



Regulation for a Sustainable Water Industry  
Water and sewerage market reform

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# Markets can help reveal the value of water

Abstraction trading – joint work with EA, Defra, WAG

Abstraction rights

Water resources

Wholesale markets

Treatment

Distribution

Retail markets

Retail

# Abstraction and the value of water



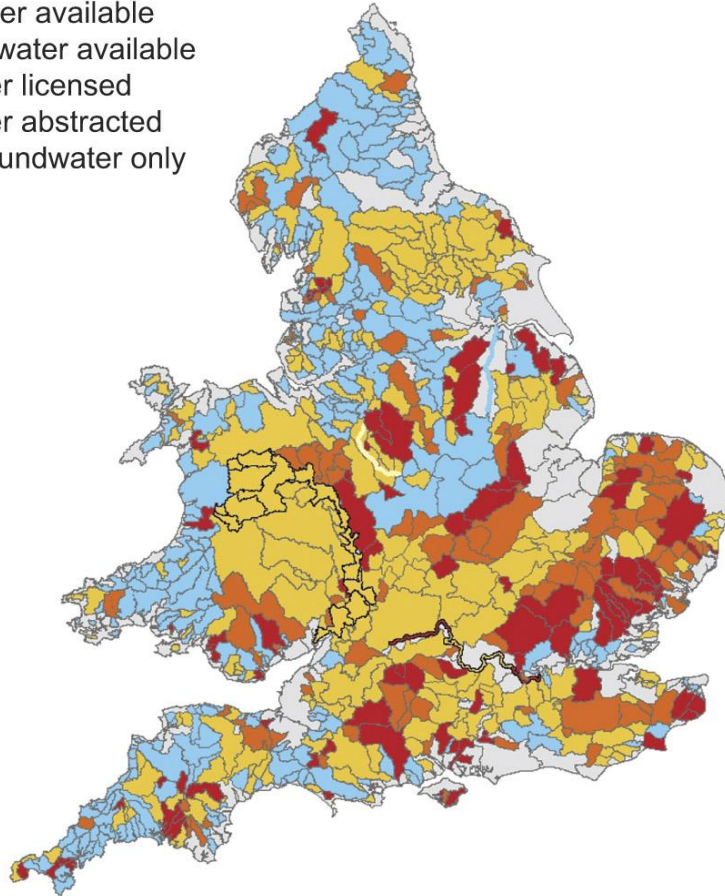
Too much water being taken in some areas, or would be if everyone took water up to the limit of their licences

Little trading of water rights (abstraction licences) – we are working with the Environment Agency towards reform

Revealing the 'value of water' would help allocate this scarce resource better between users, including the environment

# Water availability varies by location and time

- Water available
- No water available
- Over licensed
- Over abstracted
- Groundwater only

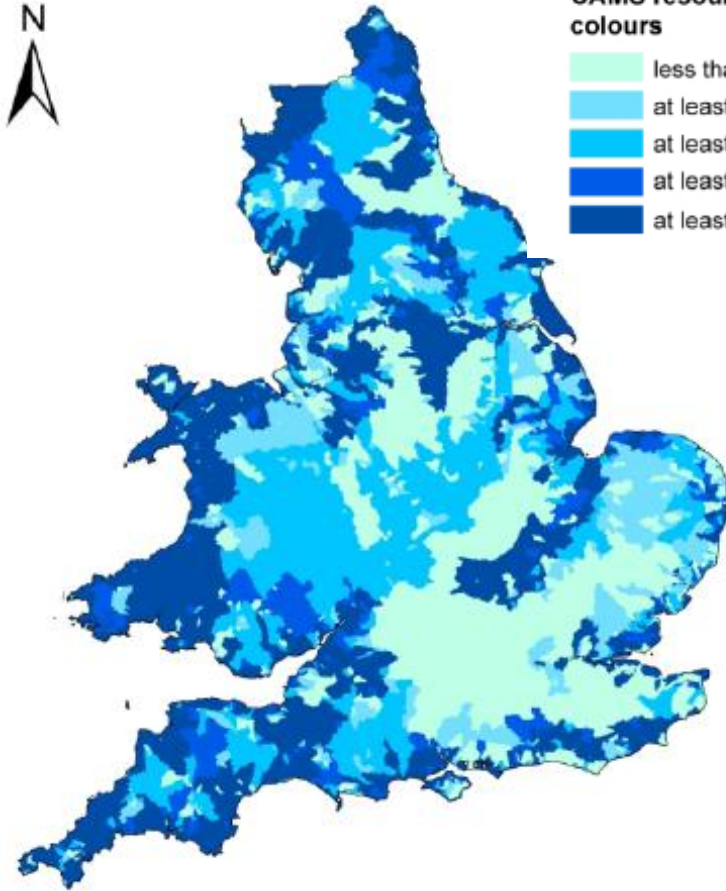


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## CAMS resource availability colours

- less than 30%
- at least 30%
- at least 50%
- at least 70%
- at least 95%



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# Wholesale water – What's to play for?



