (IWC) published in July 2025, as well as inviting stakeholder views through consultation. **The IWC Report** made 88 recommendations in eight broad themes, the Green Paper responds to each of these themes.

The UK Government published a **White Paper** on 20 January 2026, setting out its response to the IWC review. However, as the water industry is largely devolved, proposals for Wales differ to those for England.

Proposals for Wales broadly include:

- publishing a new National Water Strategy for Wales, and changes to the way strategic priorities are communicated to the industry;
- introducing a national system planning function to coordinate water management across Wales, and across sectors; and
- strengthened regulatory responsibilities and accountability through regulator reforms – Ofwat, the current economic regulator for England and Wales, is to be abolished, and a separate, independent economic regulator for Wales’ water sector established.

Further details on the proposals can be found in this Senedd Research article - **Reforming Wales’ water sector: what, how and when?**

Bad Debt Regulations

The then Welsh Government laid its **Water Industry (Undertakers Wholly or Mainly in Wales) (Information about Non-owner Occupiers) Regulations 2014** before the Senedd (then Assembly) on 3 December 2014. The Regulations came into force on 1 January 2015. Following a **consultation in 2013**, the then Welsh Government proposed 'Bad Debt' Regulations to assist the water industry to reduce debt resulting from unpaid bills and help lower bills. The cost of debt from non-payment of water bills is currently covered by all paying customers of the water company. In 2014-15 this added **approximately £21** to each bill.

As many water debtors are tenants, the Regulations place a duty on landlords to provide details of their own address along with a tenant's name, date of birth and the date they started occupancy. If landlords do not provide this information they become jointly liable for payment of water charges at the tenanted property. The then Welsh Government published **non-statutory guidance in relation to the Regulations**.

Social Tariff Guidance

Under section 44 of the **Flood and Water Management Act 2010**, the Welsh Government is required to issue guidance to water and sewerage companies and Ofwat for including social tariffs in their charging schemes.

The then Welsh Government published its **Social Tariff Guidance** for water companies in 2013. The Social Tariff Guidance allows water companies to set up a cross-subsidy to help households who struggle to pay their water bills. Although the then Welsh Government did not set an upper limit, it believed a reasonable level of cross subsidy should be up to 2.5 per cent of a company's average water and sewerage bill.

The then Welsh Government also expected water companies to consider measures to improve water affordability such as offering water efficiency advice, measures to improve the management and payment of bills and advice to households on opting for a meter to lower their bills

Competition

Wales and England have different regulations regarding customers' ability to change water and sewerage services suppliers. Note that the Regulations described in this section specify under what conditions individual customers

may change suppliers. This is different from NAVS, which appoint companies to a specific geographic area, although they are sometimes used to the same effect.

Non-household customers

The **Water Act 2014** contains measures to allow businesses and other non-household customers to switch water and sewerage supplier if they so wish. Since April 2017, all non-household customers in English undertakers' appointment areas **are able to switch water suppliers** under the Act. Previously, non-household customers in these areas were only allowed to change suppliers if they used more than 5 million litres per year.

The then Welsh Government did not agree with introducing competition into the non-household market in Wales. In 2013, the then Minister said the Welsh Government **had not received any clear modelling or evidence** to demonstrate the benefits of competition, and that it did not want to follow the direction outlined by the UK Government by being 'overly dependent' on competition.

The Welsh Government still operates on provisions of the Water Act 2003. These provisions allow non-household customers to change suppliers if they use more than 50 million litres a year and historically had **very limited uptake**.

Household customers

Under existing legislation, household customers in Wales and England are unable to change their water or sewerage service providers. In November 2015, **the UK Government asked Ofwat** to provide an analysis of the costs and benefits of introducing competition to residential customers in England. The **final report**, published September 2016, states that introduction of competition would likely result in a net benefit. However the UK Government has not announced further steps in this direction.

In April 2018, when asked whether the then Welsh Government was considering undertaking a similar assessment for the domestic market in Wales, the then Minister, **said:**

The Consumer Council for Water, in response to the Ofwat review, warned that customers would end up disappointed if household water competition were to be introduced based on an overly optimistic review by Ofwat.

6. Regulation

This section describes the main bodies involved in regulating the water industry in Wales and the functions they perform.

The water industry is highly regulated. The roles and responsibilities of the various regulators and other relevant organisations are set out below.

Ofwat

Ofwat (or the Water Services Regulation Authority) is the economic regulator for Wales and England. It operates independently of industry and the UK and Welsh governments, but within a policy framework set by UK and Welsh Ministers.

Its **main duties** are to ensure good quality services are provided to customers, ensuring that water companies have the finances in place to deliver their services properly. It also encourages competition where this benefits consumers. Its primary duties are set out in the **Water Industry Act 1991** (as amended by the **Water Act 2003**). Ofwat also has **secondary duties** which are to contribute towards sustainable development and to promote efficiency.

