

## Potable Water and Sewerage - UK - April 2017

Report Price: £995.00 | \$1288.43 | €1182.46

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.



“In 2015/16, the first year of the new five-year asset management period AMP6, gross capital expenditure across the water and sewerage industry was recorded at £4.45 billion. The figure is not directly comparable to previous years due to changes in reporting categories, but capital expenditure is still believed to have been lower than previous years.”

**- Claudia Preedy -B2B Analyst**

This report looks at the following areas:

- What are the implications of Brexit on the UK water and sewerage sector?
- What recent developments are preparing the industry for the opening of the non-domestic retail market in 2017?
- What does the shift towards total expenditure (Totex) and long-term outcomes in AMP6 mean for the industry?
- What are the initial expectations of the regulatory framework for the Price Review and beyond?

For AMP6, Ofwat has introduced a move towards totex, combining capital and operational expenditure. Ofwat believes this will remove a bias toward capital programmes as capital expenditure has often been preferred over operational expenditure in delivery solutions due to the design of the regulatory framework.

**BUY THIS  
REPORT NOW**

**VISIT:**  
[store.mintel.com](http://store.mintel.com)

**CALL:**  
EMEA  
+44 (0) 20 7606 4533

Brazil  
0800 095 9094

Americas  
+1 (312) 943 5250

China  
+86 (21) 6032 7300

APAC  
+61 (0) 2 8284 8100

**EMAIL:**  
[reports@mintel.com](mailto:reports@mintel.com)

### DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

# Potable Water and Sewerage - UK - April 2017

Report Price: £995.00 | \$1288.43 | €1182.46

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Table of Contents

### Executive Summary

The market

Capital expenditure growth slowed in 2014/15 as focus shifted towards preparing for work for the next five-year spending cycle AMP6 (2015-20)

Capital spending during AMP5 (2010-15) focused on networks and capital maintenance

Capital expenditure reaches £4.45 billion in 2015/16, the first year of AMP6

Figure 1: UK Capital Expenditure on Water and Sewerage Services, 2015/16

Maintaining the long-term capability of the assets noninfrastructure expenditure dominates capex

Figure 2: Analysis of sewerage capital expenditure in England and Wales, by water and sewerage companies, by type, 2015/16

Figure 3: Analysis of water capital expenditure in England and Wales, by water and sewerage companies, by type, 2015/16

Move towards total expenditure in AMP6 2015-20 should reduce bias towards capital programmes

Shift in industry focus towards asset management and maintenance

£4.2 billion Thames Tideway Tunnel to represent largest capital project over next decade

Figure 4: Forecast capital expenditure for AMP6 in England & Wales, by water & sewerage company, 2015/16-2019/20

Market factors

Environmental legislation

Climate change

Population and household growth

Affordability

Technological change

Water retail market in England opens up to all business customers in 2017

Companies

What we think

### Key Insights

What are the implications of Brexit on the UK water and sewerage sector?

What recent developments are preparing the industry for the opening of the non-domestic retail market in 2017?

What does the shift towards total expenditure (Totex) and long-term outcomes in AMP6 mean for the industry?

What are the initial expectations of the regulatory framework for the Price Review and beyond?

### Introduction

Definitions

Some other industry specific definitions:

Methodology

Abbreviations

Market positioning

### UK Economy

Overview

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

# Potable Water and Sewerage - UK - April 2017

Report Price: £995.00 | \$1288.43 | €1182.46

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 5: UK GDP quarterly development, 2003-16

Figure 6: UK GDP in economic downturns and recoveries since 1979

Inflation

Interest rates

House prices

Figure 7: UK House price changes, 2004-16

Consumer spending

Manufacturing

Figure 8: UK manufacturing, 2014-16

Business investment

Figure 9: UK GFCF 2003-16

Imports

Exports

## Market Factors

Key points

Industry regulation

Legislative environment

European Water Framework Directive (WFD)

Urban Waste Water Treatment Directive (UWWTD)

The Drinking Water Directive

Revised Bathing Water Directive

Implications of Brexit on the UK water and sewerage sector

Transfer of private sewers in England and Wales

Figure 10: Capital expenditure on private sewers in England & Wales, by water and sewerage company, 2012-15

The Flood and Water Management Act 2010

Water and sewerage retail competition opens up for all business customers in England in April 2017