Some cross-border trade in wholesale water, but this does not work as well as it could

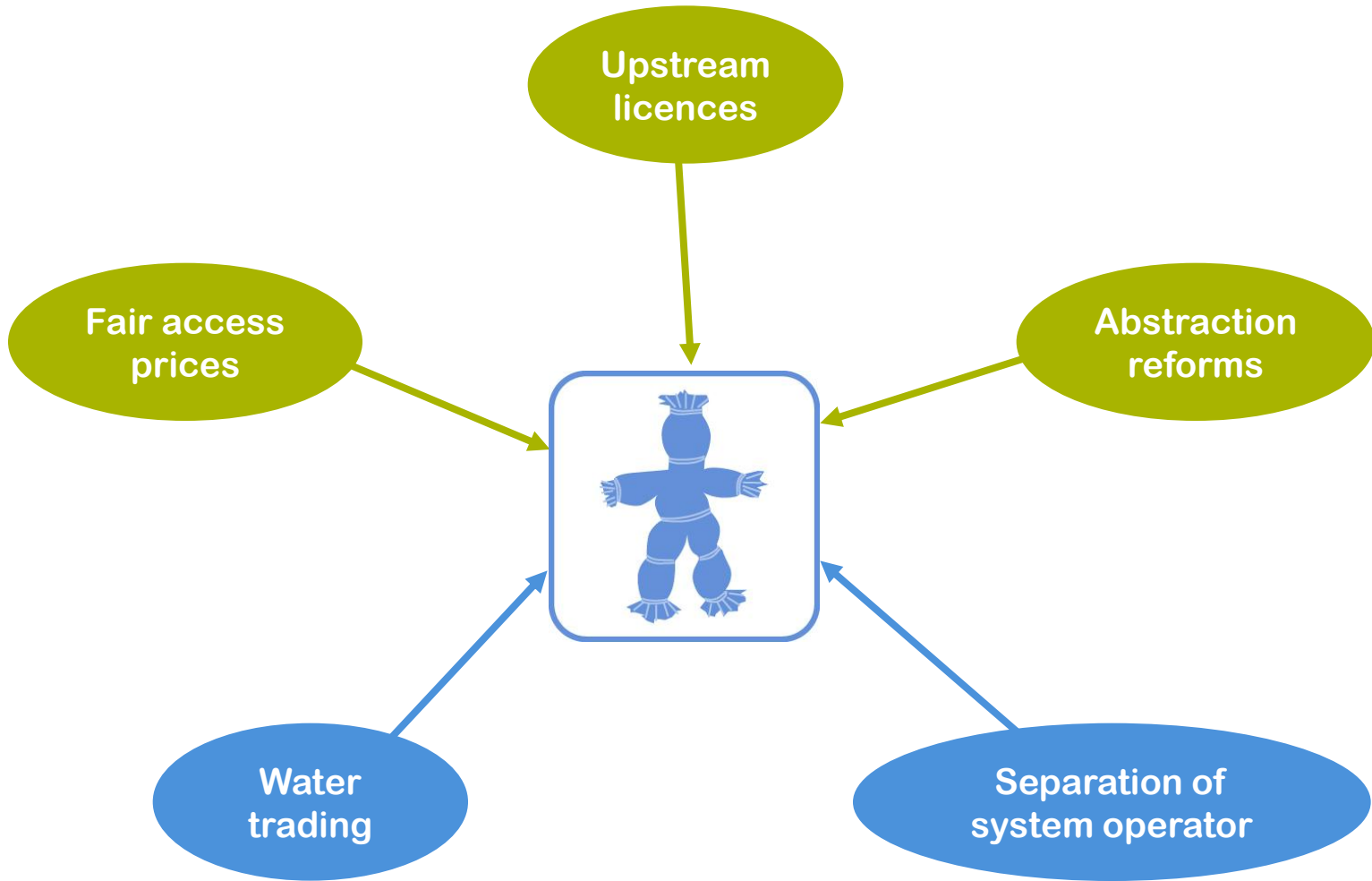
Evidence from Water Resources in the South East group that large savings (£500 million NPV) could be made if there was more trade within and into South East England

Our high-level study estimated potential savings of £960 million NPV across England and Wales

No new companies involved in water storage, treatment and bulk transportation – opportunity for innovation.

New companies 'appointed' to build and operate a growing number of small networks for industrial customers and new housing estates

# Ofwat's 'straw man' for wholesale water competition



These are ideas, **NOT** Ofwat proposals



No choice for households

Competition for non-household customers is minimal and we are working to improve this over the next few years:

- Reducing consumption threshold
- Wholesale prices
- Codes and standard contracts

**Water service companies** – helping customers reduce consumption, recycle, manage their wastewater etc

# Sewerage



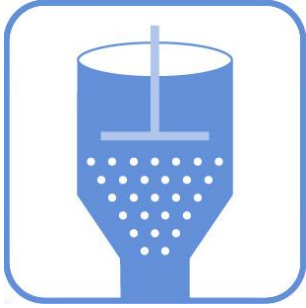
We see less opportunity for competition than in water, because of smaller networks, uncertainty around EU effluent standards, linkage to surface water drainage, etc

But other people might have better ideas than us!

