

Water and Waste Management • E36.000

Water Collection, Treatment & Supply in the UK

Front-loaded gains: Water companies pull forward price rises to the start of AMP8, driving a spike in revenue



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About

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About This Industry

Definition

Companies in this industry treat, collecting and distributing clean water for domestic or industrial uses. Water can be collected from various sources and distributed through various means. The operation and irrigation of canals is included in the industry.

Codes

SIC	
2007	36.00 – Water collection, treatment and supply

ISIC	
2006	3600 – Water collection, treatment and supply

What’s Included

- Raw water distribution
- Treated water distribution
- Water collection
- Water treatment

Companies

- | | | |
|----------------------|----------------------------|-----------------------------|
| • Thames Water | • Welsh Water | • Hafren Dyfrdwy |
| • Severn Trent | • Severn Trent Water | • Affinity Water |
| • United Utilities | • Scottish Water | • South Staffordshire plc |
| • Anglian Water | • Northumbrian Water Group | • Ses Water |
| • Yorkshire Water | • South West Water | • Bournemouth Water |
| • Northumbrian Water | • South East Water | • Anglian Ventures Holdings |
| • Southern Water | • Wessex Water | |

Related Industries

Domestic industries

Complementors

- Electricity Supply in the UK
- Water Main, Sewer System & Related Project Construction in the UK
- Sewerage in the UK
- Gas Supply in the UK

International industries

- Water Supply in New Zealand
- Water Supply in China
- Water Supply in Australia
- Water Collection, Treatment & Supply in Ireland
- Water Supply & Irrigation Systems in Canada
- Water Supply & Irrigation Systems in the US

Related Terms

CATCHMENT AREA

A region in which the natural landscape collects water, eventually flowing into a reservoir or river.

FLOCCULATION

A method of treating water that causes particles of matter to aggregate into small lumps.

RATEABLE VALUE

A value ascribed to a property based on its size, location and other factors, which is used to determine the water and sewerage charges due.

SEWERAGE

The physical infrastructure (e.g. pipes, pumping stations and treatment plants) through which sewage flows.

WATER-ONLY COMPANIES (WOC)

Companies that provide water services but not sewerage services to their clients.

Additional Resources

- Water UK
- Water Services Regulation Authority
- British Water
- Water Briefing
- Consumer Council for Water
- Water Industry Commission for Scotland

At a Glance

Revenue			Employees			Businesses		
	2022-27	↑ 4.1%		2022-27	↑ 6.8%		2022-27	↑ 3.2%
£14.2bn	2027-32	↑ 3.6%	92.3k	2027-32	↑ 4.2%	3.6k	2027-32	↑ 4.0%
Profit			Profit Margin			Wages		
£1.1bn	2022-27	↓ 6.2%	7.7%	2022-27	↓ 5.2pp	£3.7bn	2022-27	↑ 5.1%
							2027-32	↑ 3.7%

Five-year growth rates display historic and forecast CAGRs

Major Players

Company	Revenue (£m)	Market Share (%)
Thames Water	1,721.5	12.1
Severn Trent	1,332.8	9.4
United Utilities	1,055.1	7.4
Anglian Water	953.3	6.7
Yorkshire Water	703.4	5.0
Northumbrian Water	580.7	4.1
Southern Water	534.4	3.8
Welsh Water	510.1	3.6
Other Companies	6,814.5	48.0

Key External Drivers

Driver	Impact
Level of annual rainfall	Positive
Population	Positive
Public concern over environmental issues	Negative
Housing starts	Positive
Industrial production index	Positive
Number of businesses	Positive

Products & Services

Item	Revenue (£m)	Market Share (%)
Treated water distribution	7,828.2	55.1
Water treatment	4,205.4	29.6
Water collection	1,747.5	12.3
Raw water distribution	426.2	3.0

Key Takeaways

Performance

Extreme weather volatility amplifies operational and financial pressures. Droughts, floods and storms have forced water companies to take costly emergency measures and driven volatility in water reserves.

Regulated pricing structures constrain revenue. Water companies can't increase charges during dry periods, limiting their ability to offset spikes in costs.

Products and Markets

Treated water distribution underpins revenue growth. Population growth and higher business activity drive demand for efficient water delivery, making leak management and network maintenance essential.

Strict regulation drives innovation. Providers must meet demanding health standards for drinking water, prompting investment in advanced purification processes that far exceed those for industrial uses.

SWOT	
Strengths	High & Increasing Barriers to Entry High & Steady Level of Assistance Low Competition Low Imports
Weaknesses	High Capital Requirements High Customer Class Concentration High Product/Service Concentration Low Profit vs. Sector Average Low Revenue per Employee
Opportunities	High Revenue Growth (2021-2026) Housing starts Industrial production index
Threats	Housing starts Industrial production index

Executive Summary

Front-loaded gains: Water companies pull forward price rises to the startof AMP8, driving a spike in revenue

Water collectors, treatment companies and suppliers play a pivotal role in delivering clean water to households and businesses across the country. Since it was privatised in the 1980s, the industry has been dominated by regional monopolies, each controlling water collection, treatment and distribution within their designated area. The industry is tightly regulated by Ofwat, which calls the shots on customer bills, allowed returns, service standards and long-term capital investment. Water companies have come under mounting pressure in recent years, with highly leveraged business models beginning to catch up with companies as rising interest rates, tighter regulatory scrutiny and heavy infrastructure spending strain balance sheets.

Over the five years through 2026-27, revenue is projected to stay flat, though its forecast to swell by 1.1% in 2026-27 to £9.3 billion. Water companies are adapting to life under Ofwat's latest regulatory period, Asset Management Period 8, (AMP8), which runs from April 2025 to March 2030 and saw revenue jump in 2025-26 as companies front-loaded bill increases. For example, Thames Water reported a 42% hike in revenue in the six months through September 2025 on the back of Ofwat-approved price rises. Still, the industry's ability to manage supply and generate revenue continuously is increasingly constrained by regulatory fines, price caps and the need to finance large-scale capital investment programmes. Profitability has come under pressure, with the industry's average operating margin narrowing to 18.3% in 2026-27, weighed down by high compliance, depreciation and energy costs.

Looking ahead, revenue is forecast to climb at a compound annual rate of 1.1% over the five years through 2031-32 to hit £9.8 billion. Rising water bills will drive this upward trajectory to fund Ofwat's record £104 billion AMP8 and continued infrastructure investments designed to cut leakage, improve drought resilience and meet stricter environmental requirements. However, the combination of increasing bills growth and high inflation is placing significant strain on affordability for households and businesses, which, combined with the high debt levels key providers have taken on, is expected to temper profit growth. The industry's outlook is also clouded by high debt interest repayments, future repayment obligations and regulatory fines for sewage spills and intermittent service. To succeed, water companies will have to balance upgrading vital infrastructure, meeting tightening environmental standards, controlling costs and keeping bills within reach for consumers to

Industry Structure	
Characteristic	Level & Trend
Concentration	Low
Barriers to Entry	High Increasing
Regulation and Policy	High Increasing
Life Cycle	Mature
Revenue Volatility	Moderate
Assistance	High Steady
Competition	Low Increasing
Innovation	Moderate

avoid regulatory intervention.

Performance

Key Takeaways

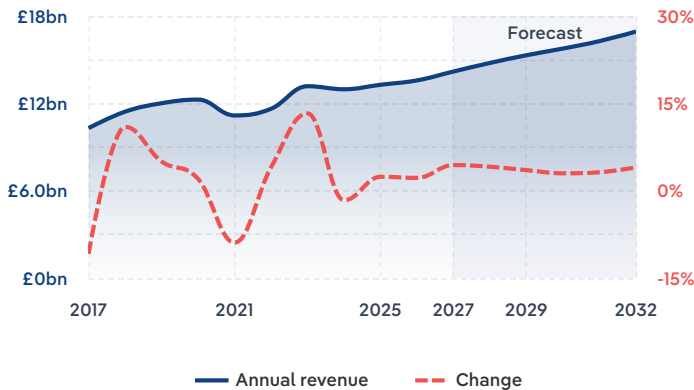
Extreme weather volatility amplifies operational and financial pressures. Droughts, floods and storms have forced water companies to take costly emergency measures and driven volatility in water reserves.

Regulated pricing structures constrain revenue. Water companies can't increase charges during dry periods, limiting their ability to offset spikes in costs.

Performance Snapshot

Revenue

Total value (£) and annual change from 2017 – 2032. Includes 5-year outlook.



Revenue

£14.2bn

2022-27 ↑ 4.1%

2027-32 ↑ 3.6%

2027 Revenue Growth

4.5%

↑ Increasing

Revenue Volatility

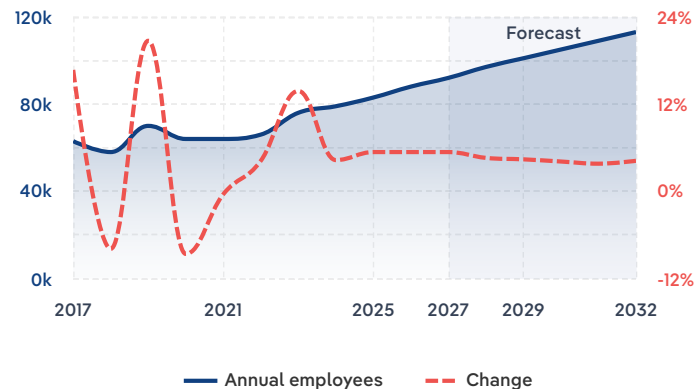
Moderate

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Source: IBISWorld

Employees

Total number of employees and annual change from 2017 – 2032. Includes 5-year outlook.



Employees

2022-27 ↑ 6.8%

2027-32 ↑ 4.2%

Employees per Business

2022-27 ↑ 3.5%

2027-32 ↑ 0.2%

Revenue per Employee

£154.0k

2022-27 ↓ 2.6%

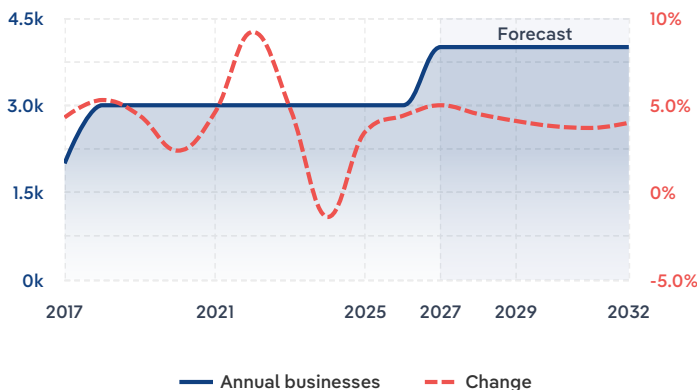
2027-32 ↓ 0.6%

IBISWorld

Source: IBISWorld

Businesses

Total number of businesses and annual change from 2017 – 2032. Includes 5-year outlook.



Businesses

2022-27	↑ 3.2%
2027-32	↑ 4.0%

Employees per Business

2022-27	↑ 3.5%
2027-32	↑ 0.2%

Revenue per Business

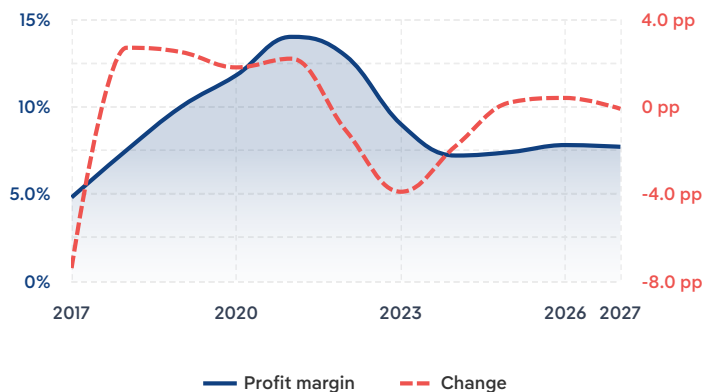
2022-27	↑ 0.8%
2027-32	↓ 0.4%

IBISWorld

Source: IBISWorld

Profit Margin

Total profit margin (%) and annual change from 2017 – 2027



Total Profit

2022-27	↓ 6.2%
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Profit Margin

2022-27	↓ 5.2pp
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Profit per Business

£301.5k

IBISWorld

Source: IBISWorld

Current Performance

↑ 2022-27 Revenue CAGR: 4.1%

What's driving current industry performance?

Ofwat call the shots across water supply

- Given water's essential role in household and commercial use, the industry is tightly regulated by Ofwat to ensure safe supply and fair pricing. As natural monopolies, water companies control network infrastructure, deterring competition due to the substantial fixed costs required to keep networks flowing and the high cost of setting up infrastructure. Revenue is generated through Ofwat-approved customer charges and allowed returns, which are reset periodically through price reviews.
- Regulated prices are agreed for five-year periods known as Asset Management Periods (AMPs). The latest period, AMP8, runs from April 2025 to March 2030, bringing a new set of investment and performance requirements for water suppliers. Under the new period, Ofwat has raised allowed investment to a record £104 billion, up from around £59 billion in the previous period, to address ageing infrastructure, sewage overflows, leakage and long-term water resilience. For suppliers, the uplift in investment is set to lift revenue as higher Ofwat-approved customer charges and allowed returns feed through across the regulatory period. In the six months through September 2025, Thames Water

reported revenue rising 42% on the back of higher Ofwat-approved customer charges, a trend that's expected to carry through across the rest of the year and into 2026-27 as elevated tariffs remain in place.

- Regulatory enforcement has escalated in response to environmental failings and underinvestment that went largely unaddressed in previous AMPs. In May 2025, Ofwat handed out its largest-ever fine, penalising Thames Water £122.7 million primarily for breaches in wastewater management and dividend misuse, signalling a new era of tougher oversight. Additionally, a proposed newly merged regulator (a combination of Ofwat and other agencies), announced in July 2025, is expected to intensify scrutiny by boost financial penalties for non-compliance, driving companies to prioritise performance improvements and environmental stewardship to protect revenue. Water suppliers are likely to accelerate infrastructure upgrades and network maintenance to improve compliance and reduce the risk of further penalties.

Water bills are on the up despite public frustration

- In April 2025, water companies in England and Wales enacted the steepest bill increases since privatisation in 1989, with average charges rising by £123, or 26%, as AMP8 started and utility companies began front-loading investment to upgrade ageing infrastructure and improve environmental performance. This resulted in a sharp jump in revenue in 2025-26 as companies front-loaded customer charge increases and allowed returns into the first year of the regulatory cycle. Growth is expected to cool in 2026-27 but remain elevated as higher tariffs continue to feed through and AMP8 investment programmes stay in full swing.
- The hike in bills comes despite public frustration, with water companies criticised for years of sewage discharges, leakage and perceived underinvestment in ageing infrastructure. A documentary released in February 2026 by Channel 4 titled *Dirty Business* highlighted the scale of pollution incidents and the financial strain placed on households by rising water charges, which has intensified political and regulatory pressure on suppliers. Suppliers haven't backed down from the price rises despite mounting public and political pressure, with five of Britain's water companies spending £32.4 million on appeals to the Competition and Markets Authority in 2025-26, a process that ultimately resulted in the companies being permitted to raise customer bills further beyond Ofwat's original determination.
- Data from Ofwat's annual performance report shows that customer satisfaction continued to decline in 2023-24, a trend observed since 2021-22. This sustained dissatisfaction contributed to a regulatory overhaul in July 2025, which saw the government announce plans to merge Ofwat with the Drinking Water Inspectorate, the Environment Agency and Natural England to reinforce oversight and improve the industry's stability.
- While the rise in water bills should prop up growth for suppliers, concerns over affordability and household budgets are beginning to bite. A Consumer Council for Water (CCW) survey in November 2024 found that 40% of households would struggle to afford the new bills, amid a persistent cost-of-living crisis. In response, suppliers have expanded support schemes to cushion the impact on lower-income households. During the 2025-26 bill increases, Thames Water and Severn Trent were among those to broaden affordability support, with Thames Water expanding its 50% WaterHelp discount scheme and Severn Trent widening its Big Difference social tariff, helping to protect vulnerable households even as public frustration remains elevated.

