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7 February 2008

Dear Fiona

## **FORWARD WORK PROGRAMME CONSULTATION**

We write with reference to the Forward Work programme Consultation setting out Ofwat's programme for the period 2008/09 to 2010/11. We welcome the introduction of the simplified approach and have constructed our response along the lines of the three priorities you have set out. We have only commented where we want to raise a specific point.

### **Protecting Consumers**

#### ***Consumer Experience Measures***

We welcome the proposal to pilot new consumer experience measures. UUW has undertaken a lot of activity in this area and would welcome the opportunity to work with your office to share the details of our work and to support any initiative you wish to trial.

#### ***OPA***

We are supportive of the proposals to introduce a revised OPA, and believe that the work to revise the OPA mechanism needs to be completed ahead of the PR09 process. This will provide clarity and certainty over the details of the OPA assessment for AMP5 and any price impact at PR14. We have responded more fully on the OPA in the PR09 methodology consultation.

#### ***Sewer Flooding Registers***

We welcome the proposal to review how companies compile sewer flooding "at risk" registers. The need for such a review is evident from a review of Reporter's JR07 commentaries of companies' respective approaches to the management of sewer flooding. This is also consistent with UUW's suggestions to conduct "horizontal reviews" of companies reporting methodologies across key reporting areas.

### **Promoting Value**

#### ***Competition***

UUW is supportive of the competitive agenda, as has been demonstrated in our response to your consultations and meetings with Ofwat. However, we are concerned that the drive to introduce competition in parallel with the 2009 price review programme is putting at risk the potential for its successful introduction. In particular, we believe that there is a need to fully understand the cost

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structure of the industry arising from the accounting separation project before margins can be assessed.

Furthermore, whilst supportive of developments in this area, we believe it is not realistic to presume that competition will be advanced enough to deliver such benefits in AMP5. We recommend that Ofwat review the timetable of the planned actions to allow stakeholders to concentrate on PR09 before introducing further enhancement to the competition regime.

We believe competition will only provide incentives in contestable areas, and will not provide additional incentives for the areas of natural monopoly such as network performance. Given that some of the most high profile service issues (leakage, security of supply, sewer flooding, flood alleviation) relate to these monopoly areas, it cannot therefore be presumed that competition will deliver desirable improvements in service performance in these areas alone.

***Accounting Separation***

We are supportive of your proposals and are working with the Ofwat team leading with this work.

**Safeguarding the Future**

***Carbon and Sustainability***

UWU is a leading company within the industry on carbon and sustainability issues. We lead the Water UK forum and were the first water company to appoint a dedicated Carbon Manager. We support Ofwat's initiatives in this area and believe we can add value to Ofwat's activities.

If you would like to discuss any of our points please do not hesitate to contact me.

Yours sincerely

Richard Adams  
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Asset Management & Regulation