

The water companies' view on reform of the water sector

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Where we are

- Much success since 1989
- £90bn of investment at no cost to the public purse
- Huge improvements in quality of drinking, bathing water, rivers and environmental standards
- Very high levels of customer satisfaction

What does reform need to address?

- New, significant challenges ahead
 - Climate
 - Carbon
 - Demographic change
- Financing requirements
- Important to determine now the best framework to deliver against those issues in the future

Meeting future challenges

- Put customers first
- Renew incentives for efficient and sustainable delivery
- Flexible regulation that encourages sustainable and innovative behaviour
- Ensure sustainable access to capital markets

Evolution to allow space for sustainable delivery

- Put customers first
 - Measured pace to improvements – ensure customers are on board
 - A strong and representative consumer body to help establish customer priorities
 - Charges which encourage customers to use water wisely but which remain affordable

Evolution to allow space for sustainable delivery

- Renew incentives for efficient and sustainable delivery
 - Positive incentives for sustainable development
 - Remove capex/opex bias
 - Improve incentives for operating efficiencies and innovation

Evolution to allow space for sustainable delivery

- Flexible regulation that encourages sustainable and innovative behaviour
 - Regulation to be in line with government policy
 - Clarity on regulatory boundaries
 - Risk based regulation and compliance focussing on material issues of concern to customers and other stakeholders

Evolution to allow space for sustainable delivery

- Ensure sustainable access to capital markets
 - Regulation must provide scope for companies to attract debt and equity financing
 - The competition agenda should not be allowed to strand existing investment

Careful assessment of options for market reform is required

- As with sustainable development initiatives, industry stands ready to engage with – and deliver – changes which have demonstrable benefit for consumers
- Careful assessment of costs and benefits is required

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Meeting future challenges:

<http://www.water.org.uk/home/policy/meetingfuturechallenges>

Response to DEFRA review of Ofwat:

<http://www.water.org.uk/home/policy/statements-and-responses/ofwtrv>