Smart metering adoption accelerates under AMP8

- Mounting pressure to reduce leakage, improve efficiency and demonstrate regulatory compliance is driving water companies to accelerate smart metering. Smart meters enable customers to pay for their water based on usage, encouraging mindful consumption. While higher smart meter adoption may lower water usage and push down revenue, it helps suppliers better manage water leakages and plan for population growth while supporting cost savings as household usage declines. Metering also supports regulatory targets to reduce overall water volume purchases, helping companies to avoid fines and meet sustainability benchmarks.
- According to the CCW, 60% of residential properties in England – around 16 million homes – were metered in 2024-25, leaving nearly 11 million homes without meters. As environmental awareness grows, the uptake of water meters is expected to swell, with more households recognising the value of monitoring their consumption to help conserve water.
- The Environment Agency reports that, as of 2025, smart meters make up only 14% of all meters. Traditional meters require manual readings, limiting data and making it hard to detect leaks or abnormal use. Similarly, the Financial Times reports that most businesses are metered but smart adoption remains low, at 3% as of December 2024. As smart meter coverage expands, water companies are beginning to integrate usage data into predictive maintenance programmes, targeting interventions to the highest users. This helps companies streamline operations and reduce costs associated with manual readings.
- An Ofwat report released in September 2024 urged faster smart meter adoption, backed by a £100 million water efficiency fund. With more data, companies can detect leaks more accurately and help customers lower their water consumption. Looking ahead, companies are expected to leverage this data to improve asset management, tailor customer communications and support and target investments where they're most needed.
- The largest water companies are accelerating smart meter rollouts to get ahead of the chasing pack. In March 2026, United Utilities announced it had installed more than 200,000 smart meters in the previous 12 months and plans to install over 1 million more by 2030. Thames Water also plans to install 78,000 meters during 2026 as it works towards providing most customers with smart meters by 2030.

Weather conditions play a big part in water companies' performance

- Water suppliers remain heavily exposed to weather conditions, suffering during periods of extreme drought and excessive rainfall, both of which have become increasingly commonplace in the UK as climate change begins to bite. The Met Office reported that spring 2025 was the driest in 132 years, intensifying concerns over reservoir levels, leakage resilience and the long-term security of water supplies. While heavy rain

helps replenish water reserves, benefitting household supply, prolonged dry spells strain infrastructure, heighten emergency response costs and suppress demand from the agricultural sector.

- Regulatory frameworks intensify the financial pressure extreme weather can put on water companies. Ofwat sets prices years in advance, meaning companies can't adjust customer bills to recover unexpected costs from droughts or emergency measures. When adverse weather leads to service shortfalls, companies risk substantial fines. In 2023-24, sewage spills – much of it related to weather disruptions – resulted in £157.6 million of regulatory penalties as per Ofwat. While sewerage sits outside the core water supply segment, heavy fines imposed on parent companies can still feed through into supply operations by adding upward pressure on future customer bills and diverting cash flow towards compliance spending. This crowds out investment in supply infrastructure, including treated water distribution, particularly as AMP8 capital commitments ramp up.
- Water companies are pouring funds into climate resilience and crisis management, with much of the AMP8 capital directed towards leakage reduction, network resilience and drought-response planning as climate-related supply shocks become more frequent. For example, Anglian Water has committed to investing more than ever in securing water supplies against extreme weather risks, including targeted upgrades to water mains vulnerable to soil shrinkage and swelling during prolonged dry spells.
- The summer 2026 drought is heightening pressure on the water collection, treatment and supply industry. Following the driest July on record, the Environment Agency declared drought across more than half of England, prompting hosepipe bans and tighter abstraction controls. As droughts become more frequent, water companies are investing in new water sources and reducing leakage. For example, Thames Water is expanding its smart meter rollout to help detect leaks and manage demand, while Portsmouth Water, in partnership with Southern Water, is developing the Havant Thicket Reservoir to improve long-term water security.

Outlook

↑ 2027-32 Revenue CAGR: 3.6%

What's driving the industry outlook?

Population growth and housebuilding underpin long-term water demand

- A steadily expanding UK population is expected to keep the taps on for water suppliers as they expand services to reach a growing number of households and businesses. Data from the Office for National Statistics projects the UK population to rise from 67.6 million in 2022 to 72.5 million by 2032, underpinning a steady rise in the need for treated water and wastewater services. As the population continues to swell, suppliers will need to expand network capacity and strengthen distribution infrastructure, ratcheting up costs but boosting revenue growth as customer volumes and allowed capital investment rise.
- A growing population is likely to be met with a heightened focus on housebuilding targets to address chronic undersupply. The government has pledged to deliver 1.5 million new homes in England over the current Parliament, with targets backed by significant public funding and planning reform. The Affordable Homes Programme, for example, has been allocated £5 billion to support the delivery of new homes between 2025 and 2030. As the race to deliver new housing gathers pace, water companies are likely to move quickly to serve fresh pockets of demand from new developments, expanding network connections, treated water distribution and wastewater infrastructure.
- However, concerns have emerged over whether existing water and wastewater infrastructure can support this level of housing development, prompting support from the government. In July 2026, the government's Water Delivery Taskforce helped unlock almost 19,000 homes by working with Anglian Water to resolve wastewater treatment capacity constraints that had delayed several major housing developments.
- Even as the population expands, the rollout of smart meters may weigh on maximum growth by improving consumption visibility and encouraging households to curb usage. In December 2024, Ofwat set out plans to fast-track the rollout of 462,000 smart meters as part of a broader push to accelerate water infrastructure investment. Ofwat's initial push to accelerate smart meter installation has since evolved into a full-scale rollout under AMP8, with water companies planning around 10 million installations by 2030. Companies are responding by accelerating smart meter rollouts, with Severn Trent targeting around 1 million installations by 2030 to reduce leakage and better manage demand.

Debt-fuelled business models create risks for water companies

- The privatisation of UK water companies in 1989 led many companies to adopt a highly leveraged financial model, using significant debt to fund both infrastructure and substantial dividend payments to maximise shareholder yields. In response, Ofwat has tightened regulations to restrict such practices, yet many companies, like Southern Water (with around £6 billion of debt) and United Utilities (with net debt of roughly £10-11 billion) continue to carry heavy debt loads. Thames Water is the industry's most indebted company, with approximately £20 billion in debt as of January 2026, according to Reuters.
- The cost of servicing debt has put considerable strain on water companies' profitability and financial stability. As a result, some have turned to global markets for distressed loans and emergency funding. Thames Water secured a £3 billion emergency debt lifeline in February 2025, carrying a 9.75% interest rate and backed by a consortium of institutional creditors including BlackRock and M&G plc, to manage its debt burden and shore up liquidity. In July 2025, Southern Water secured a £1.2 billion equity injection from a consortium led by Macquarie Asset Management to shore up its position. While these financial lifelines offer temporary relief, they add future repayment obligations that will likely feed into higher customer bills.
- Although revenue is set to climb with price hikes, escalating bills could squeeze profit over the long term, hindering water companies' public

trust and long-term viability. The growing debt burden could put downward pressure on credit ratings, permanently damage investor confidence and drive up the cost of capital, particularly as ongoing climate-driven weather volatility intensifies the need for further capital investment. To alleviate these risks, water treatment providers can prioritise reducing existing debt levels and be more cautious on new borrowing, such as by delaying non-essential projects or selling assets to raise cash.

- The financial risks facing water companies, coupled with poor operational performance and heightened scrutiny of pollution incidents, executive pay and dividend policies, are likely to intensify calls for re-nationalisation in the coming years as public confidence in the privatised model continues to dip. Any move towards public ownership would likely lower financing risk and improve access to capital, supporting larger-scale investment in reservoirs, transfer schemes and treated water infrastructure.

Plans to merge regulators are poised to disrupt the industry

- In July 2025, following an independent review led by Sir Jon Cunliffe, the government announced plans to fold Ofwat, the Environment Agency, the Drinking Water Inspectorate and Natural England into a single, nationwide water regulator, though the transition is expected to take several years and no firm completion date has been set. The plans come in response to a cascade of problems, including chronic underinvestment in ageing assets, highly publicised sewage pollution incidents, widening service-quality gaps and consumers' weak confidence in both utility companies and regulators.
- While Ofwat will continue to rule the roost in the near term, a unified regulator is set to shake up the industry through tighter coordination and tougher enforcement. Heightened scrutiny over environmental performance and service delivery will force water suppliers to up their game on leakage, pollution and resilience. Water companies have welcomed the announcement, with Financial Times reporting that companies had urged the government to accelerate plans to abolish Ofwat, warning that a slow pace of reform would leave the regulator's influence over bill increases and infrastructure investment in place for much of the next decade.
- As a direct result of the merger and the regulator's new mandates, water companies are likely to face tighter oversight on environmental performance and delivery, increasing compliance costs and pressure to improve operational standards in the long term. Companies that fail to adapt risk facing greater regulatory scrutiny, severe financial penalties and continued reputational harm. Proactive investment in compliance pipelines, smart meter innovation and regulator engagement will be essential to protecting long-term growth.

Price caps and investment requirements during AMP8 hinder profitability

- In December 2024, Ofwat approved a record £104 billion AMP8 investment plan – the largest in the industry's history – to upgrade ageing networks, improve river and sea quality and lift customer service, committing water companies to ambitious capital spending.
- The average annual bill increase for water and wastewater companies over the five years to 2030 is set to be £31, excluding inflation. While this will foster revenue growth and provide a shot in the arm for cash flow, it falls short of the level previously sought by water companies, which had pushed for bill increases of as much as £35 per year. Ofwat's intervention kept the bill hike down, hindering revenue growth for water companies.
- The lower-than-requested bill uplift is likely to keep pressure on balance sheets in the coming years, particularly for more indebted companies. This will challenge companies to manage their operations more efficiently without relying heavily on price hikes to boost income. Water utilities are likely to seek efficiencies through network optimisation, with companies like Severn Trent deploying smart meters and sensor-based monitoring to detect leaks earlier, reduce water losses and target infrastructure spending more effectively.
- AMP8 will add to water suppliers' regulatory burden facing suppliers, weighing on profitability as compliance costs, environmental obligations and delivery targets all swell. Water companies will face tighter performance commitments around leakage, pollution incidents, storm overflows and customer service, adding to the cost base even as revenue rises. In response, water companies are likely to respond by tightening leakage control, investing in real-time monitoring and increasing proactive maintenance to detect and fix faults earlier, reducing water losses and avoiding penalties.

Pressure to keep hold of commercial customers is climbing

- The Water Act 2014 reshaped the UK's water retail landscape by allowing non-household customers – including businesses, charitable organisations and public sector bodies – to freely switch suppliers. This regulatory shift is progressively eroding regional monopoly power, opening the door for a broader array of small and medium-size suppliers to enter and compete. Greater customer choice is enabling new entrants operating on a regional scale to directly challenge well-established water companies.
- In December 2024, Ofwat approved significant increases to business water rates, with the aim of funding infrastructure improvements. These hikes, which took effect from April 2025, have intensified competition among suppliers; customers have become more price-sensitive and are actively seeking out the most cost-effective options in the market.
- The UK water retail market is already seeing an ongoing consolidation trend. Competition for commercial clients is rising as smaller businesses like join forces to put pressure on bigger companies like Scottish Water. For example, Castle Water acquired Brightwater in February 2025, demonstrating that smaller companies are beginning to compete with the heavy hitters regionally, especially in Scotland. Castle Water has served business, charity and public-sector customers across Scotland since 2014, with over 350,000 business customers. More small water companies might follow suit, banding together to compete with industry giants and ramping up regional competition.
- Regional monopolies still dominate the industry, meaning water companies have limited motivation to reduce prices to stay competitive. However, water suppliers will likely become more responsive to the needs of commercial customers and improve their services to retain customers. This could squeeze profit growth in the future.

Volatility

Moderate

What influences industry volatility?

Population growth and shifting consumption habits drive volatility

- Demand for water services closely follows population trends, with steady growth in the UK population, which is forecast to hit 72.5 million by mid-2032 as per ONS data, ratcheting up pressure on supply.
- Rising awareness of water scarcity and the effects of wastewater is prompting consumers to be more mindful of their water use, partially mitigating the impact of population growth on demand.
- The adoption of water meters, particularly smart meters, is accelerating, leaving households more able to monitor and reduce usage. With AMP8 targeting the installation of 10 million smart meters by 2030, consumer habits are expected to shift further towards conservation, potentially reducing water revenue in the long run.

Adverse weather events drive up revenue

- Extreme weather events, such as droughts and heat waves, can sharply raise demand for water in weather-sensitive sectors like agriculture (for irrigation), beverage manufacturing and horticulture, which leads to short-term revenue spikes for water suppliers.
- During times of drought or extreme heat, agriculture and horticulture ramping up usage to prevent crop losses, while beverage manufacturers often boost production to meet heightened consumer demand during hot periods.
- Prolonged or severe abnormal weather can stress water reservoirs and increase operational costs for suppliers. These pressures may prompt the introduction of supply restrictions, such as hosepipe bans, which can limit revenue growth.
- The growing frequency and severity of adverse weather due to climate change is expected to heighten sales volatility for water suppliers in the long term.

Blue Chip

Industry volatility vs. revenue growth (2022-2027 CAGR)



☆ Key Success Factors

How do successful businesses overcome volatility?

Establish long-term working relationships with raw material suppliers

Long-term supplier relationships guarantee steady access to essential materials such as chemicals for water treatment and metal for pipeline infrastructure, ensuring consistent service delivery and cost predictability.

Secure a flexible workforce

A flexible workforce enables water companies to swiftly adapt to emergency repair needs, infrastructure projects and changes in water demand, ensuring uninterrupted supply and helping to keep income steady.

Life Cycle

Mature

Life Cycle

Indication of the industry's stage in its life cycle compared to similar industries



*Growth is based on change in share of economy combined with change in establishment numbers

Why is the industry mature?

Contribution to GDP

Water companies deliver critical services to residential and business customers, ensuring dependable, ongoing revenue. The industry's contribution to the economy is set to inch upwards during AMP8, which has allowed for higher water bills, with the average bill for businesses and consumers projected to climb by 36% over the five years through 2030.

Market Saturation

Water services are saturated, offering few prospects for significant expansion. There are a number of regional monopolies serving vast areas across the country. The industry faces stringent regulations, which are set to become even more rigorous, making it harder to enter the industry.

