

Protecting consumers, promoting value and safeguarding the future



PR09 – an Ofwat View on Land use
issues affecting water companies in
England and Wales

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CIWEM – Land-use and Water November 6 2007

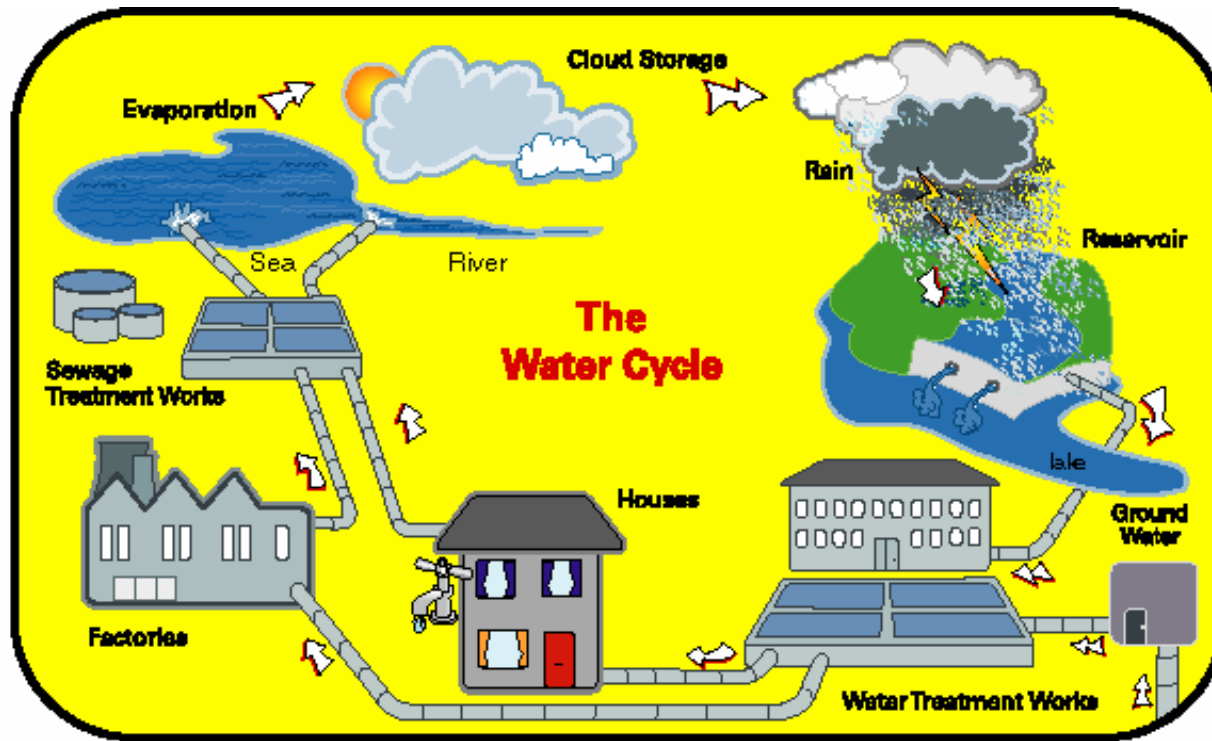
Ofwat's role

Our **ROLE** is to

- **Protect consumers**
- **Promote value; and**
- **Safeguard the future.**

Water company functions

- Ofwat sets price limits every five years which enable each company to finance its functions