No government decision yet to open up household retail market to competition

## Industry Structure

Key points

England & Wales

Figure 11: Details of water and sewerage companies, as of March 2017

Figure 12: Details of water-only companies, as of March 2017

Households billed by water and sewerage companies

Figure 13: Number of households billed by water and sewerage companies, 2015/16

Figure 14: Households billed by water and sewerage companies, 2015/16

Sewerage services

Figure 15: Details of companies that supply sewerage services to water-only companies, as of March 2017

Sewage treatment processes

Sludge (biosolids) treatment

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

# Potable Water and Sewerage - UK - April 2017

Report Price: £995.00 | \$1288.43 | €1182.46

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Water services

### Regulators

### Performance

Figure 16: Internal sewer flooding indicators in England and Wales, by company, 2011/12-2014/15

### Scotland

### Northern Ireland

## Capital Expenditure

### Key points

#### Total capital expenditure

Figure 17: Total capital expenditure by water and sewerage companies in England & Wales, 2005-10 and 2010-15

Figure 18: Total capital expenditure by water-only companies in England & Wales, 2005-10 and 2010-15

#### Contracts for AMP5 tendered early to reduce boom and bust cycle

Figure 19: Actual UK capital expenditure on water and sewerage services, 2009/10-2014/15

Figure 20: UK capital expenditure on water and sewerage services, 2010/11-2014/15

Figure 21: UK capital expenditure on water and sewerage services, 2010/11-2014/15

Figure 22: UK capital expenditure on water and sewerage services, 2015/16

#### Sewerage-related capital expenditure

Figure 23: Analysis of sewerage-related capital expenditure in England and Wales, by company, 2010/11-2014/15

Figure 24: Analysis of sewerage-related capital expenditure, by water and sewerage companies in England and Wales, 2010/11-2014/15

Figure 25: Analysis of sewerage-related capital expenditure, by water and sewerage companies in England and Wales, 2015/16

Figure 26: Analysis of sewerage capital expenditure in England and Wales by water and sewerage companies, by type, 2011/12-2014/15

Figure 27: Analysis of sewerage capital expenditure in England and Wales by water and sewerage companies, by type, 2015/16

#### Water-related capital expenditure

Figure 28: Analysis of water related capital expenditure, by water and sewerage companies in England and Wales, 2010/11-2014/15

Figure 29: Analysis of water-related capital expenditure, by water and sewerage companies in England and Wales, 2010/11-2014/15

Figure 30: Analysis of water-related capital expenditure, by water and sewerage companies in England and Wales, 2015/16

Figure 31: Analysis of water capital expenditure in England and Wales, by water and sewerage companies, by type, 2011/12-2014/15

Figure 32: Analysis of water capital expenditure in England and Wales, by water-only companies, by type, 2011/12-2014/15

Figure 33: Analysis of water capital expenditure in England and Wales by water and sewerage companies, by type, 2015/16

Figure 34: Analysis of water capital expenditure in England and Wales, by water and sewerage companies, by type, 2015/16

Figure 35: Analysis of water capital expenditure in England and Wales by water only companies, by type, 2015/16

Figure 36: Analysis of water capital expenditure in England and Wales, by water-only companies, by type, 2015/16

#### Scottish Water capital expenditure

Figure 37: Analysis of Scottish Water capital expenditure on water and sewerage services, 2011/12-2015/16

Figure 38: Analysis of Scottish Water capital expenditure on water and sewerage services, 2011/12-2015/16

Figure 39: Progress of Scottish Water to date in the five year investment programme 2010/15

#### Northern Ireland capital expenditure

Figure 40: Analysis of Northern Ireland Water capital expenditure on water and sewerage services, 2011/12-2015/16

## Company Analysis

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

# Potable Water and Sewerage - UK - April 2017

Report Price: £995.00 | \$1288.43 | €1182.46

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Key points

### Anglian Water Services

Anglian Water reduces the number of framework agreements for AMP6

Non-household retail market

Anglian Water Business teams up with NWG Business to create Wave - a new multi-utility retailer for the non-household retail market

Figure 41: Financial analysis of Anglian Water Services, 2012-16

Figure 42: Segmental revenue analysis of Anglian Water Services, 2015/16

Capital expenditure in 2015/16

Figure 43: Total capital expenditure of Anglian Water, 2015/16

Figure 44: Analysis of sewerage capital expenditure by Anglian Water Services, by type, 2015/16

Figure 45: Analysis of water capital expenditure by Anglian Water, by type, 2015-16