Innovation

Water companies are prioritising operational efficiency and enhancing the quality of services and water infrastructure to improve collection, treatment and delivery. Smart meters and the use of AI and drone technology are becoming more prominent.

Consolidation

Due to greater competition following the introduction of the Water Act 2014, consolidation among larger water and sewerage companies is more prevalent as businesses aim to exploit economies of scale to gain a competitive advantage.

Technology & Systems

Water companies are making significant investments to upgrade and maintain water networks, aiming for greater efficiency, sustainability and improved customer service. Advanced technology, including remote monitoring, smart metering and more effective approaches to water collection, treatment and distribution, is becoming the norm.

Products and Markets

Key Takeaways

Treated water distribution underpins revenue growth. Population growth and higher business activity drive demand for efficient water delivery, making leak management and network maintenance essential.

Strict regulation drives innovation. Providers must meet demanding health standards for drinking water, prompting investment in advanced purification processes that far exceed those for industrial uses.

Largest Market

£7.8bn

Treated water distribution

Product Innovation

Moderate

Products and Services

How are the industry's products and services performing?

An expanding population and climbing business numbers drive treated water distribution

- Treated water distribution is the main money maker for water companies. It refers to the supply of potable water through the mains network to households, businesses and public-sector customers, generating the bulk of regulated revenue. Companies deliver water from treatment facilities to homes and businesses through local storage reservoirs and operate irrigation canals as part of their services.
- Water companies transport billions of litres of water along thousands of kilometres of pipelines throughout the UK. Pump stations are vital to ensuring that water is transported safely and efficiently across the network of water pipelines.
- Water suppliers are now focused on managing leaks and meeting regulatory leakage targets, as failing to do so can result in costly fines and impact profitability. Effective leak management is essential to efficient water distribution. For instance, in October 2024, Ofwat mandated that water companies return £157.6 million to customers due to underperformance in areas including leakage reduction.
- The growing UK population and expanding number of businesses are driving up the need to distribute treated water. At the same time, higher Ofwat-allowed returns are likely to boost revenue from treated water distribution services in 2026-27 by lifting the customer charges companies are permitted to recover under the regulatory framework, with average household water bills set to jump by 36% between 2024-25 and 2029-30 under the 2024 price review period, according to Ofwat.

Rising demand for higher-quality water gives water treatment a shot in the arm

- Water companies must ensure that water provided to customers is free from harmful contaminants, which involves clarification by flocculation, water filtering and the use of chlorine. Defra, Ofwat and

the Drinking Water Inspectorate regulate all these processes, alongside overseeing wastewater processes.

- The treatment process for drinking water involves clarification by flocculation, water filtering and the use of a small amount of chlorine to kill any remaining organisms or bacteria.
- Water destined for industrial use, like manufacturing, irrigation or pools, undergoes a far less rigorous treatment process compared to water meant for drinking. Treatment for these uses generally focuses on sediment flocculation and foregoes microbial treatment unless necessary.
- Revenue from water treatment is set to increase under AMP8, as utility companies are permitted to recover higher customer charges linked to upgrades in treatment plants, filtration assets and water quality resilience. To meet rising standards and consumer expectations, investment during AMP8 has been set at a record £104 billion, supporting facility upgrades and advanced monitoring systems.

Water shortages hinder demand for water collection

- Water collection involves collecting water from rivers, lakes, wells and surface drainage, requiring companies to obtain abstraction licences. This segment also includes the management of water resources.
- Water collection depends on weather trends, particularly for surface water drainage services. Surface water drainage occurs when rainwater falls on a property and drains away into a public sewer. Water collection companies are responsible for removing and processing this water and charge customers for this service.
- Inadequate treatment or excessive abstraction of water can result in overflow incidents, where untreated or excess water is discharged into rivers. Such spills can lead to substantial fines for water companies, with each incident potentially costing millions of pounds. In May 2025, Ofwat handed out its largest-ever fine, penalising Thames Water £122.7 million.
- Growing water scarcity is increasing investment in water collection infrastructure. In July 2026, the Environment Agency declared

drought across large parts of England following the driest July on record. At the same time, it is seeking to reduce abstraction from environmentally sensitive rivers and aquifers by 2.7% by 2030 and 18% by 2050, driving investment in reservoirs, water transfers and water recycling schemes.

Raw water distribution accounts for a small share of revenue

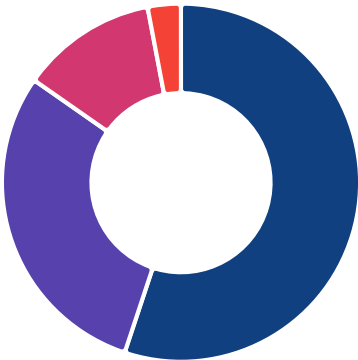
- Raw water distribution involves the storage and movement of

untreated water from natural sources to treatment facilities.

- This segment's contribution to revenue is small, as most income is derived from the treatment and distribution of potable (drinking) water.
- The costs associated with maintaining pumping stations and pipeline networks that transport raw water can erode profitability, as ageing assets require frequent repairs and energy-intensive pumping raises operating costs.

Products & Services Segmentation

Industry revenue in 2027 broken down by key product and service lines.



- Treated water distribution (£7,828.2m) 55.1%
- Water treatment (£4,205.4m) 29.6%
- Water collection (£1,747.5m) 12.3%
- Raw water distribution (£426.2m) 3.0%

☆ Key Success Factors

What products or services do successful businesses offer?

Comply with required product standards

Meeting rigorous UK water quality and environmental standards ensures compliance, protects public health and mitigates the risk of costly fines and reputational damage.

Invest in new technology to enhance operational efficiency and quality

Adapting infrastructure and operations to support growing demand from the population is crucial. Efficient water delivery through extensive pipeline networks and local reservoirs, supported by reliable pumping stations, will be paramount for the future.

Innovations

Moderate

What are innovations in industry products and services?

Smart water meters allow customers to track water usage and reduce waste

- Smart water meters provide precise, real-time monitoring of water consumption. According to Thames Water, environmentally conscious consumers are increasingly adopting smart meters to better manage their usage and reduce up to 12% of unnecessary waste.
- Water companies are actively promoting the benefits of metering, often offering free installations. Lower household water usage eases the pressure on water resources and infrastructure during droughts, alongside reducing water companies' operational costs and increasing mains resilience.
- In regions experiencing water scarcity, like the South East of England, water companies have the authority to require households to install water meters.
- According to the Environment Agency, around 60% of households in England were metered in 2024, but only an estimated 12% had smart water meters. Based on water companies' revised Water Resources Management Plans, smart meter penetration is expected to reach around 51% of households by 2030, rising to 75% by 2040.

Advanced technology helps companies monitor and manage water networks remotely

- Modern technologies are playing a key role in helping water companies streamline and optimise their operations.
- In 2024, Northumbrian Water began trialling drone technology in partnership with Makutu and Skyparts Drone Services to conduct large-scale, real-time water quality assessments, further enhancing monitoring capabilities.
- In 2024, Severn Trent Water combined AI with genomic sequencing to analyse water quality at its treatment plants and assess its water treatment processes.
- As water companies lean more heavily on technological upgrades, they hope the boost in data and monitoring capabilities will improve efficiency and bring down network losses and maintenance costs.

New hydrophone sensors revolutionise leak detection in UK water systems

- Traditional acoustic methods for leak detection are often less effective on modern plastic pipes. The Enigma3hyQ, developed by Ovarro in collaboration with Anglian Water, provides a solution by detecting internal pipe sounds, including those in plastic pipes.
- The Enigma3-BB can be installed directly in meter box chambers, which increases deployment flexibility and eliminates the need for hydrant access or additional pit excavation.
- Following the late 2022 installation of the LeakNavigator system, Southern Water achieved a 78% leak conversion rate by April 2024, identifying 851 leaks – mostly in plastic pipes – across 47 district-metered areas.
- Thames Water used LeakNavigator in 106 district-metered areas between January 2023 and January 2024, detecting 1,364 leaks and saving over 12 megalitres of water daily, demonstrating the system's effectiveness across a range of pipe materials.

Major Markets

What's influencing demand from the industry's markets?

A slump in unmetered households reflects growing environmental awareness

- Unmetered households – typically older properties – pay for their water by rateable value, not actual usage.
- Environmental awareness and the desire to save money are driving more residents of older homes to request meter installation, encouraged by lower tariffs for metered users. According to the Environment Agency (EA), as of 2024-25, over 62% of households in England were metered, meaning that 38% remained unmetered.
- As more households switch to metered tariffs amid regulatory pressure and rising water stress, revenue from unmetered customers, which are typically higher under fixed charges, is expected to decline as billing becomes tied to actual usage and consumption falls.

Metered households are on the rise as more consumers look**to track their usage and limit consumption**

- Since 1990, all new homes must be metered, supporting accurate billing and water conservation. Additionally, many water companies have introduced incentives for consumers to switch to water meters, installing them free of charge and launching campaigns to lower household water consumption by introducing smart meters.
- By encouraging customers to use less water, water providers can reduce the strain on their resources and infrastructure, making them more capable of dealing with extreme weather conditions like droughts.
- Water companies can force households to install meters in parts of the country subject to water shortages, including the South East.
- According to the EA, as of 2024-25, over 62% of households in England were metered, though only around 12% had smart water meters. The EA forecasts 51% of households to have smart meters by 2030, 75% by 2040 and 77% by 2050, driving long-term growth in this market's share of revenue.

High water usage makes manufacturers the most important

business customers

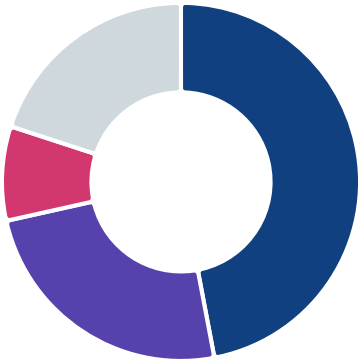
- Manufacturing industries, stretching from car makers to shoemakers, consume vast volumes of water for cleaning, cooling, or lubrication.
- Demand for water from the manufacturing sector may slip in 2026-27 as output remains sluggish, exacerbated by the US-Iran conflict, which threatens to push up energy and feedstock costs, weigh on industrial production and curb water usage in factories. Industrial water use is likely to sink as factories scale back production, postpone capacity expansions and reduce operational hours, ultimately dampening revenue from manufacturers.

Public-sector organisations and the agricultural sector are big users of water

- The public sector represents a substantial portion of water sales, encompassing services like municipal irrigation, firefighting, hospitals, government offices and the upkeep of public amenities like fountains.
- Agriculture is another key market, as farms depend heavily on water for irrigating crops and maintaining land. Water usage in this sector can vary greatly depending on weather conditions, with purchases rising sharply during droughts when increased irrigation is needed to sustain crops. Farmers also rely on water companies during periods of heavy rainfall to manage drainage and prevent flooding or overflow. With more frequent droughts and less frequent rainfall, demand from farmers for irrigation water may become more prevalent in the coming years.

Major Markets Segmentation

Industry revenue in 2027 broken down by key markets



- Unmetered households (£6.7bn) 47.0%
- Metered households (£3.5bn) 24.5%
- Manufacturers (£1.2bn) 8.5%
- Other (£2.8bn) 20.0%

International Trade

No data

Some industries don't directly import or export goods. See reports at the manufacturing level for international trade data on relevant products.

Geographic Breakdown

Key Takeaways

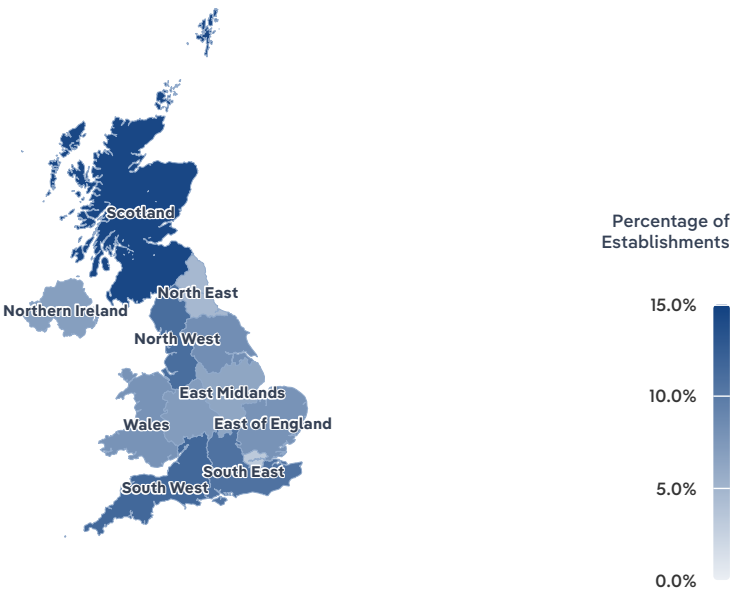
Scotland's abundant water resources provide an advantage. Ample natural reserves and short transport distances enable highly efficient operations for companies based in Scotland, lowering their costs.

Water demand in the south of England remains robust. Elevated population levels in southern England continue to drive water usage, with companies concentrated near large urban centres, including London, where demand is highest.

Business Locations

Business Concentration

Percentage of total industry establishments in each region



Sources: IBISWorld

Region	Establishments (Units)	Establishments (%)	Establishments (YoY Growth %)	Population (%)
East Midlands	331	6.3	5.8	7.4
East of England	414	7.9	5.9	9.5
London	166	3.2	6.4	13.1
North East	248	4.7	6.0	4.0
North West	585	11.1	5.6	11.2
Northern Ireland	365	6.9	5.5	2.7
Scotland	758	14.4	5.3	7.8
South East	562	10.7	5.4	14.0

Region	Establishments (Units)	Establishments (%)	Establishments (YoY Growth %)	Population (%)
South West	609	11.6	5.5	8.5
Wales	417	7.9	5.6	4.6
West Midlands	374	7.1	5.4	8.9
Yorkshire	435	8.3	5.6	8.2

You can access and download additional years of data, including district-level data, at my.ibisworld.com.

Where are businesses located?

Scotland has plenty of water sources

- The concentration of water utility businesses in Scotland is primarily driven by the region's abundant water resources, including extensive groundwater reserves. With a land mass of 30,918 square miles, Scotland's availability of natural resources makes it an ideal location for water collection and treatment operations, ensuring companies can meet both domestic and industrial demands. The proximity to abundant water resources also offers Scottish water companies low transportation costs and greater operational efficiency.
- Scottish Water Ltd, Scotland's leading supplier, serves a vast number of customers. However, the competitive landscape is evolving, with smaller companies joining forces to challenge the regional monopoly. For example, Castle Water acquired Brightwater in February 2025.
- Scotland's rural and dispersed geography requires water companies operating in this region to maintain an extensive network of branches and service centres. This ensures a reliable water supply and customer support for even the most remote communities, including the Highlands, and increases the number of establishments in the country.