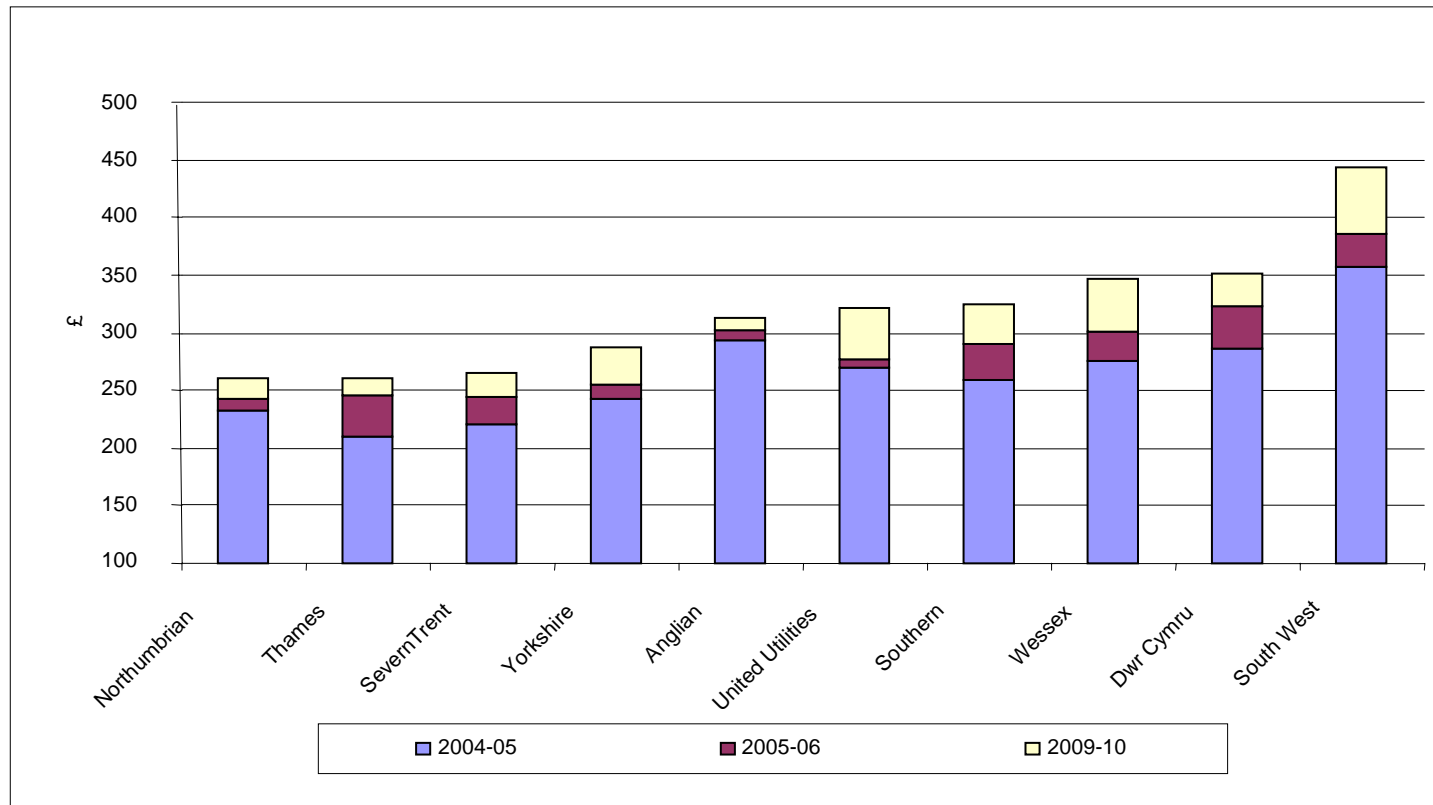


Benefits of economic regulation

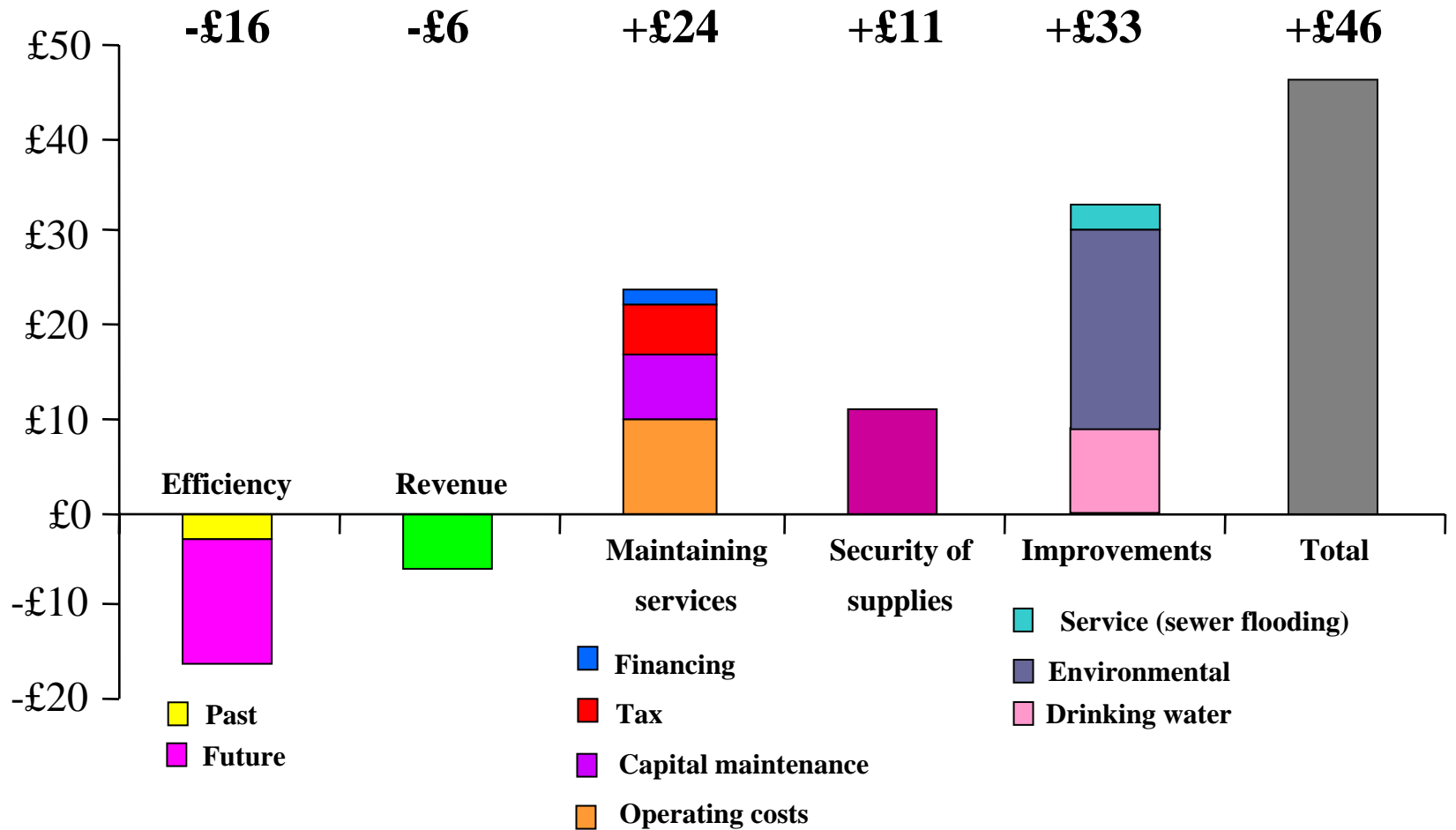
Through this system we have achieved:

- Bills £100 without the regulator.
- Bathing Waters passing the mandatory standard 66% in 1988, 99% in 2005.
- Rivers with 'good water chemical quality' 47% (1990) to 68% (2005).
- Rivers with 'good water biological quality' 62% to 72% over the same period.

Water & sewerage bills 2004-05 to 2009-10 (in 2004-05 prices)

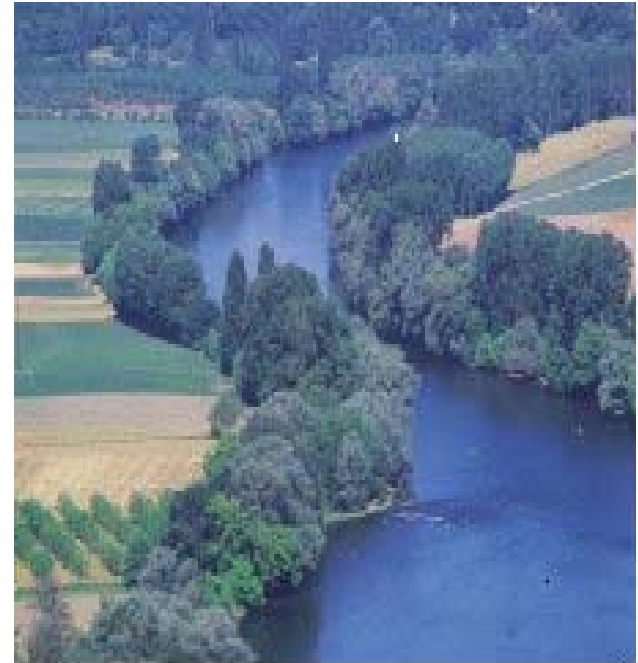


What is driving the change in average bills from 2004-05 (£249) to 2009-10 (£295)



Issue for today is...

- How land use can be changed to benefit the environment and what the role the water industry should play in this.



In the 2004 price review...

- We allowed customers money for two pilot projects:
 - United Utilities SCAMP for SSSI
 - Tees Water Colour Project (Northumbrian Water) £200k. Aim: to demonstrate the potential for catchment based solutions to address a trend of increasing raw water colour in the River Tees.

Water Framework Directive - Article 7

Waters used for the abstraction of drinking water

3 Member States shall ensure the necessary protection for bodies of water identified with the aim of avoiding deterioration in their quality in order to reduce the level purification treatment required in the production of drinking water. Member States may establish safeguard zones for those bodies of water.

Raw water quality

Companies have treatment in place for current water quality.

Deteriorating raw water quality - It should no longer be necessary for companies to have to fit additional treatment to address deteriorating raw water quality.

- Water customers should not be expected to pay EXTRA to compensate for pollution caused by other sectors
- BUT – some additional regulation may be necessary to achieve polluter pays

Ofwat view

We will consider land management projects for price limits when:

- the water company owns the land;
- the land contributes to the achievement of the aims of the regulated business;
- the investment relates to changes in land management practice to meet a defined legal requirement eg SSSI; and
- the proposal is both cost effective compared with other options and is cost beneficial.

Ofwat view

Setting price limits for 2010-15: Framework and approach – a consultation paper, which can be found on our website at: www.ofwat.gov.uk

The closing date for comments on our approach is 24 January 2008.

THANK YOU