### United Utilities Water

United Utilities and Severn Trent join forces to set up new company serving the non-household retail market

Five delivery partners selected for £3.5 billion AMP6 programme

Figure 46: Financial analysis of United Utilities Water, 2012-16

Figure 47: Segmental revenue analysis of United Utilities, 2015/16

Capital expenditure

Figure 48: Total capital expenditure of United Utilities, 2015/16

Figure 49: Analysis of sewerage capital expenditure by United Utilities, by type, 2015/16

Figure 50: Analysis of water capital expenditure by United Utilities, by type, 2015/16

### Northumbrian Water

Northumbrian Water framework partnership contracts for AMP6

Company adopts new operating model for supply chain interactions to delivery investment programme more efficiently

NWG Business teams up with Anglian Water to create a multi-utility retailer for the non-household market

Northumbrian Water only wastewater company to use 100% of the sludge remaining after sewage treatment to produce renewable energy

Figure 51: Financial analysis of Northumbrian Water, 2012-16

Figure 52: Segmental revenue analysis of Northumbrian Water, 2015/16

Figure 53: Total capital expenditure of Northumbrian Water, 2015/16

Figure 54: Analysis of sewerage capital expenditure by Northumbrian Water, by type, 2015/16

Figure 55: Analysis of water capital expenditure by Northumbrian Water, by type, 2015/16

### Severn Trent Water

Severn Trent reappoints seven contractors for AMP6

Severn Trent and United Utilities join forces to set up new company serving the non-household retail market

Figure 56: Financial analysis of Severn Trent Water, 2012-16

Figure 57: Segmental revenue analysis of Severn Trent Water, 2015/16

Capital expenditure

Figure 58: Total capital expenditure of Severn Trent Water, 2015-16

Figure 59: Analysis of sewerage capital expenditure by Severn Trent Water, by type, 2015/16

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

# Potable Water and Sewerage - UK - April 2017

Report Price: £995.00 | \$1288.43 | €1182.46

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 60: Analysis of water capital expenditure by Severn Trent Water, by type, 2015/16

## South West Water

South West Water accelerates AMP6 work after early receipt of draft determinations in 2014

Pennon acquires Bournemouth Water in 2015

Non-household retail market

Figure 61: Financial analysis of South West Water, 2012-16

Figure 62: Segmental revenue analysis of South West Water, 2015/16

Capital expenditure

Figure 63: Total capital expenditure of South West Water, 2015/16

Figure 64: Analysis of sewerage capital expenditure by South West Water, by type, 2015/16

Figure 65: Analysis of water capital expenditure by South West Water, by type, 2015/16

## Southern Water Services

Southern Water brings project design back in-house for AMP6

Southern Water sells non-household retail business to Business Stream

Figure 66: Financial analysis of Southern Water Services, 2012-16

Figure 67: Segmental revenue analysis of Southern Water, 2015/16

Capital expenditure

Figure 68: Total capital expenditure of Southern Water Services, 2015/16

Figure 69: Analysis of sewerage capital expenditure by Southern Water Services, by type, 2015/16

Figure 70: Analysis of water capital expenditure by Southern Water Services, by type, 2015/16

## Thames Water Utilities

AMP5 investment programme

Thames Tideway Tunnel

Two alliances to deliver significant proportion of AMP6 programme, with Thames Water awarding the biggest contracts in water industry history

Non-household retail market

Thames Water hit by record fine

Figure 71: Financial analysis of Thames Water Utilities, 2012-16

Figure 72: Segmental revenue analysis of Thames Water Utilities, 2015/16

Capital expenditure

Figure 73: Total capital expenditure of Thames Water Utilities, 2015/16

Figure 74: Analysis of sewerage capital expenditure by Thames Water Utilities, by type, 2015/16

Figure 75: Analysis of water capital expenditure by Thames Water Utilities, by Type, 2015/16

## D(r Cymru Cyfyngedig

Dwr Cymru Welsh Water selects three delivery partners for new Capital Delivery Alliance

Company outlook

Figure 76: Financial analysis of D(r Cymru Cyfyngedig, 2012-16

Figure 77: Segmental revenue analysis of D(r Cymru Cyfyngedig, 2015/16

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

# Potable Water and Sewerage - UK - April 2017

Report Price: £995.00 | \$1288.43 | €1182.46

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

Figure 78: Total capital expenditure of D(r Cymru Cyfyngedig, 2015/16

Figure 79: Analysis of sewerage capital expenditure by D(r Cymru Cyfyngedig, by type, 2015/16