Large populations keep water demand flowing in the South East and London

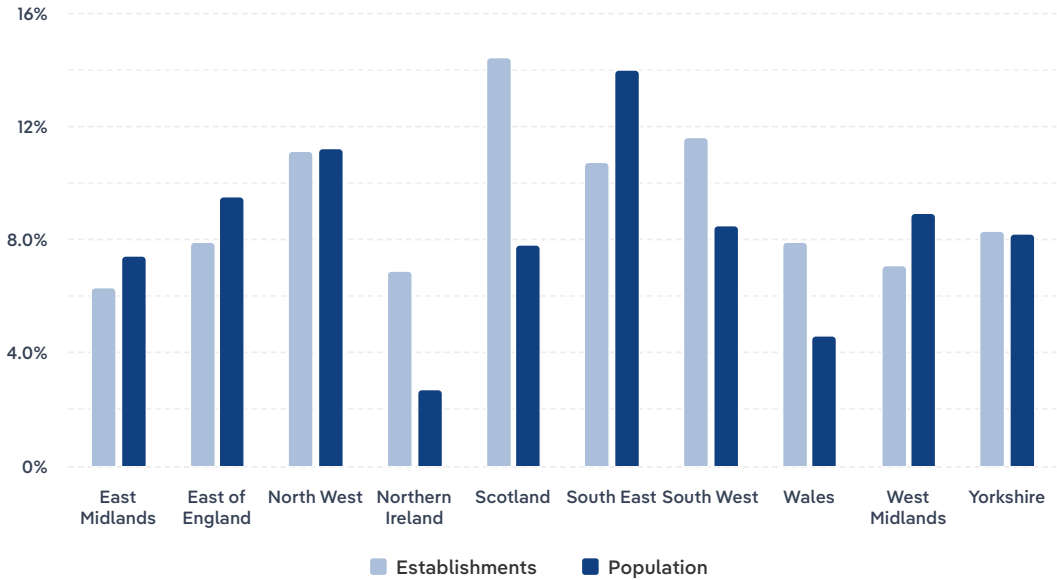
- The South East and London host a high concentration of water companies, reflecting dense populations that drive strong demand and require extensive infrastructure.
- Thames Water rules the roost in London, serving around 16 million customers across London and the South East and operating the UK's largest water and wastewater network.
- High real estate costs in London deter water companies from building large facilities within the capital itself. Consequently, much of the necessary water infrastructure is located outside London, helping to consistently supply the city's growing population.
- The South East (7,373 square miles) offers extensive land, allowing water utility companies such as Thames Water to develop complex supply networks and essential infrastructure like reservoirs and treatment plants.
- The large population density and high land areas of the south necessitate a large amount of infrastructure. For example, in January 2025, Thames Water issued a Periodic Indicative Notice (PIN) for the proposed South East Strategic Reservoir Option (SESRO) in Oxfordshire. This large-scale project, identified as a Nationally Significant Infrastructure Project, reflects the region's shift towards substantial infrastructure investment to address rising population pressures and the impacts of climate change, aiming to secure water supply for up to 15 million customers.

The North West is the UK's industrial centre, powering water demand

- The North West of England, especially areas around Manchester and Liverpool, has a high concentration of water collection, treatment and supply companies. This is largely because of the region's dense population and robust industrial base.
- The strong manufacturing sector in the North West generates high demand for water, requiring well-developed infrastructure to support efficient supply. Being close to major manufacturing hubs enables water companies to minimise transportation costs and enhance the efficiency of service delivery.
- Ongoing regional development and significant housing growth further encourage water utilities to expand their operations to meet rising demand. For example, United Utilities announced an investment of £122 million in 2024 in 184 kilometres of new piping and infrastructure in Greater Manchester to support new housing developments and greater industrial activity.

Business Concentration

Share of establishments (%) vs. share of population (%)



☆ Key Success Factors

How do businesses use location to their advantage?

Attract local support

Water plants are required to comply with local environmental regulations and engage with the surrounding community to secure support for their operations. Facilities that prioritise sustainability initiatives tend to foster stronger community backing for water treatment and sewage projects.

Carry out all necessary maintenance to keep facilities in good condition

During AMP8, water companies will be required to invest record amounts in reducing leakages and service interruptions to be successful in a tightly regulated industry.

Competitive Forces

Key Takeaways

Low pricing is a key differentiator in a competitive market. Non-household suppliers that deliver low or flexible tariffs can attract attention and build market share, even though many customers are reluctant to change providers.

Customer switching tariffs directly influence market dynamics. Earlier regulatory efforts encouraged higher switching rates, but recent crises and fewer fixed-rate options have significantly slowed customer movement between suppliers.

Concentration	Competition	Barriers to Entry
Low	Low Increasing	High Increasing
Substitutes	Buyer Power	Supplier Power
Low Steady	Moderate Steady	Moderate Steady

Concentration

What impacts the industry's market share concentration?

Regional monopolies with significant water networks create barriers to entry

- Because water companies primarily operate as regional monopolies, their revenue shares largely align with the distribution of the population, with growth driven mainly by price hikes rather than market expansion.
- Although regional monopolies dominate, the industry is still fragmented and includes many smaller, more lightly regulated companies. Smaller companies are more likely to grow by targeting the competitive non-household market. For example, Castle Water has grown into the UK's largest independent business water retailer by supplying commercial customers, while regional water companies continue to own and operate the underlying infrastructure.
- The significant investment and barriers to entry required for smaller companies to penetrate the market reduce the likelihood of significant market concentration changes.

The Water Act gives smaller, newer companies a lifeline

- The industry is highly regulated, which limits the degree of competition between companies and restricts water companies' ability to expand beyond their existing regional boundaries.
- The Water Act 2014 lowered barriers to entry in retail by opening the non-household market in 2017, allowing smaller providers to compete for business customers without owning infrastructure, although the underlying infrastructure is still run by established regional companies.

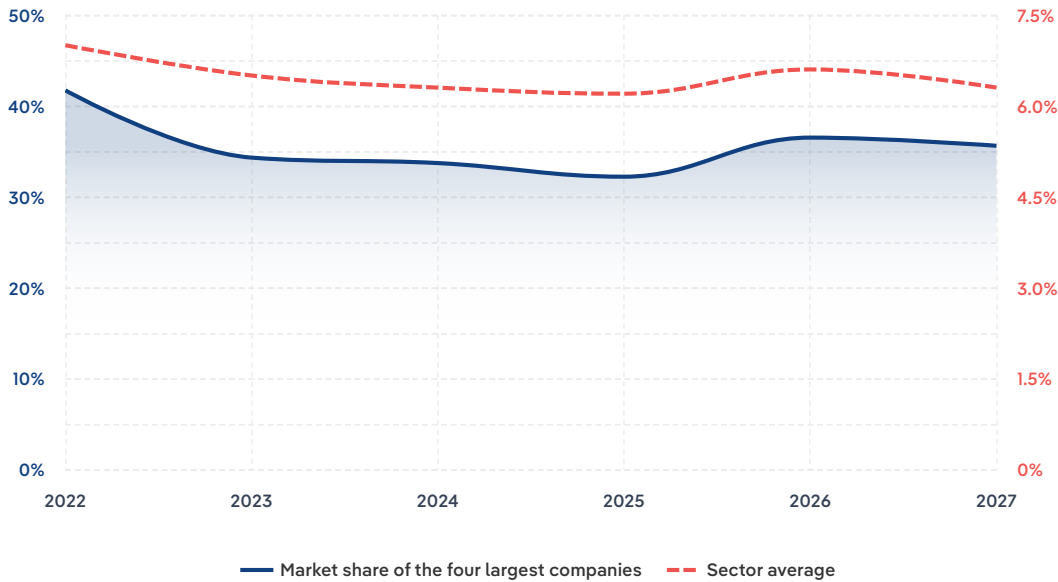
- According to Ofwat's 2024-25 Business Retail Market Update, the non-household retail market has 19 active suppliers. This demonstrates improved opportunities for new entrants and regional challengers now customers can switch providers, reducing concentration, as market share is no longer held solely by incumbent regional companies.

Regulatory price caps and quality constraints prevent aggressive expansion

- Ofwat enforces strict controls on pricing and service performance, creating a stable but rigid environment where companies focus on long-term network resilience over short-term growth.
- Performance standards – covering water quality, leakage rates, service reliability and customer satisfaction – must be met regardless of company size, raising compliance costs and discouraging risky expansion strategies. Ofwat's annual Service Incentive Mechanism (SIM) scores are required for all companies and failure to meet targets can affect allowed revenue.
- Penalties for underperformance and non-compliance are significant, discouraging companies from taking bold risks that might lead to market share gains but increase the likelihood of regulatory breaches.
- Ofwat's PR24 review set price controls for 2025–30 and rejected the majority of additional revenue sought by several water companies. In March 2026, the CMA upheld much of Ofwat's approach, rejecting 83% of the additional revenue requested by five companies that appealed the regulator's decision.

Market Share Concentration

Combined market share of the four largest companies in this industry



☆ Key Success Factors

How do successful businesses handle concentration?

Develop a strong reputation

A water company's reputation reflects its reliability and compliance with stringent UK water quality standards. Trust in service provision ensures customer loyalty and smooth regulatory relations, vital for sustaining operations in a concentrated market.

Secure the latest and most efficient technologies and techniques

Using cutting-edge technology optimises water treatment processes, reduces costs and enhances service efficiency. Staying technologically advanced also ensures compliance with environmental regulations.

Barriers to Entry

High Increasing

What challenges do potential industry entrants face?

Legal

- Water supply companies must navigate complex regulations on abstraction licences, environmental impact and quality standards, raising the legal barriers to entry. Engaging strong legal counsel, ensuring compliance with regulatory guidelines and preparing for potential litigation are key priorities. Failure to comply with these strict regulations can result in severe financial penalties. Ofwat, the Drinking Water Inspectorate, the Environment Agency and Natural England are set to merge into a new unified regulator in the future, which may add to legal barriers if their influence grows.

Start-Up Costs

- Start-up costs are substantial, covering permits, site acquisition, building treatment plants, pipelines, reservoirs and advanced monitoring systems. New entrants must be able to finance and successfully implement extensive distribution networks and treatment plants and build

pipelines and reservoirs penetrate the market. These substantial financial commitments raise barriers to entry.

Differentiation

- Because water is essentially the same regardless of the provider, there's little opportunity for differentiation based on product quality. As a result, price becomes the main competitive factor. A new entrant offering lower prices could effectively attract customers. However, established companies benefit from economies of scale, making competing on price challenging.

Capital Expenses

- Companies must invest significant amounts in maintaining existing water network infrastructure and updating specialised equipment to improve efficiency, which raises barriers to entry. In the current Asset Management Plan 8 period (2025-2030), Ofwat has allowed £88 billion of spending across the industry to deliver more improvements.

☆ Key Success Factors

How can potential entrants overcome barriers to entry?

Comply with government regulations

Compliance with stringent water quality and environmental regulations builds public trust. Adhering to the standards set by regulators is crucial for maintaining licences and avoiding penalties.

Invest in research and development

Continuous investment in research and development fosters innovation in water treatment technologies and sustainability practices. This enhances operational efficiency and helps in meeting evolving environmental regulations and customer expectations.

Substitutes

Low

Steady

What are substitutes for industry services?

No Substitutes

- The essential nature of water services means there's no substitute available for households and commercial customers.

☆ Key Success Factors

How do successful businesses compete with substitutes?

Ensure appropriate pricing policy

Competitive pricing strategies can deter customers from seeking alternative water providers. Transparent and fair pricing establishes a supplier's value proposition, helping to sustain consumer trust and loyalty in a highly regulated market.

Maintain excellent customer relations

Exceptional customer relations build trust and loyalty, reducing the likelihood of customers switching to alternative suppliers. This is crucial for retaining a stable customer base.

Buyer & Supplier Power

Supply Chain

Direct and indirect supplier and buyer industries related to this industry



What power do buyers and suppliers have over the industry?

Moderate

Steady

Buyers: More choice

- Water suppliers operate as regional monopolies, each serving designated areas. There aren't many companies in the market; most water companies are large organisations with significant resources. Consequently, buyer power is somewhat limited, as buyers typically rely on their local water provider. For example, consumers in London rely on Thames Water, which has a monopoly in the region.
- The Water Act 2014, implemented in 2017, introduced more competition by allowing non-household (commercial and business) customers in England to choose their retail water supplier, heightening buyer power.
- Households depend on Ofwat's regulations to ensure consistent, fair and high-quality pricing and service from water suppliers. Without Ofwat's oversight, there would be a risk of price increases or declines in service standards because of the regional monopolies that water companies have on households.
- Major customers, particularly public-sector organisations and large industrial consumers, can negotiate better terms with water suppliers due to their high water usage compared with households and small businesses.

Moderate

Steady

Suppliers: Rising costs

- Water companies need to procure property, plant, equipment and chemicals for the collection, treatment and distribution of water. They also frequently hire construction retailers and contractors to build and maintain their water distribution infrastructure.
- Ferric sulphate and chlorine are some of the main chemicals used in the water treatment process, especially during flocculation. Because most chemicals are sourced from global markets, particularly Central Asia, their prices are highly sensitive, shifting power away from the supplier. However, some chemicals can be sourced locally; for example, B&V Chemicals produces sodium hypochlorite, a chemical of which the UK is a net exporter.
- In addition to chemicals, specialised equipment like reverse osmosis filtration systems is essential for large-scale water purification. Water companies may choose to develop and manufacture this equipment internally or purchase it from specialised producers, with some of these products being imported.
- Because a significant portion of the industry's supplies are imported, costs are sensitive to exchange rate fluctuations.

☆ Key Success Factors

How do successful businesses manage buyer & supplier power?

Develop effective quality control

Implementing stringent quality control measures ensures compliance with regulatory standards and enhances customer satisfaction, reducing complaints and increasing bargaining power.

Develop strong working relationships with subcontractors

Maintaining strong relationships with subcontractors guarantees efficient and cost-effective maintenance and expansion of water infrastructure, reducing reliance on any single subcontractor and ensuring flexibility in service provision and cost management.

Companies

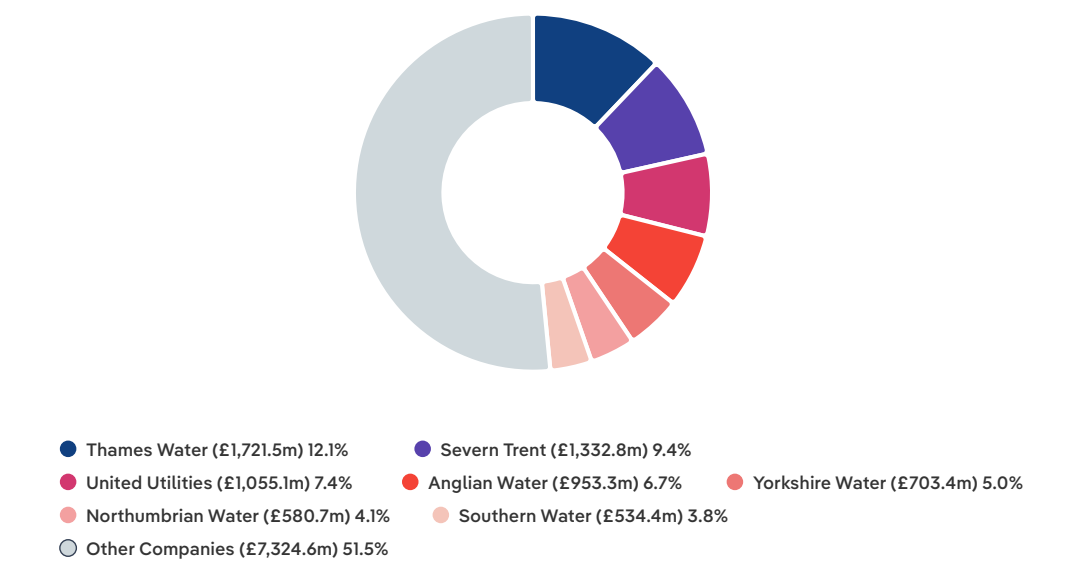
Key Takeaways

A handful of large regional companies dominate the industry. Major providers like Thames Water, Severn Trent, United Utilities and Anglian Water continue to control vast customer bases and lead investment in innovation.

