

Water Services

For the period 1 April 1998 to 31 March 1999

To

RT. HON. JOHN PRESCOTT, MP

DEPUTY PRIME MINISTER,

SECRETARY OF STATE FOR THE ENVIRONMENT,

TRANSPORT AND THE REGIONS

RT. HON. ALUN MICHAEL, MP

SECRETARY OF STATE FOR WALES

I confirm that during this period

- (i) I made no references to the Monopolies and Mergers Commission
(since reconstituted as the Competition Commission)
- (ii) I received no general directions under section 27(3) of the
Water Industry Act 1991



I C R BYATT

Presented to Parliament in pursuance of section 193 of the
Water Industry Act 1991

Ordered by the House of Commons to be printed 23 June 1999.

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Designed and produced by Design Projects 01453 731231

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Director General's statement



My annual report to Parliament sets out Ofwat's work on behalf of customers during the year ending 31 March 1999.

The 1999 Periodic Review — setting price limits for 2000–2005 — has dominated our work. In the last review, in 1994, we slowed down the increase in customers' bills to the lowest level in the last 15 years. Now I believe the companies can deliver improved services for most customers and for the environment within a framework of falling prices.

We operate a well-informed, transparent and consultative process that balances the interests of customers and other stakeholders. There are many interested parties: the environmentalists want more for the environment, the Customer Service Committees (CSCs) want lower prices and better service for customers, shareholders want adequate returns on their investment. I have to judge carefully when making decisions, aiming to ensure that the outcome of the review is credible, fair and defensible, as well as challenging to the companies. Inevitably, of course, no answer can please everyone.

There is also other related work — which is as important to customers. The Government is legislating to determine charges for vulnerable groups. Looking ahead, the Competition Act will allow me further to develop a framework for market competition. And the Government has proposed changes to utility regulation.

Periodic Review

The pace and scale of environmental improvements have been high on the agenda. The year started with my open letter to Ministers on the costs of environmental programmes and ended with the companies submitting to me their Business Plans, which set out the price limits which they believe they need.

In April 1998 I sought guidance from Ministers on environmental and water quality obligations. In response, they set out, in *Raising the quality*, the national programme they envisaged to meet environmental objectives. In October 1998 we published *Prospects for Prices*, which set out what could happen to prices, including the possible impact of this programme on customers' bills. This consultation received the largest response of any exercise we have run. It also marked a shift of focus for the review from national to regional level.

In March, Ministers announced programmes for each company. The Environment Agency has yet to make public the benefits in relation to the costs of the schemes they recommended to Ministers. Nevertheless, I am now engaged in deciding what price limits are sufficient to enable the companies to deliver a large environmental programme. In doing so, I recognise the concerns many of the companies have raised about the impact of these programmes on customers' bills.

Customers now know what companies want them to pay and why. The companies' Business Plans are publicly available for the first time; they explain the price limits that companies think they need to finance services to their customers and to deliver Ministerial programmes.

We have a clear position on the cost of capital. We are leading the regulatory field on this. We have also developed an overall performance indicator which we intend to use so that the companies that perform best are rewarded and those that perform worst are penalised.

Customers gain if companies are efficient. The water companies need to retain a real incentive to reduce operating costs and to improve services to their customers. They also need to maintain the long-term serviceability of their assets for customers in an efficient way.

Incentives for companies to achieve greater improvements in efficiency will enable them to retain any outperformance, compared with what was allowed for in operating and capital expenditure at the last review, over a rolling five year period. As a counterpart, I will make tough assumptions on cost reductions for the next five years, particularly for the less efficient companies. In a long-term industry such as this, incentives can only work if companies are confident about how those incentives will be treated at future reviews. I have therefore set out, following advice from my senior industrialists, how I believe incentives and efficiency assumptions should work and recommend this approach for future years.

Water Industry Bill

The Water Industry Bill will strengthen the protection of vulnerable customers while retaining incentives, through metering, for a sensible and sustainable use of water resources.

It will give customers the right to a free meter. The number of customers switching to a meter is already rising, and the new Act could accelerate that trend. If those switching pay less, then those remaining on unmeasured charges may pay more. In setting price limits I will assume that the companies manage their metering programmes to avoid excessive increases in bills paid by customers taking an unmeasured supply.

Bills for some vulnerable customers will be reduced. This will be paid for by other customers. I understand that Ministers will be issuing Regulations later this year.