Figure 80: Analysis of water capital expenditure by Dwr Cymru Cyfyngedig, by Type, 2015/16

## Wessex Water

Wessex Water takes 51% stake in Albion Water

Non-household retail market

Figure 81: Financial analysis of Wessex Water, 2012-16

Figure 82: Segmental revenue analysis of Wessex Water, 2015/16

Capital expenditure

Figure 83: Total capital expenditure of Wessex Water, 2015/16

Figure 84: Analysis of sewerage capital expenditure by Wessex Water, by type, 2015/16

Figure 85: Analysis of water capital expenditure by Wessex Water, by type, 2015/16

## Yorkshire Water Services

Non-household retail market

Figure 86: Financial analysis of Yorkshire Water Services, 2012-16

Figure 87: Segmental revenue analysis of Yorkshire Water, 2015/16

Figure 88: Total capital expenditure of Yorkshire Water Services, 2015/16

Figure 89: Analysis of sewerage capital expenditure by Yorkshire Water Services, by type, 2015/16

Figure 90: Analysis of water capital expenditure by Yorkshire Water Services, by type, 2015/16

## Statutory Water Companies

Figure 91: Analysis of water capital expenditure in England and Wales, by water-only companies, by type, 2011/12-2014/15

Figure 92: Analysis of water capital expenditure in England and Wales by water only companies, by type, 2015/16

## Scottish Water

Figure 93: Financial analysis of Scottish Water, 2011-16

## Northern Ireland Water

Figure 94: Financial analysis of Northern Ireland Water, 2012-16

## Market Forecast

Key points

Future challenges facing the water and sewerage sector

Figure 95: UK population, by region, 2014-36

Expectations of regulatory framework for price review 2019 and beyond

Opening up of non-household retail market in England to provide new opportunities for water and sewerage companies

Forecast capital expenditure

England & Wales – AMP6 2015-20

Figure 96: Average expected combined household bill, by water and sewerage companies, 2014/15 and 2019/20

Figure 97: Average expected household water bill, by water-only companies, 2014/15 and 2019/20

AMP6 expenditure allowances

BUY THIS  
REPORT NOW

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)

# Potable Water and Sewerage - UK - April 2017

**Report Price:** £995.00 | \$1288.43 | €1182.46

The above prices are correct at the time of publication, but are subject to change due to currency fluctuations.

## Move towards long-term alliances and frameworks across industry

Figure 98: Total expenditure (Totex) allowance for AMP6 in England & Wales, by water & sewerage company, 2015/16-2019/20

Figure 99: Total expenditure (Totex) allowance for AMP6 in England & Wales, by water & sewerage company, 2015/16-2019/20

Figure 100: Forecast capital expenditure for AMP6 in England & Wales, by water & sewerage company, 2015/16-2019/20

Figure 101: Forecast capital expenditure for AMP6 in England & Wales, by water only company, 2015/16-2019/20

## Thames Tideway Tunnel

Figure 102: Estimated cost of Thames Tideway Tunnel, 2014/15-2021/22+

## Scotland Investment Programme 2015-2021

Figure 103: Forecast capital Expenditure for Scottish Water, 2015/16-2020/21

## Northern Ireland Investment Programme 2015/16-2020/21

## Further Sources & Contacts

Association for Consultancy and Engineers

Alliance House

British Water

British Waterways Board

Chartered Institution of Water & Environmental Management

International Water Association

OFWAT

Society of British Water & Wastewater Industries

Trade magazines

Global Water Intelligence

Modern Utility Management

Utility Week

Water & Environment Magazine

Water Active

Water & Sewerage Journal

Water & Wastewater Treatment (Monthly)

Water21

Water, Energy & Environment Journal

Waterlines

WaterWorld

WET News

World Water & Environmental Engineering

Trade exhibitions

Utility Week Live incorporating IWEX 2017

edie live 2017

**BUY THIS  
REPORT NOW**

**VISIT:** [store.mintel.com](http://store.mintel.com)

**CALL:** EMEA +44 (0) 20 7606 4533 | Brazil 0800 095 9094

Americas +1 (312) 943 5250 | China +86 (21) 6032 7300

APAC +61 (0) 2 8284 8100 |

**EMAIL:** [reports@mintel.com](mailto:reports@mintel.com)