High and rising debt levels are a persistent risk for most major companies. Several major water companies, including Thames Water, Yorkshire Water and Southern Water, face heavy debt loads, heightening concerns over their long-term financial stability.

Market Share

Industry Market Share by Company
 Industry-specific company revenue as a share of total industry revenue.



This chart has been simplified for the PDF and may not display all available data. View the full interactive chart on my.ibisworld.com for additional data and detail.

Company	Market Share (%)	Employees	Locations	Company Type	Headquarters
Thames Water	12.1	5,001-10,000	20	Private	Reading, England
Severn Trent	9.4	5,001-10,000	2	Public	Coventry, England
United Utilities	7.4	5,001-10,000	13	Public	Warrington, England
Anglian Water	6.7	1,000-5,000	31	Private	Huntingdon, England
Yorkshire Water	5	5,001-10,000	9	Private	Bradford, England

Company	Market Share (%)	Employees	Locations	Company Type	Headquarters
Northumbrian Water 	4.1	1,000-5,000	5	Private	Durham, England
Southern Water 	3.8	1,000-5,000	8	Private	Worthing, England
Welsh Water 	3.6	1,000-5,000	13	Private	Cardiff, Wales
Severn Trent Water 	2.5-5	5,001-10,000	24	Private	Coventry, England
Scottish Water 	0-2.5	1,000-5,000	17	Private	Edinburgh, Scotland
Northumbrian Water Group 	0-2.5	1,000-5,000	1	Private	Durham, England
South West Water 	0-2.5	1,000-5,000	2	Private	Plymouth, England
South East Water 	0-2.5	1,000-5,000	3	Private	Snodland, England
Wessex Water 	0-2.5	1,000-5,000	33	Private	Bath, England
Hafren Dyfrdwy 	0-2.5	1,000-5,000	2	Private	Coventry, England
Affinity Water 	0-2.5	1,000-5,000	6	Private	Hatfield, England
South Staffordshire plc 	0-2.5	1,000-5,000	1	Public	Walsall, England
Ses Water 	0-2.5	201-500	3	Public	Redhill, England
Bournemouth Water 	0-2.5	201-500	1	Private	Bournemouth, England
Anglian Ventures Holdings 	0-2.5	201-500	2	Private	Huntingdon, England

Company Details

Thames Water

Description

Thames Water Utilities Limited was established in 1989 and is the UK's most significant water and sewerage company. The company supplies water to 9 million customers in London and the Thames Valley and removes sewage for 15 million customers. Thames Water is headquartered in Reading and maintains 354 sewage works.

Company Total Revenue (2027)

£3.3bn

Industry Specific Revenue (2027)

£1.7bn

Industry Market Share (2027)

12.1%

Employees (2027)

5,001-10,000

Headquarters

Reading, England

Company Type

Private

Locations (Top 10)

Banbury, England

Basingstoke, England

Croydon, England

Erith, England

Feltham, England

Godstone, England

Horley, England

Kidlington, England

London, England

Oxford, England

Other Industries

Electricity Supply in the UK

Property Management in the UK

Estate Agents in the UK

Electricity Transmission in the UK

Urban Planning & Landscape Architectural Activities in the UK

Sewerage in the UK

Electricity Distribution in the UK

Consultant Engineering Services in the UK

Architectural Activities in the UK

Electricity Production in the UK

A Full Locations list can be accessed in Atlas.

What's impacting Thames Water's performance?

Thames Water's extensive operations and desalination capability

- Thames Water delivers 2.6 billion litres of clean drinking water each day, sourcing around 35% from natural underground aquifers and the remaining 65% from rivers. The company operates nearly 100 water treatment facilities and more than 350 sewage treatment plants.
- In 2010, Thames Water launched the UK's first desalination plant in East London. This facility can convert a blend of seawater and river water from the tidal stretch of the River Thames into high-quality drinking water. These alternate sources of water collection and

treatment help with the water supply during dry periods like droughts, a key risk identified by Thames Water.

- In recent years, Thames Water has prioritised service improvements, including investments in thermal hydrolysis plants that generate power by extracting methane from sewage sludge. In 2023-24, 37% of the company's energy was produced from renewable sources.

Improvements in water quality and supply amid ongoing operational challenges

- Thames Water achieved noticeable improvements in water quality in 2023-24, driven by strategic investments at key locations such as Hampton and Copper Mills. The company also recorded a 15% reduction in supply interruptions, thanks to enhanced management of mains repairs.
- Despite these gains, supply interruptions still fell short of regulatory targets, mainly due to a significant supply failure in Guildford in November 2023 that severely affected customers in the area and led to a £16.3 million fine for this incident alone.
- Such issues continue to occur. For example, on June 12th, 2025, a burst water pipe in Botley, Oxford, resulted in flooding affecting several streets in Oxford city centre. This highlights the continued effort companies will have to put into their networks to deal with ongoing operational challenges.

Mounting debt poses significant risks to Thames Water's stability

- Thames Water faces escalating financial uncertainty as its £16 billion debt burden continues to rise, resulting in a net loss of £1.59 billion for 2024-25 alone, drawing scrutiny from regulators, investors and customers.
- Thames Water's debt-to-regulated asset ratio now exceeds 80%, above the industry average of 65-70%, putting it under greater financial strain than its peers and raising public concern.
- Thames Water secured a £3 billion emergency debt lifeline in February 2025, carrying a 9.75% interest rate, to manage its debt burden and shore up liquidity, backed by a consortium of institutional creditors including BlackRock and M&G plc. As of April 2026, the focus has shifted to a broader recapitalisation plan, with the leading proposal centred on a £3.35 billion equity injection alongside additional debt funding, aimed at stabilising the balance sheet and supporting future infrastructure investment.

Revenue is poised to surge on the back of Ofwat tariff uplifts

- Thames Water is set to see revenue balloon in 2025-26 as higher Ofwat-approved charges feed through across its water collection, treatment and supply business under the new PR24 price control period, which runs from April 2025 to March 2030.
- In its H1 2025-26 results, Thames Water reported revenue rising 42% on the back of higher Ofwat-approved customer charges, which is expected to carry through across the whole year as elevated tariffs remain in place for the remainder of the reporting period.
- The boost in approved revenue will allow Thames Water to strengthen liquidity, service its debt burden and step up investment across its water collection, treatment and supply network.

🔗 You can view and download more company details on my.ibisworld.com.

Severn Trent

Description

Severn Trent Water Authority was formed in 1974 as a regional, state-owned water authority based in Birmingham. In 1989, Severn Trent Water Authority's privatisation led to the formation of Severn Trent plc. Severn Trent Services supplies commercial clients with water and wastewater operating services, water purification and analytical services. The group also operates Severn Trent Services Defence Ltd, which provides water services to the Ministry of Defence.

Company Total Revenue (2027)

£2.8bn

Industry Specific Revenue (2027)

£1.3bn

Industry Market Share (2027)

9.4%

Employees (2027)

5,001-10,000

Headquarters

Coventry, England

Company Type

Public

Locations (Top 10)

Coventry, England

Other Industries

Electricity Supply in the UK

Water Utilities in the UK

Electricity Transmission in the UK

Electricity Distribution in the UK

Electricity Production in the UK

A Full Locations list can be accessed in Atlas.

What's impacting Severn Trent's performance?

Severn Trent invests significantly in improving operations

- Severn Trent invested a total of £3 billion during AMP6 while maintaining the lowest possible prices for households served. The company met and even exceeded its targets of reducing water supply interruptions and leakage over the period.
- The company invested more than £6.8 billion over AMP7 while making its most significant bill reduction for the past 20 years, with measures including water-saving devices and payment plans or reduced charges for 195,000 people a year by 2025.
- Between 2025 and 2030, the company will spend £12.9 billion as part of AMP8. Average bills for both retail and commercial consumers will climb gradually from £379 a month in 2024-25 to £518 a month in 2029-30 to fund the investment. The plan includes the installation of one million smart meters, reducing leakages by 15%, protecting the 12 raw water sources and doubling the rate of mains renewals to secure sufficient water supplies for the Midlands over the next 30 years. Severn Trent's sustained investment will boost operating profit and set a strong benchmark for the industry, driving higher standards.
- In July 2026, Ofwat concluded its enforcement investigation into Severn Trent Water, finding that the company had historically breached its wastewater obligations and licence requirements. However, Ofwat did not impose a financial penalty after Severn Trent had proactively identified the issues, invested £98 million of shareholder funds to address them before the enforcement case was opened in July 2024 and cooperated fully throughout the investigation.

Severn Trent's innovation-driven path to sustainable wastewater treatment

- Severn Trent leads the way in technological innovation, exemplified by its integration of artificial intelligence with genomic sequencing to monitor and enhance water quality at treatment plants. The company has also heavily invested in renewable energy, with about 50% of its operational needs met by biogas, solar, wind and hydro sources. This supports its commitment to reach net-zero operational carbon emissions by 2030.
- Ongoing trials and deployments of smart meters, digital network monitoring, water-saving devices and advanced leak detection systems are driving operational efficiency and reducing water loss across its vast service region.
- Severn Trent's advances in technology and sustainability are shaping industry best practices, encouraging broader adoption of efficient, low-carbon solutions across the UK water sector.

 You can view and download more company details on my.ibisworld.com.

United Utilities

Description

United Utilities Group plc manages regulated water and wastewater in the North West region of England. The United Utilities Water company was established in 1995 due to the merger of North West Water and the North West Electricity Board, serving 7 million customers. The company is headquartered in Warrington and operates 78,000 kilometres of wastewater pipes.

Company Total Revenue (2027)

£2.1bn

Industry Specific Revenue (2027)

£1.1bn

Industry Market Share (2027)

7.4%

Employees (2027)

5,001-10,000

Headquarters

Warrington, England

Company Type

Public

Locations (Top 10)

- Askam-In-Furness, England
- Borough Of Rossendale, England
- Oldham, England
- Oswestry, England
- Penrith, England
- Rochdale, England
- Runcorn, England
- Wallasey, England
- Warrington, England
- Whitehaven, England

Other Industries

- Water Utilities in the UK
- Sewerage in the UK
- Sewerage in the UK

A Full Locations list can be accessed in Atlas.

What's impacting United Utilities's performance?

United Utilities' profit jumps amid price hikes

- United Utilities reported a significant climb in pre-tax profit in 2024-25, up 32% to £631.5 million, driven by greater revenue thanks to a 32% hike in customer bills and slightly lower infrastructure spending.
- The company invested £435 million in its water and wastewater operations during 2024-25, focusing on improving service resilience and environmental performance, including measures to reduce stormwater spillages.
- Despite robust financial results, United Utilities continues to face regulatory scrutiny and public pressure to address environmental challenges, water quality concerns and pricing issues within the North West. One example includes an £800,000 fine in 2023 for illegal releases into the River Keekle in Cumbria.

AMP8 commitments require the company to spend big

- United Utilities invested £3.9 billion during AMP6, which ran over the five years through 2019-20 to ensure its infrastructure was resilient to adverse weather conditions.
- The primary targets for AMP7 were to reduce pollution by 20% between 2020 and 2025. This was achieved by investing £44.1 million in water resource development to support the delivery of a North-South water trading approach to long-term drought resilience and £5.8 billion to maintain and improve services.

- United Utilities is partnering with 18 companies to upgrade its infrastructure between 2025 and 2030 under its £13.7 billion AMP8 plan. This plan is being financed primarily by the 23% climb in customer bills, with an unspecified amount of debt and equity financing taking place.
- These investments will strengthen United Utilities' infrastructure and environmental compliance, but reliance on higher bills and additional financing may put pressure on customer affordability and expose the company to greater regulatory and financial scrutiny.

United Utilities' revenue surges as regulatory price hike drives investment

- United Utilities is projecting a 24.3% increase in the average household bill for 2025-26, reaching £598. This aligns with the company's delivery of its largest capital expenditure programme in over a century.
- The £13 billion investment planned for 2025 to 2030 targets overdue water and wastewater infrastructure upgrades, reflecting regulatory and public pressures for improved environmental outcomes and system resilience.
- Revenue growth will be bolstered by Ofwat's allowance for higher tariffs to fund these infrastructure enhancements, ensuring cashflow to meet statutory service level obligations.
- Sustaining public trust will be critical as United Utilities manages the reputational risks associated with rising costs while executing its major capital programme.

 You can view and download more company details on my.ibisworld.com.

Anglian Water

Description

Anglian Water Services Ltd is engaged in water supply, water recycling, wastewater treatment and drainage services. The company serves residential and commercial customers across the East of England and Hartlepool, providing drinking water and recycled wastewater. Anglian Water also operates as a water and sanitation service provider, addressing water pollution and supporting water conservation initiatives.

Company Total Revenue (2027)

£1.9bn

Industry Specific Revenue (2027)

£953.3m

Industry Market Share (2027)

6.7%

Employees (2027)

1,000-5,000

Headquarters

Huntingdon, England

Company Type

Private

Locations (Top 10)

Brigg, England

Cambridge, England

Chatteris, England

Chelmsford, England

Colchester, England

Ely, England

Grantham, England

Hartlepool, England

Huntingdon, England

Ipswich, England

Other Industries

Water Utilities in the UK

Sewerage in the UK

Sewerage in the UK

A Full Locations list can be accessed in Atlas.

What's impacting Anglian Water's performance?

Anglian Water invests in improving water quality and meeting future leakage targets in the UK's driest region

- In March 2018, Anglian Water announced plans for an £800 million investment in Lincolnshire to mitigate the risk of drought. This investment will allow the company to continue selling water and generating revenue.
- The company remains on track to achieve net-zero operational carbon emissions by 2030 as part of its Triple Carbon Pledge and consistently maintains some of the lowest leakage rates in the sector, reporting to Ofwat 8.69 m³/km/day in 2022-23, just below the industry average of 8.8. This is a key achievement, especially given the dry conditions across its service region.
- In 2023-24, Anglian Water invested £963 million in capital projects such as the strategic pipeline alliance and new reservoirs. In addition, shareholders approved a further £350 million of investment, with £100 million allocated to accelerating efforts to reduce pollution incidents and sewer spills, exceeding Ofwat's regulatory requirements.
- Across AMP8, Anglian Water plans a total investment of £9 billion. This will include the construction of two new reservoirs and the expansion of the strategic pipelines, strengthening the company's drought resilience and protecting revenue streams during volatile weather periods.

Strong demand and regulatory support drive revenue growth

- Ofwat approved a 10% increase in Anglian Water's average daily household water bill – from £1.34 in 2023-24 to £1.47 in 2024-25 – enabling the company to invest over £1 billion in capital projects in 2024-25 (up 12.3% from the previous year), with nearly £570 million directed to water supply services alone. These investments support essential infrastructure upgrades, further reduce leakage, and help offset inflationary pressures, with revenue growth also bolstered by continued population expansion in the region.
- This £1 billion investment will contribute to building strategic pipelines, securing water resilience, meeting the needs of a growing population, and further lowering leakage rates.
- The capital investment is funded through a combination of customer charges, debt and equity. Although none of these plans for debt or equity issuances have been announced, according to the Anglian executive team, a debt restructuring may be necessary to generate further capital for the full 5-year capital investment plan.