And things may change, for example, in Australia, 'sewer mining' is an economic water resource

So we are happy with government proposals to open sewerage up to competition on a similar basis to water

# Sludge

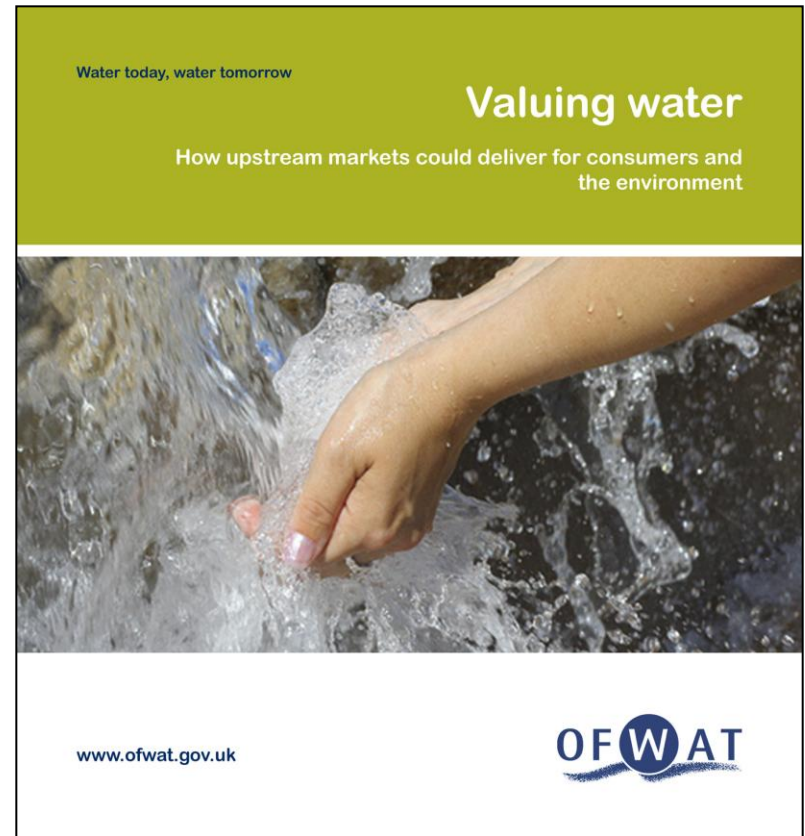
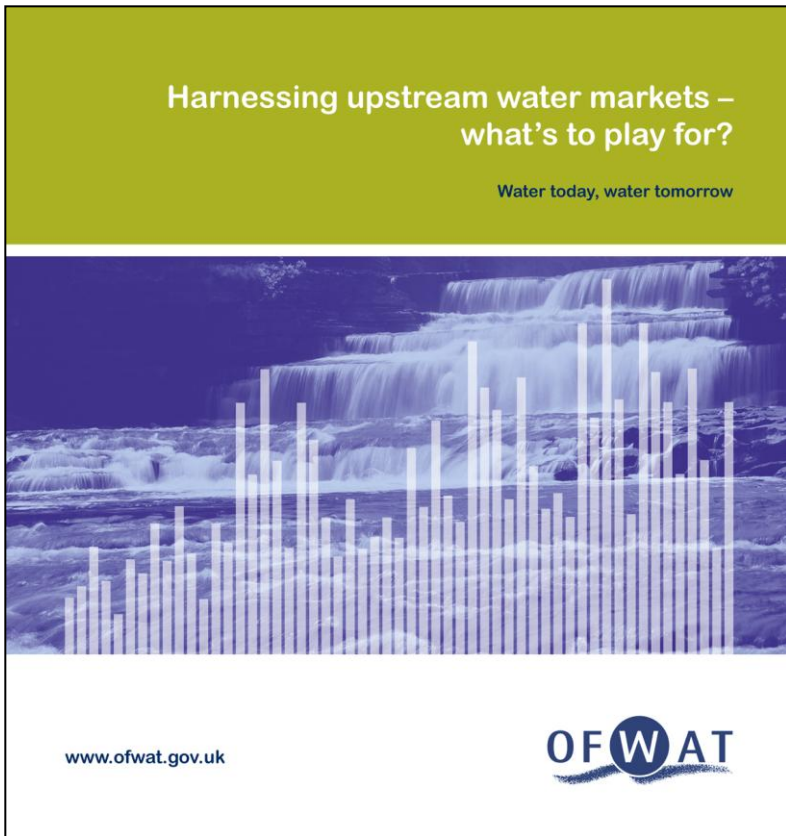


Government is keen to promote recycling and carbon reduction and sees potential in anaerobic digestion of all kinds of waste to produce methane

Co-digestion of sewage sludge with other wastes increases process efficiency but regulations would need changing

Waste treatment in general is competitive and we are reviewing how sludge treatment by sewerage companies should be regulated

# References



Website: [www.ofwat.gov.uk/future](http://www.ofwat.gov.uk/future)