



Walker Review
Mike Pocock
Head of Strategic Planning
Veolia Water UK

30 November 2009



Walker Review

- **“Changes in the regulatory regime are needed and the charging system can play an important role It is important that.. changes are made soon before the challenges become much bigger and more expensive to handle”**
- **“The biggest issue is the mismatch between how we value water now and how we will need to do so in future. Most of us currently consider water is cheap and plentiful. Increasingly this may not be the case”**
- **“Charging system should incentivise efficient use... and be affordable”**
- **“The importance of ensuring the full value of water is taken into account in any investment decisions”**
- **“If water customers are to pay for these improvements, it is vitally important that they are consulted on the additional costs before government agrees to them”**

Key points 1

- **Fairness principles** – incentivise WE and thus sustainability, proportional use charges, polluter pays, affordable for low income, fair to companies, simple and transparent and customers consulted, low admin cost, fair for future generations
- **Industry costs** – efficient and investment decisions reflect value of water in particular metering and WE, licence charges reflect scarcity, Ofwat and EA to agree methods for value of water in regulation.
- **Distributing costs** – polluter pays, customers to pay for wider environmental improvements but impact on bills transparent to customers and their views taken into account
- **Future charging** – fairness generally based on metering
- **Metering** – leadership and clarity needed from Ofwat. Agreed CBA with EA, every property metered or assessed.
- **Measured tariffs** – flexibility, seasonal tariffs most potential

Key points 2

- **Water efficiency** – more capex for long term savings, level 3, coupled with energy savings, point of sale control with labelling, wider benefits, target support to low income homes
- **Affordability** – targeted measures, capped bills for low income or medical conditions, discounts – customers don't want to pay for others – Government to decide how to fund – social tariffs
- **Debt** – named person responsible for bill, legal redress, sharing info. on benefit recipients, Ofwat role, social tariffs
- **Customers first** – Government to consult customers on WQ improvements via CC Water, publicise Service Incentive Mechanism to customers, published league tables, extend penalties
- **South West** – cross regional subsidy or government aid

Value of water

- **Absence of value for scarcity either as increased access price or as a forecast of reduced access means current investment decisions and thus prices are flawed and short term. No forecast of licence reductions despite evidence of CAMS**
- **Missed opportunity and thus inconsistency. Lack of causal effect and fear of being blamed for increasing water prices**
- **Varied DM strategies (metering and leakage) particularly in water stress areas and yet pressure to have common resource strategy – one sided economics**
- **Cost/benefit to be transparent to allow informed customer views**
- **Collective approach needed for customer trust. Clarify env. benefits, state range of env. forecast, evidence for cost of reducing demand options, identify range of benefits and costs to customers.**

Value of water

- **Economics and regulatory system can work**
- **If we use the right inputs, using best available information**
- **Uncertain information is no excuse for assessing range of effects and long term investment options**
- **To get the right outputs**
- **To achieve a common transparent understanding of cost-benefit for environmental investments**
- **As the starting point for customer consultation not after**
- **And seek informed customer choice over the long term**