Innovation drives sustainable water management

- Anglian Water leads the market with the industry's fastest smart meter roll-out, with over 700,000 smart meters installed and a target of 1 million by 2025, enabling advanced leak detection and efficient response to network issues.
- The company is at the forefront of nature-based solutions, becoming a major backer and investor of wetland creation and catchment management. Since 2020, Anglian Water has established over 1,200 hectares of new wetlands, which have improved local water quality and strengthened compliance with environmental regulations.
- In response to the region's unique climate pressures and as part of the multi-stakeholder Norfolk Water Strategy Programme partnership, Anglian Water coordinates network resilience strategies and drought planning with local authorities and environmental groups, particularly on chalk catchments.
- These collaborative efforts position Anglian Water as a leader in adapting infrastructure and operations to secure the UK's driest region against future climate and purchases pressures, ensuring revenue remains stable.

🔗 You can view and download more company details on my.ibisworld.com.

Yorkshire Water

Description

Yorkshire Water Services Ltd is a British company engaged in water supply, wastewater treatment, and water metering services. The company serves residential and commercial customers across Yorkshire, including West Yorkshire, South Yorkshire, the East Riding of Yorkshire, parts of North Lincolnshire, most of North Yorkshire, and parts of Derbyshire. Yorkshire Water also provides developer services and is involved in environmental initiatives and community engagement.

Company Total Revenue (2027)

£1.6bn

Industry Specific Revenue (2027)

£703.4m

Industry Market Share (2027)

5%

Employees (2027)

5,001-10,000

Headquarters

Bradford, England

Company Type

Private

Locations (Top 10)

Bradford, England

Ilkley, England

Sheffield, England

Wakefield, England

Other Industries

Water Utilities in the UK

A Full Locations list can be accessed in Atlas.

What's impacting Yorkshire Water's performance?

Ongoing debt and environmental challenges undermine Yorkshire Water's financial stability

- Despite consistent profitability, Yorkshire Water has faced regulatory scrutiny since November 2021, when Ofwat raised concerns over a combination of high debt levels (£6.7 billion), service interruptions, flooding and pollution violations.
- In October 2022, it was reported that Yorkshire Water would receive £940 million in intragroup loans over five years to reduce its debt, with £100 million earmarked to address storm overflow spills.
- Responding to service improvement needs, in June 2025, the company announced a £406 million programme to replace 1,000 kilometres of water mains over five years. The first phase will focus on 238 kilometres of new, more resilient plastic pipes to reduce leaks and bursts.

Yorkshire Water invests in network resilience as drought risks intensify

- During AMP7, Yorkshire Water invested £800 million to improve infrastructure. However, the company didn't meet several of its performance commitments, including water supply interruptions in 2023-24, for which Ofwat fined the company £6.4 million. Such fines directly reduce profitability and can limit funds available for further investment, highlighting the financial risks tied to regulatory underperformance.
- On 30 January 2025, Yorkshire Water announced plans for its largest-ever environmental investment, proposing to spend £8.3 billion between 2025 and 2030. The investment aims to further improve customer services, upgrade infrastructure and support environmental initiatives, including £3.1 billion to enhance water supply resilience and address future resource needs. This plan is expected to support 10,000 jobs across the company and its supply chain.

 You can view and download more company details on my.ibisworld.com.

Northumbrian Water

Description

Northumbrian Water Ltd provides water and sewerage services, including water meter installations, leak detection, sewage treatment and water quality monitoring. The company operates water and wastewater treatment facilities, reservoirs and parks and supplies drinking water and recycled wastewater to customers in the north-east of England and eastern England. It also offers financial support schemes for vulnerable customers and maintains a digital platform for account management and customer engagement.

Company Total Revenue (2027)

£754.6m

Industry Specific Revenue (2027)

£580.7m

Industry Market Share (2027)

4.1%

Employees (2027)

1,000-5,000

Headquarters

Durham, England

Company Type

Private

Locations (Top 10)

Consett, England

Durham, England

Middlesbrough, England

Wallsend, England

Other Industries

Water Utilities in the UK

A Full Locations list can be accessed in Atlas.

What's impacting Northumbrian Water's performance?

Northumbrian Water's makes a major investment in infrastructure and environmental performance

- Northumbrian Water has announced a £3.6 billion investment plan for 2025–2030, aiming for substantial upgrades to pipelines, treatment works and pumping stations.
- According to data from Shares Magazine, £2.4 billion of this plan will focus on environmental improvements, with initiatives such as a smart sewer network for Tyneside using 800 real-time sensors to detect and trace sewage expected to reduce river spills by 15% and overall spillage volumes by 30%.
- These large-scale investments will not only modernise infrastructure but also support regional sustainability and help maintain regulatory compliance in the coming years.

Northumbrian Water controls the UK's largest reservoir, ensuring water network resilience

- Northumbrian Water operates Kielder Water, the UK's largest artificial reservoir, holding 200 billion litres. Opened in 1982 to meet industrial orders, Kielder now underpins both regional and national water security.
- The reservoir's scale gives Northumbrian Water significant flexibility, enabling it to reliably supply 2.7 million customers even during drought. Unlike its rivals' reliance on smaller, drought-prone sources, Northumbrian Water rarely imposes water restrictions; for example, while Thames Water and Southern Water implemented hosepipe bans in July 2025, Northumbrian customers faced no such measures.
- Kielder makes inter-regional water transfers possible, feeding the Tyne-Tees tunnel into Yorkshire Water's network, an increasingly important function as climate-related shortages climb.
- In the future, wholesale water sales could boost Northumbrian Water's revenue as greater drought frequency restricts the volume of water rivals can sell, increasing demand for supply partnerships.

 You can view and download more company details on my.ibisworld.com.

Southern Water

Description

Southern Water Services Ltd is a British private utility company engaged in water and wastewater services, including water supply, wastewater collection and treatment and the provision of trade effluent services for businesses. The company also offers building and development services, commercial and retail water supply and operates a control centre for monitoring and responding to customer needs. Southern Water serves customers in East and West Sussex, Kent, Hampshire and the Isle of Wight.

Company Total Revenue (2027)

£987.3m

Industry Specific Revenue (2027)

£534.4m

Industry Market Share (2027)

3.8%

Employees (2027)

1,000-5,000

Headquarters

Worthing, England

Company Type

Private

Locations (Top 10)

Brighton, England
Chatham, England
Havant, England
Lingfield, England
Southampton, England
Whitstable, England
Worthing, England

Other Industries

Water Main, Sewer System & Related Project Construction in the UK
Electricity & Telecommunications Infrastructure Construction in the UK
Water Utilities in the UK
Sewerage in the UK
Sewerage in the UK

A Full Locations list can be accessed in Atlas.

What's impacting Southern Water's performance?

Southern Water serves coastal communities, so focuses on protecting its coastlines

- Southern Water supplies 2.6 million customers across Hampshire, the Isle of Wight, Sussex and Kent with 535 million litres of drinking water daily, while treating wastewater for nearly 4.7 million people.
- With operations along a sensitive, flood-prone coastline, the company prioritises protecting bathing waters, habitats and tourism through coastal protection and pollution prevention schemes.
- In its 2025-2030 business plan, Southern Water has committed to investing £2.2 billion to climb resilience, reduce leakage and drive innovation throughout its 13,800-kilometre network.
- Major projects, including the Havant Thicket facility and digital upgrades, are set to raise Southern Water bills from £26.50 to £30.10 per month by 2030. This investment level and leakage targets are in line with top-performing peers like Thames Water and United Utilities.

Southern Water, struggling with debt, receives an emergency £1.5 billion injection to cover its shortfall

- The company's high levels of borrowing have placed considerable strain on its balance sheet, making it difficult to fund necessary infrastructure upgrades and maintain day-to-day.
- This financial instability culminated in a pressing need for additional capital, prompting Southern Water, in November 2024, to issue emergency bonds worth £300 million with another equity injection of £1.2 billion by Macquarie Asset Management in July 2025.
- This infusion of funds was critical in addressing immediate shortfalls, ensuring the company could meet its ongoing obligations and continue to invest in service improvements. However, the underlying debt issues remain a concern, raising questions about the long-term sustainability of Southern Water's financial health and its ability to deliver reliable, high-quality services to customers in the future.

[You can view and download more company details on my.ibisworld.com.](#)

Welsh Water

Description

Dŵr Cymru Cyf, known as Welsh Water, is a not-for-profit company that provides water supply and wastewater management services to residential and commercial customers in Wales and parts of England. The company manages water and sewerage networks, operates wastewater treatment facilities, and oversees reservoirs and land holdings. In addition to its core utility functions, Welsh Water is involved in community initiatives, including educational programmes and visitor attractions.

Company Total Revenue (2027)

£900.4m

Industry Specific Revenue (2027)

£510.1m

Industry Market Share (2027)

3.6%

Employees (2027)

1,000-5,000

Headquarters

Cardiff, Wales

Company Type

Private

Locations (Top 10)

Cardiff, Wales

Cardmarthen, Wales

Corwen, Wales

Deeside, Wales

Llandovery, Wales

Llanigon, Wales

Mold, Wales

Newport, Wales

Oswestry, Wales

Pontypridd, Wales

Other Industries

Water Utilities in the UK

Sewerage in the UK

Sewerage in the UK

A Full Locations list can be accessed in Atlas.

What's impacting Welsh Water's performance?

Welsh Water plans a huge increase in investment to protect the environment

- In October 2023, Welsh Water submitted its £3.5 billion AMP8 capital investment plan (68% bigger than the forecast AMP7 total). A key focus of the plan is to adopt a collaborative approach to reducing its environmental impact by playing its part in improving river water quality. Welsh Water is committing to invest nearly £1.9 billion in the environment between 2025 and 2030 – 84% more than across 2020 to 2025.
- To support funding this ambitious investment programme, the average bill increased from £503 in 2024-25 to £639 in 2025-26. The financial assistance with water bills scheme continued to run, with a record of 153,000 customers applying. This is a worrying indicator for the future price hikes, as many households already struggle with the bills.

Greater costs put profit under pressure

- Welsh Water's profit margin has been under pressure in recent years, largely due to rising costs relating to leakages and pollution, as well as increased investment into infrastructure.
- In the company's 2023-24 report, it was stated that under Ofwat's Outcome Delivery Incentive scheme, net penalties of £27 million will be imposed due to target underperformance, denting profit.
- In 2023-24, gross employee costs swelled by 6.2% due to wage hikes and greater use of outsourced contractor work on new connections and leakages. Energy costs remained stable, however, due to the company's power hedging policy and the company generating around

25% of energy internally. Welsh Water aims to increase this to 35% by 2030.

- As the company deals with rising costs and increased investment in the 2025-2030 period, Welsh Water announced in January 2025 that household customer bills would rise by 27% for 2025-26, from £503 to £639. The price increase comes following a period of 15 years when the company kept price rises below the rate of inflation and compares to an industry average rise of 26%.

① You can view and download more company details on my.ibisworld.com.

External Environment

Key Takeaways

Asset Management Periods (AMPs) regulate prices. The current period is AMP8 (2025-2030). AMPs and price reviews are structured primarily to safeguard customer interests, placing the pursuit of profit as a secondary priority.

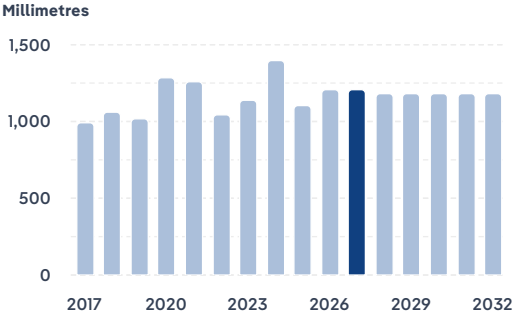
A unified regulator ushers in a new era of stricter oversight and accountability. Ofwat will be merged with the Drinking Water Inspectorate, the Environment Agency and Natural England, streamlining regulatory power.



External Drivers

What demographic and macroeconomic factors impact the industry?

Level of annual rainfall

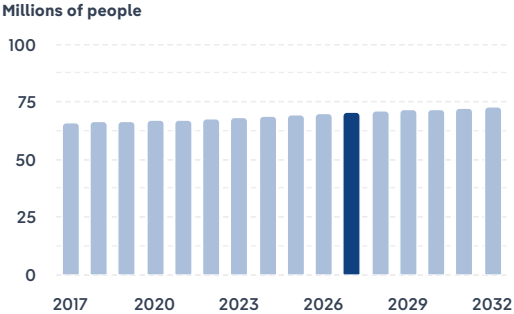


IBISWorld

Source: IBISWorld

Water companies charge customers for collecting rainwater drained from residential properties into public sewers. When rainfall is high, demand for service water drainage and treatment grows. Lower rainfall can reduce demand for water collection, but can also push up usage from some businesses, especially in the agricultural sector, where water is essential for crops.

Population



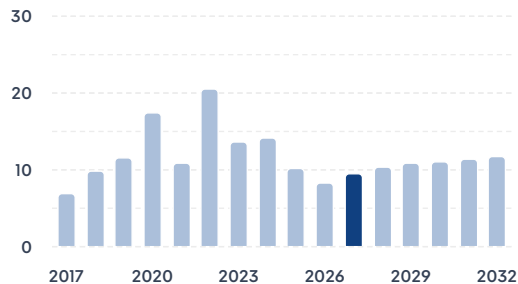
IBISWorld

Source: IBISWorld

Water is regarded as a basic necessity and consumption is affected by the size of the UK population. As the population rises, so does water consumption, often putting additional strain on existing resources. To meet this rising demand, water companies must continually upgrade and improve their infrastructure.

Public concern over environmental issues

Percentage



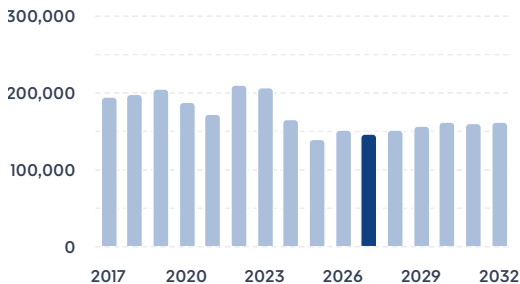
IBISWorld

Source: IBISWorld

Growing concern over environmental issues has encouraged residential and commercial customers to reduce their water consumption. On the other hand, lower environmental concern means households may worry less about how much water they use, which increases demand for water treatment and supply.

Housing starts

Units



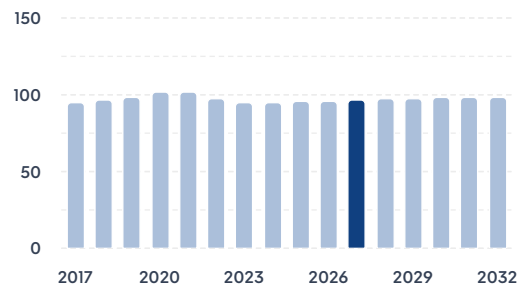
IBISWorld

Source: IBISWorld

The number of housing starts affects water demand. New houses require a constant water supply, creating demand for water companies. However, the location of new homes affects which water suppliers will benefit, as suppliers usually serve specific regions. Still, a rising number of housing starts creates more demand for water services, providing an opportunity to the industry.