Ofwat limits the prices water companies can charge through its **price review process**. The majority of water companies operate as monopolies meaning that most consumers have no choice of provider. Ofwat therefore sets the price limits that each individual company can charge. It does this by scrutinising water companies' business plans and balancing the need for affordable water and sewerage services with the investment the companies need to make to maintain and improve infrastructure and meet environmental standards. Price reviews take place every five years. The most recent Price Review was completed in 2024 (PR24) and set limits for **the period 2025-2030**

Ofwat is also responsible for monitoring companies' performance in relation to key policy outcomes and for setting targets for efficiency, pollution and leakages. Ofwat **sets leakage reduction targets** and is able to take action if companies fail to deliver upon them. Ofwat has set an overall England-Wales sector leakage reduction target of **17% for 2025-30**. Dŵr Cymru's individual target is 24%.

The Welsh Government has a 2010 memorandum of understanding with Ofwat, and in 2017 it published water charging guidance for the regulator.

Under section **2B of the Water Industry Act 1991** (as amended by the Water Act 2014) the Welsh Ministers may publish a statement setting out strategic priorities and objectives for Ofwat to follow in carrying out its relevant functions relating wholly or mainly to Wales. This is typically updated ahead of each Price Review. Ofwat must carry out its functions in accordance with any statement published under section 2B.

A **Strategic Policy Statement (SPS)** was published in July 2022, which set out **five key priorities** on which Ofwat is expected to challenge or encourage water companies to deliver. A further SPS was published in April 2026, which “builds upon” the 2022 SPS and reflects the policy intent outlined in the **Green Paper: Shaping the Future of Water Governance in Wales**, and aims to provide “continuity of direction” through the proposed reform period

Natural Resources Wales

Natural Resources Wales (NRW) is responsible for managing water resources and monitoring and improving water quality - including fresh, marine, surface and underground water in Wales. It is also **implements and enforces Regulations, policies and permits** relating to:

- surface and groundwater;
- water abstraction, efficiency and quality;
- managing water resources in Wales and ensuring water companies deliver Water Resource Management Plans (see below);
- arbitration between sewerage undertakers and individuals in relation to mains sewerage connection;
- regulation of private water supplies and septic tanks; and
- considering how new developments impact on water through the environmental Impact assessment process.

Water Resource Management Plans (WRMPs)

Under the **Water Resources Management Plan Regulations 2007**, water companies in Wales and England are required to produce **Water Resource**

Management Plans (WRMPs). The plans detail how water companies intend to balance water supply and demand in their area over the next 25 years, taking into account climate change projections, population growth and new developments. Water companies are required to consult on draft WRMPs and respond to the input they receive. The Welsh Government can either request a hearing or inquiry, or direct the company to publish its final WRMPs. Water companies need to publish WRMPs every five years and provide annual reviews to the Welsh Ministers. The previous Welsh Government provided **guidance on WRMPs** in 2022

Drinking Water Inspectorate

The **Drinking Water Inspectorate** operates in Wales and England and aims to provide independent reassurance that public water supplies are safe and drinking water quality is acceptable to consumers. It is responsible for independently checking the tests completed by water companies and auditing water company laboratories.

Where failures in standards occur it can use its enforcement powers to require water companies to address the source of the problem, conduct investigations and make recommendations to ensure that problems do not arise in future. Its powers and duties are set out in the **Water Industry Act 1991** (as amended by the **Water Act 2003**).

The **Chief Inspector for Drinking Water** is appointed jointly by UK and Welsh Ministers.

Consumer Council for Water

The **Consumer Council for Water** (CCWater) is not a regulator but is responsible for representing water and sewerage customers in Wales and England. It was created under the **Water Act 2003** and has a committee for Wales.

CCWater can take up customer complaints with water companies where they have tried and failed to raise these issues directly with the company. It also undertakes research on customer experiences and views and feeds this to the other authorities. It also plays a role representing customers in Ofwat's price review process.

Local Authorities

Under **section 77 of the Water Industry Act 1991**, local authorities have a duty to remain aware of the 'wholesomeness and sufficiency' of water supplies in their area. If they believe the water supply may become or has become insufficient then they have a duty to inform the water suppliers who have to take action upon receipt of this information. Local authorities are also responsible for the monitoring of private water supplies within their area and may from time to time sample public water supplies and bathing waters.

Local planning authorities also have a role through the planning process to assess the adequacy of water and sewerage supplies to new development and the impacts of any potential developments on sustainable urban drainage systems and local flood risk.

7. Key sources

- Welsh Government, [Water](#)
- [Ofwat](#)
- Natural Resources Wales, [Water management](#)
- [Drinking Water Inspectorate](#)
- Consumer Council for Water, [Wales](#)
- [Dŵr Cymru Welsh Water](#)
- [Hafren Dyfrdwy](#)
- UK Government, [Water industry](#)