Industrial production index

Index



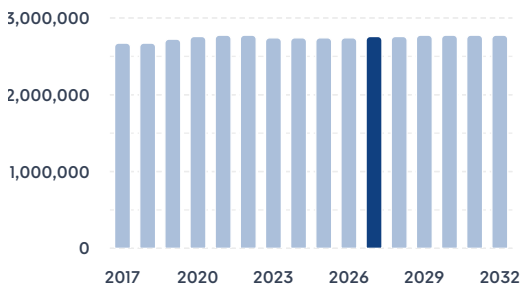
IBISWorld

Source: IBISWorld

Manufacturers are an important market for the water industry, relying on water operators to treat large amounts of wastewater. An increase in the industrial production index reflects rising manufacturing activity. When the industrial production index shows signs of weak growth, it hinders demand for water treatment, posing a threat to the industry.

Number of businesses

Units



IBISWorld

Source: IBISWorld

A significant amount of water is provided to commercial companies and service industries. Offices require running water for drinking, dishwashers and toilets for their employees. When the number of businesses increases, demand for water services typically follows suit.

Regulation & Policy

High

Increasing

What regulations impact the industry?

Water regulatory bodies

The quality of customer service and the prices water companies are able to charge are determined by the Water Service Regulation Authority (Ofwat), the Water Industry Commission for Scotland (WICS) and the Utility Regulator (UR). Ofwat is the economic regulator of the water sector in England and Wales, the WICS is the regulator in Scotland and the UR is the regulator in Northern Ireland.

Water regulation review

A recent review led by Sir Jon Cunliffe has called for a major overhaul of water sector regulation in England and Wales. The review recommends dissolving Ofwat and merging it with the Drinking Water Inspectorate, the Environment Agency and Natural England to create a single, powerful

"super-regulator." This unified body would reduce duplication, streamline oversight and hold broader powers. Another key proposal is the creation of a statutory water ombudsman to resolve customer complaints and strengthen consumer protection. The UK government has accepted these recommendations and plans to combine Ofwat with other regulators, though details on the structure and timeline are yet to be announced. Collectively, these reforms aim to deliver more efficient, transparent regulation and provide stronger protections for both consumers and the environment.

Asset Management Periods

The water industry operates under regulated five-year AMPs, during which water companies submit detailed financial and business plans to regulators, which then determine the prices companies can charge customers. Designed to prioritise customer protection over profit, companies must provide transparent performance breakdowns and are subject to intervention if necessary. The AMP8 period, running from 2025 to 2030 and guided by Ofwat's PR24 framework, marks a new era with an unprecedented £104 billion investment focusing on substantial infrastructure upgrades, innovation and enhanced regulatory oversight. Priorities for AMP8 emphasise achieving net-zero emissions, improving environmental outcomes and leveraging digital technologies to boost efficiency and customer service, highlighting an industry-wide commitment to sustainability, greater regulation and enhanced customer focus.

Ofwat targets

Under AMP8 (2025–2030), Ofwat has set stretching targets backed by around £104 billion of investment to improve environmental performance and supply resilience. This includes roughly £12 billion to cut storm overflow spills by 45% by 2030, alongside major funding to tackle pollution and upgrade wastewater treatment works. Companies are also expected to deliver lower leakage, improve water quality and strengthen long-term supply through large-scale infrastructure investment.

Water Act 2014

The Water Act 2014, which came into effect in April 2017, opened England's water retail market to all non-household customers, allowing businesses, charities and public-sector organisations to choose their water and wastewater service providers. This reform aimed to enhance competition, improve service quality and encourage innovation. However, the anticipated benefits have been unevenly realised. Larger businesses have been more active in switching suppliers, while smaller enterprises have engaged less, a knock-on effect of limited awareness and perceived minimal advantages.

Water (Special Measures) Act 2025

The Water (Special Measures) Act 2025 strengthens oversight of water companies by giving regulators greater powers to intervene where performance falls short. It allows tighter controls on pollution, executive pay and financial resilience, including limits on dividends where companies underperform. The act is designed to raise standards across leakage, sewage discharges and customer service, as scrutiny of the sector intensifies.

Strategic Policy Statement (SPS) to Ofwat

The SPS to Ofwat sets out the UK government's priorities for the water sector, guiding the regulator's approach to price controls and investment. It places greater emphasis on environmental protection, resilience and customer outcomes, requiring companies to reduce pollution, improve water efficiency and support long-term supply. The SPS signals a shift towards stronger accountability, with Ofwat expected to take a more proactive role in driving performance improvements.

Environment Act 2021

The Environment Act 2021 strengthened environmental regulation across England by introducing legally binding targets for water quality, biodiversity and pollution. It gave regulators greater powers to hold water companies to account and required firms to improve river health and reduce environmental damage. The Act also created the Office for Environmental Protection (OEP), which monitors government and public bodies' compliance with environmental law.

Storm Overflow Discharge Reduction Plan

The Storm Overflow Discharge Reduction Plan, published in 2022, sets legally binding targets to reduce sewage discharges into rivers and coastal waters. Water companies must invest in upgrading storm overflows, prioritising sites near designated bathing waters and environmentally sensitive areas. The plan requires all storm overflows to be monitored and sets deadlines extending to 2050, with progress overseen by the Environment Agency and Ofwat.

Assistance

High

Steady

What assistance is available to this industry?

Government

European Investment Bank (EIB)

Post-Brexit, the UK no longer has access to EIB funding for major infrastructure. Under the Withdrawal Agreement, the UK will gradually reclaim the £3 billion it invested in the EIB over 12 years. However, industry experts have downplayed the impact, stating that losing access to the EIB isn't a major concern.

The Water Service Regulation Authority (Ofwat)

Although Ofwat regulates the UK water sector, it also provides water companies with support. Since 2010, those exceeding targets during regulatory periods have received financial rewards through outcome delivery incentives, allowing companies to retain additional revenue. This framework encourages investment, innovation and efficiency, while balancing stricter penalties for underperformance, helping to align company behaviour with customer service, environmental and resilience objectives. In January 2025, Ofwat announced it would double its Innovation Fund to £400 million for 2025-2030, supporting transformative projects, such as underwater robots to repair piping, using AI and satellites to predict algal blooms and using drones for near-real-time coast water quality analysis.

Non-government

Water UK

Water UK serves as the collective voice for all major statutory water and wastewater service providers in England, Scotland, Wales and Northern Ireland. It collaborates closely with the Defra, other government departments and regulatory bodies. Water UK keeps its members informed about market developments, regulatory updates and industry best practices. In 2024, Water UK released its National Storm Overflows Plan for England, offering the latest strategy to address the nation's 14,187 monitored storm overflows. The first phase of the plan recommends nearly tripling investment over the next five years to £11.5 billion, with the goal of cutting spills by at least 40% by 2030.

Financial Benchmarks

Key Takeaways

Ongoing infrastructure investment drives up depreciation costs. The transition to AMP8, with £104 billion in planned upgrades and persistent leakage challenges, raises depreciation and keeps capital outlays.

Profit comes under pressure as scrutiny rises. Record fines have been handed out thanks to tighter Ofwat enforcement and mounting environmental compliance failures. In 2025, Thames Water received a record £122.7 million fine, weighing heavily on profitability.

Profit Margin	Average Wage	Largest Cost
7.7%	£39.6k	Purchases
↓ Lower than sector	↑ Higher than sector	43.6% of Revenue

Cost Structure

What trends impact industry costs?

Political pressure results in a regulatory overhaul, potentially lowering profit

- Each water company serves its own geographic area, with little or no direct competition. This gives companies a dependable stream of customers and income, supporting relatively high profit. Since there's no substitute for water supply, consumers depend on government regulation and price caps for protection.
- Despite having a guaranteed customer base, profit has narrowed over the five years through 2026-27. Water companies are coming under increasing regulatory pressure to improve environmental performance and upgrade ageing infrastructure, raising costs and weighing on margins. For example, in May 2025, Ofwat fined Thames Water a record £122.7 million for failures in its wastewater operations and breaches of dividend rules.
- Additional competition laws, like those introduced by the Water Act 2014, allow non-household customers to choose their supplier, adding pressure on profit by ramping up price competition. Under a new centralised regulator, further competition laws could be introduced to drive better management and lower prices, putting additional downward pressure on profit.
- Profit is set to decline in 2026-27 as a tightening regulatory burden compounds higher wage and input costs, putting water companies under pressure to increase investment, meet stricter environmental targets and improve service performance.

Wage costs grow as the complexity of the water industry increases

- The need for skilled technicians, engineers and field staff to operate, maintain and monitor critical infrastructure drives ongoing pay and retention efforts.
- Ongoing skills shortages in IT and specialist asset management, coupled with a surging National Living Wage – up 4.1% in April 2026 – are combining to push wage costs higher in 2026-27.
- Water companies must continually invest in upskilling and safety training to comply with regulatory and health standards, keeping wage costs significant.
- Wage costs are expected to rise over the five years through 2026-27 as water companies compete for skilled engineers, technicians and digital specialists needed to modernise ageing infrastructure and deliver major investment programmes.

Advanced technologies drive up purchase costs

- Purchases refer to chemicals used in water treatment and replacement components, chiefly pumps, pipes, treatment plant machinery, meters and other network infrastructure assets.
- The introduction of advanced filtration and purification systems, alongside increasingly sophisticated IT monitoring solutions and smart repair AI technologies, has resulted in higher initial costs for equipment and installation, driving up purchase costs.
- Purchase costs are expected to rise in 2026-27 as the Iran conflict pushed up the price of water treatment chemicals. Chemicals such as ferric sulphate and chlorine are energy-intensive to produce, meaning higher gas and electricity prices have increased manufacturing costs and, in turn, the prices paid by water companies.

Depreciation edges up as water companies invest in network infrastructure upgrades

- Depreciation spending has stepped up in the five years through 2026-27, reflecting continued capital investment to modernise network infrastructure under the AMP8. AMP8 runs from 2025 to 2030, requiring water companies to undertake substantial upgrades to ageing networks and treatment facilities, lifting depreciation charges as new assets come onstream.
- Tackling leakage is a major driver of capital investment. The House of Commons Public Accounts Committee estimated that England and Wales lose 2.4 billion litres daily, around 20% of the public water supply through leakage. Ambitious targets mean continued investment in technology and replacements, ratcheting up depreciation charges.
- Over the next five years, continued investment in AI and digital tools is likely to drive further increases in depreciation costs as more equipment comes on stream.

Water treatment requires a significant amount of energy

- Due to the significant size of water companies and the energy required for water treatment, sedimentation and purification, companies consume vast amounts of electricity and gas.
- Water suppliers that source from reservoirs or lakes and use gravity-fed pipelines, including United Utilities and Welsh Water, benefit from significantly lower energy requirements compared to those that need to pump water from rivers or deep wells and operate energy-intensive treatment plants.
- Water companies have attempted to lower energy consumption. For example, Thames Water has experimented with thermal hydrolysis using sludge to create biogas to power its water treatment centres.
- Utility costs are expected to rise in 2026-27 following the Iran conflict, which pushed up wholesale gas and electricity prices. Although many water companies generate some of their own electricity through biogas and solar, they remain net purchasers of power and therefore exposed to higher wholesale prices. For example, Severn Trent generated the equivalent of 56% of its own electricity consumption in the year ended 31 March 2024, with the remainder sourced from the grid.

Rent remains low and stable despite continued investment in infrastructure

- Rent expenses have been low and flat over the past five years, reflecting the industry's low reliance on high-value office space. Water companies invest more in infrastructure than in real estate. Rent costs are further limited by locating facilities in affordable, remote areas.
- New market entrants also keep rental expenses to a minimum by selecting efficient, low-cost locations, aligning with the industry standard of emphasising investment in equipment and technology. For example, Water Plus, a supplier set up in 2016, operates from low-cost business parks in the Midlands and North, focusing spending on metering technology over office space.

Advertising is minimal for large suppliers but essential for smaller businesses

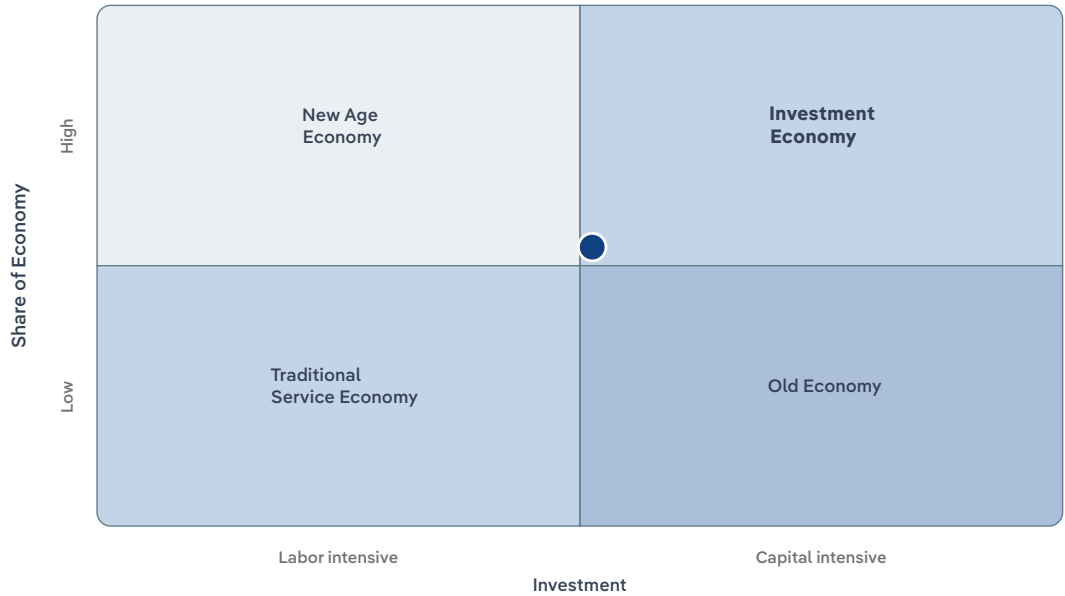
- Water companies spend very little on advertising, PR or branding. They act as regional monopolies, facing no direct competition for household customers in their service areas, so there's little commercial incentive or benefit to traditional advertising.
- Small sums may be spent on logo creation and essential communications rather than promotional campaigns.
- For business customers, there's some targeted advertising, particularly from smaller companies in the competitive commercial water market, which run marketing campaigns to capture market share and attract business clients through price comparisons, differentiated services and digital outreach.

Compliance costs rise as Ofwat tightens regulatory oversight

- Other costs include regulatory compliance and licence fees, environmental levies and abstraction charges, insurance, bad debt provisions, professional and legal fees, IT and cyber-security services, sludge disposal and waste handling costs and financing-related charges (e.g. refinancing and advisory expenses).
- Over the five years through 2026-27, compliance costs have risen as water companies have faced heightened scrutiny from Ofwat and tighter environmental monitoring requirements. Higher compliance costs are highlighted by Ofwat's proposed £168 million enforcement package in August 2024, including £104 million for Thames Water, £47 million for Yorkshire Water and £17 million for Northumbrian Water following failures in wastewater network management. In May 2025, Ofwat confirmed a record £122.7 million penalty for Thames Water over wastewater failings and dividend issues.

Investment Economy

Share of economy vs. Investment



Financial Ratios

Valuation Multiples

Earnings Ratio	2020	2021	2022	2023	2024	3-Year	5-Year
EV/Revenue	N/A	0.2	0.3	0.6	1.2	0.7	0.6
EV/EBITDA	N/A	0.1	0.8	4.0	5.7	3.5	2.7
EV/EBIT	N/A	0.1	0.8	4.0	5.7	3.5	2.7

Key Ratios

Year	Revenue per Employee (£k)	Revenue per Enterprise (£m)	Employees per Establishment (Units)	Employees per Enterprise (Units)	Average Wage (£k)	Wages/Revenue (%)	Establishments per Enterprise (Units)	IVA/Revenue (%)
2013-14	191.0	4.06	13.9	21.3	39.96	20.9	1.5	38.9
2014-15	242.9	4.98	13.7	20.5	48.89	20.1	1.5	42.3
2015-16	214.2	5.01	16.0	23.4	42.33	19.8	1.5	41.1
2016-17	163.8	4.28	17.8	26.2	36.25	22.1	1.5	36.1
2017-18	197.5	4.52	15.9	22.9	43.00	21.8	1.4	38.4
2018-19	171.9	4.55	18.9	26.5	36.94	21.5	1.4	40.6
2019-20	191.9	4.53	16.5	23.6	44.62	23.3	1.4	44.2

Water and Waste Management • E36.000

Water Collection, Treatment & Supply in the UK

Year	Revenue per Employee (£k)	Revenue per Enterprise (£m)	Employees per Establishment (Units)	Employees per Enterprise (Units)	Average Wage (£k)	Wages/ Revenue (%)	Establishments per Enterprise (Units)	IVA/Revenue (%)
2020-21	175.6	3.95	16.1	22.5	41.62	23.7	1.4	46.8
2021-22	175.4	3.76	16.3	21.5	42.92	24.5	1.3	46.6
2022-23	174.7	4.07	17.4	23.3	41.44	23.7	1.3	42.0
2023-24	164.8	4.06	17.4	24.6	42.43	25.7	1.4	42.2
2024-25	160.2	4.02	17.5	25.1	41.06	25.6	1.4	42.4
2025-26	155.4	3.94	17.6	25.3	39.83	25.6	1.4	42.9
2026-27	154.0	3.92	17.5	25.4	39.63	25.7	1.5	42.9
2027-28	153.3	3.90	17.6	25.5	39.20	25.6	1.5	42.8
2028-29	152.1	3.88	17.6	25.5	39.01	25.7	1.5	43.0
2029-30	150.5	3.85	17.7	25.6	38.77	25.8	1.5	43.2
2030-31	149.7	3.83	17.7	25.6	38.64	25.8	1.4	43.3
2031-32	149.4	3.83	17.8	25.7	38.60	25.8	1.4	43.4
2032-33	155.2	3.84	17.8	24.8	39.50	25.4	1.4	43.1

Key Statistics

Industry Data

Values

Year	Revenue (£m)	IVA (£m)	Establishments (Units)	Enterprises (Units)	Employment (Units)	Wages (£m)
2013-14	9,167.7	3,569.5	3,455	2,259	48,000	1,917.9
2014-15	11,174.2	4,723.8	3,370	2,246	46,000	2,249.0
2015-16	11,566.6	4,751.8	3,370	2,310	54,000	2,285.7
2016-17	10,317.9	3,722.7	3,540	2,409	63,000	2,283.7
2017-18	11,453.7	4,399.4	3,655	2,536	58,000	2,493.9
2018-19	12,032.8	4,882.5	3,700	2,647	70,000	2,585.4
2019-20	12,282.2	5,423.9	3,870	2,711	64,000	2,855.7
2020-21	11,192.8	5,238.8	3,965	2,836	63,736	2,652.8
2021-22	11,648.0	5,432.0	4,065	3,096	66,400	2,849.7
2022-23	13,199.7	5,548.3	4,340	3,246	75,555	3,130.6
2023-24	12,988.0	5,482.5	4,525	3,199	78,797	3,343.5
2024-25	13,303.5	5,636.9	4,754	3,311	83,046	3,410.2
2025-26	13,601.6	5,840.0	4,987	3,456	87,518	3,485.9
2026-27	14,207.3	6,099.3	5,263	3,628	92,256	3,655.6
2027-28	14,798.8	6,328.5	5,500	3,793	96,514	3,783.1
2028-29	15,327.2	6,587.5	5,719	3,949	100,785	3,931.1
2029-30	15,792.1	6,814.7	5,925	4,100	104,912	4,067.0
2030-31	16,299.7	7,053.8	6,137	4,253	108,860	4,206.7
2031-32	16,958.2	7,366.1	6,383	4,423	113,476	4,380.0
2032-33	17,616.8	7,591.8	6,383	4,582	113,476	4,482.1

Annual Change

Year	Revenue (%)	IVA (%)	Establishments (%)	Enterprises (%)	Employment (%)	Wages (%)
2014-15	21.9	32.3	-2.5	-0.6	-4.2	17.3
2015-16	3.5	0.6	0.0	2.8	17.4	1.6
2016-17	-10.8	-21.7	5.0	4.3	16.7	-0.1
2017-18	11.0	18.2	3.2	5.3	-7.9	9.2
2018-19	5.1	11.0	1.2	4.4	20.7	3.7
2019-20	2.1	11.1	4.6	2.4	-8.6	10.5
2020-21	-8.9	-3.4	2.5	4.6	-0.4	-7.1
2021-22	4.1	3.7	2.5	9.2	4.2	7.4
2022-23	13.3	2.1	6.8	4.8	13.8	9.9
2023-24	-1.6	-1.2	4.3	-1.4	4.3	6.8
2024-25	2.4	2.8	5.1	3.5	5.4	2.0
2025-26	2.2	3.6	4.9	4.4	5.4	2.2
2026-27	4.5	4.4	5.5	5.0	5.4	4.9
2027-28	4.2	3.8	4.5	4.5	4.6	3.5
2028-29	3.6	4.1	4.0	4.1	4.4	3.9
2029-30	3.0	3.4	3.6	3.8	4.1	3.5
2030-31	3.2	3.5	3.6	3.7	3.8	3.4
2031-32	4.0	4.4	4.0	4.0	4.2	4.1
2032-33	3.9	3.1	0.0	3.6	0.0	2.3

Figures are inflation adjusted to 2026-2027

Key Success Factors

Key Success Factors

How do successful businesses overcome volatility?

Establish long-term working relationships with raw material suppliers

Long-term supplier relationships guarantee steady access to essential materials such as chemicals for water treatment and metal for pipeline infrastructure, ensuring consistent service delivery and cost predictability.

Secure a flexible workforce

A flexible workforce enables water companies to swiftly adapt to emergency repair needs, infrastructure projects and changes in water demand, ensuring uninterrupted supply and helping to keep income steady.

What products or services do successful businesses offer?

Comply with required product standards

Meeting rigorous UK water quality and environmental standards ensures compliance, protects public health and mitigates the risk of costly fines and reputational damage.

Invest in new technology to enhance operational efficiency and quality

Adapting infrastructure and operations to support growing demand from the population is crucial. Efficient water delivery through extensive pipeline networks and local reservoirs, supported by reliable pumping stations, will be paramount for the future.

How do businesses use location to their advantage?

Attract local support

Water plants are required to comply with local environmental regulations and engage with the surrounding community to secure support for their operations. Facilities that prioritise sustainability initiatives tend to foster stronger community backing for water treatment and sewage projects.

Carry out all necessary maintenance to keep facilities in good condition

During AMP8, water companies will be required to invest record amounts in reducing leakages and service interruptions to be successful in a tightly regulated industry.

How do successful businesses handle concentration?

Develop a strong reputation

A water company's reputation reflects its reliability and compliance with stringent UK water quality standards. Trust in service provision ensures customer loyalty and smooth regulatory relations, vital for sustaining operations in a concentrated market.

Secure the latest and most efficient technologies and techniques

Using cutting-edge technology optimises water treatment processes, reduces costs and enhances service efficiency. Staying technologically advanced also ensures compliance with environmental regulations.

How can potential entrants overcome barriers to entry?

Comply with government regulations

Compliance with stringent water quality and environmental regulations builds public trust. Adhering to the standards set by regulators is crucial for maintaining licences and avoiding penalties.

Invest in research and development

Continuous investment in research and development fosters innovation in water treatment technologies and sustainability practices. This enhances operational efficiency and helps in meeting evolving environmental regulations and customer expectations.

How do successful businesses compete with substitutes?

Ensure appropriate pricing policy

Competitive pricing strategies can deter customers from seeking alternative water providers. Transparent and fair pricing establishes a supplier's value proposition, helping to sustain consumer trust and loyalty in a highly regulated market.

Maintain excellent customer relations

Exceptional customer relations build trust and loyalty, reducing the likelihood of customers switching to alternative suppliers. This is crucial for retaining a stable customer base.

How do successful businesses manage buyer & supplier power?

Develop effective quality control

Implementing stringent quality control measures ensures compliance with regulatory standards and enhances customer satisfaction, reducing complaints and increasing bargaining power.

Develop strong working relationships with subcontractors

Maintaining strong relationships with subcontractors guarantees efficient and cost-effective maintenance and expansion of water infrastructure, reducing reliance on any single subcontractor and ensuring flexibility in service provision and cost management.

Call Preparation Questions

Role Specific Questions

Sales & Marketing

How has the implementation of the Water Act from April 2017 affected competition for commercial customers? How have you altered your marketing strategy in response to this?

- The Water Act, implemented in April 2017, has increased competition, as it allows businesses, charities and public-sector customers in England to switch suppliers.
- Businesses are likely to consider Ofwat's service incentive mechanism score when choosing a company, encouraging operators to improve their services.

What proportion of your revenue is generated by the industrial sector? How has this changed recently and why?

- The manufacturing sector consumes vast volumes of water.
- Rising competition from abroad has pressured the UK manufacturing sector, though export demand has supported the activity.

How does the amount of revenue generated by metered households compare with revenue from non-metered households?

What benefits do water meters give?

- Although approximately 60% of the UK's homes now have water meters installed, metered houses still generate far less revenue than unmetered houses.
- Water meters reduce strain on infrastructure, making water companies more capable of dealing with extreme weather.

Strategy & Operations

What initiatives have you got in place to attract more women to your company and ensure a more gender balanced workforce?

- The industry is male-dominated, with operators often finding it hard to attract female workers. Nevertheless, some are making efforts to attract more female staff through training and reducing the gender pay gap.
- Having a diverse workforce is important, as it improves the ability to understand customers' needs, can boost morale and productivity and is better perceived by the public.

What plans do you have in place for the next Asset Management Plan (AMP), and how do you expect this to affect your prices?

- In AMP periods, operators submit their financial and business plans to regulators, which then set prices.
- AMPs and price reviews are designed to protect customers, making industry profit margins a secondary consideration.
- AMP8 began in April 2025, and industry regulators are imposing stricter price reductions, potentially raising operating costs.

How important is it to improve your customer service, particularly since small businesses are now able to switch suppliers?

- Businesses are now free to choose their supplier based on which operator has the best deal for them.
- Since 2010, Ofwat has been ranking companies on their customer service, as a part of its service incentive mechanism (SIM).
- A growing number of businesses are likely to consider Ofwat's SIM when choosing a company, incentivising operators to improve their services.

Technology

What technologies and systems are you implementing to improve energy efficiency and minimise your negative impact on the environment?

- The industry consumes vast amounts of electricity in order to carry out required activities such as treatment and purification of water.
- Water companies have attempted to lower the amount of energy they consume. For example, Thames Water has experimented with thermal hydrolysis using sludge to create biogas that can then be used to power its water treatment centres.

How could you benefit from implementing ultraviolet (UV) light disinfection into your operations? How do you monitor developments such as these?

- United Utilities experimented with UV light to kill the cryptosporidium parasite. The process involves coagulation, flocculation and filtration, using UV light for disinfection. It used portable UV rigs on three of its sites.
- In the coming years, more companies are expected to adopt UV instead of using chlorine.

Compliance

What forms of assistance or incentives do regulators such as Ofwat offer your company to meet their regulations?

- Although regulators act in the interest of consumers, they also provide assistance to operators.
- Ofwat has introduced policies and offered assistance to ensure that its Water 2020 plan is fulfilled.
- Ofwat has incentivised greater use of partnerships throughout the industry.

Finance

How have your purchase costs fluctuated over the past few years?

- Purchases include chemicals used in water treatment.
- Some purchases are imported and prices are therefore affected by exchange rates.
- Due to the low value of the pound, imports have become more expensive.

How has the implementation of the Water Act in April 2017 expected to affect your revenue and profit? How does your profit margin compare with your competitors?

- The Water Act 2014 in April 2017 has increased pressure on profit, as businesses, charities and public-sector organisations can choose which company supplies their retail water services.
- Regulators set price caps for the water industry to restrict excessive profit.

What percentage of your revenue does depreciation account for? How do you expect it to change in the coming years?

- Water companies are entering the fifth year of the AMP7 and are investing a vast amount of money in improving their infrastructure.
- In its final determinations for AMP7, Ofwat has allowed £51 billion across the industry to deliver improvements.

External Impacts Questions

Industrial production index

How might a decrease in the UK's industrial output effect your business? What if this offshoring is permanent?

- Manufacturers are an important market for the water industry. Companies in the manufacturing sector rely on water companies to treat large amounts of wastewater.
- An increase in the industrial production index reflects rising manufacturing activity.
- When the industrial production index shows signs of weak growth, it hinders demand for water treatment, posing a threat to the industry.

Public concern over environmental issues

How does increasing concern over the environment affect demand? To what extent do you encourage the uptake of water meters?

- Growing concern over environmental impacts has prompted both residential and commercial customers to use less water.
- Conversely, if public concern about environmental issues diminishes, people are likely to pay less attention to their water usage, resulting in greater demand for water services.

Population

How does the expansion of the UK population affect your company's revenue and profit?

- A growing population increases the demand for water services, as water is essential for human life. As the population rises, so does water consumption, often putting additional strain on existing resources.
- To meet rising demand, water companies must continually upgrade and improve their infrastructure, while also adopting innovative technologies and promoting water conservation among consumers.

Internal Issues Questions

Quickly adopt new technology

What new technologies could be implemented into the water industry? How will you continue to deploy new technology?

- Technology mainly focuses on improving the efficiency or longevity of capital and the customer experience
- Industry news and innovation blogs and magazines can help water industry professionals understand how emerging technologies affect the industry.

Negotiate successfully with regulators

How do you approach submitting a business plan that determines prices for the next Asset Management Plan (AMP) period to ensure that it's beneficial?

- Prices, environmental protection and infrastructure requirements are regulated by AMP periods, which last for five years.
- During AMPs, water companies submit their financial and business plans to industry regulators predicting how much they will need to charge customers to maintain operations. Regulators will then review these proposals and negotiate accordingly

Optimise operating capacity

How will your business be able to perform at capacity? How resilient is your network to weather disruption?

- High capacity utilisation enables unit capital charges to be reduced, lowering costs and thus increasing profit margins.
- Water meters allow companies to track usage and encourage reduced consumption, making it easier to meet growing demand.

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