The Water Industry Bill provides for me to approve, annually, water companies' charges schemes. These schemes must include arrangements for dealing with vulnerable customers as well as avoiding undue discrimination and undue preference.

I am consulting on the process for the approval of the schemes coming into force on 1 April 2000 and on the criteria to be used in approving them.

Competition

Building on our established work in comparative competition, we have made progress this year in stimulating direct competition and encouraging new entrants into the industry. We have issued guidelines that simplify and clarify the process of applying for an inset appointment. These appointments can now be time-limited in order to preserve a contestable market.

The Competition Act is a major milestone for competition in the UK. It introduces two prohibitions: on any agreements that restrict, distort or prevent competition; and on any abuses of a dominant market position. Water companies, by virtue of their appointment, have a dominant position. If they abuse it, they face substantial penalties. The Act will be enforced jointly with the Director General of Fair Trading. We are working on guidelines for the water sector which will be published shortly.

The Competition Act may open up the market by giving access to the water supply network through common carriage. Refusal by a company to offer access, on reasonable terms, could be an abuse of a dominant position. The Act may also open up to competition the making of new connections of customers to the supply system.

I welcome the Deputy Prime Minister's review of competition in the industry. As a first step I would like to see a reduction in the threshold for inset appointments. I also believe that, in due course, a reform of the water abstraction licencing system to include tradable licences would further stimulate competition.

Reform of utility regulation

During the year the Government published its proposals for the reform of utility regulation. I welcome its emphasis on arm's-length economic regulation, the maintenance of incentives for efficiency, and the strengthening of competition. Customers will continue to gain from this approach.

The White Paper also points to the need for transparency and proper accountability — areas where we already take our responsibilities very seriously.

I welcome the White Paper's proposals for strengthening the social and environmental aspects of utility regulation through ministerial guidance to the regulator. For proper accountability of regulators and Ministers to be maintained, such guidance should be clear and explicit. I also welcome the commitment that "where social and environmental measures... have significant financial implications for consumers or for the regulated companies, these should be... implemented through specific legal provisions" rather than through guidance.

During the year, I have continued to meet regularly with the other utility regulators. A joint report was submitted to Ministers on multi-utilities. We plan to publish a forward joint work programme shortly and intend to report collectively on the progress we have made.

The Government also plans to set up new independent consumer councils. Once proposals have been clarified, we will devise arrangements for working with the new bodies. Close working relationships between the regulator and customer representatives are essential. Our current integrated system of representation with the ten CSCs and the Ofwat National Customer Council has worked well. The CSCs are performing a vital role in the price review.

The Millennium Bug

Since January 1998, we have been monitoring the companies' activities to ensure that there is no disruption to their services because of the Millennium Bug. I believe that independent verification of the companies' work is essential. We were the first regulator to employ independent engineering consultants to check each company's progress. This is now accepted as best practice across the national infrastructure. The first independent verification study took place from July to September last year. The findings were published in October. The result of follow-up action has been to bring forward the timetable for company compliance. A second independent study has now been completed, and the results show that the industry is not at risk of material disruption. I will continue to keep pressure on the industry by undertaking a third study, publishing my findings and taking any action to ensure business as usual as we move into the new millennium.

1

Review of the Ofwat Business Plan 1998–1999

In April 1998, Ofwat published its first Business Plan. It summarised our objectives during the coming financial year. This annual report highlights our success in delivering those objectives.

This success is due in no small measure to the hard work and commitment of Ofwat staff in managing complex issues, tight timetables and uncertainty.

This chapter summarises some of the main objectives in each area of Ofwat's work. The rest of the annual report expands on these.

Progress on the Periodic Review

Setting the quality framework, April 1998

The Director's open letter to the Secretaries of State for the Environment, Transport and the Regions and for Wales sought government guidance on the priorities for improving the environment and water quality.

Assessing the scope for future improvements in water company efficiency, April 1998

This consultation paper set out the methods and analysis used to establish company efficiency performance. The feedback on this was important in balancing the need for incentives and indicating further scope for reducing company costs.

Assessment of the overall service provided to customers, MD139, September 1998

This paper summarised responses to Ofwat's consultation and confirmed the proposed methodology for an assessment of overall performance which would be reflected in an adjustment to price limits.

Five year Periodic Reviews, MD137, September 1998

Following consultation, the Director set out the reasons for having quinquennial reviews of price limits. Customers and the industry supported this proposal.

Prospects for Prices: a consultation paper on strategic issues affecting future water bills, October 1998

This set out for consultation the assumptions, methods and possible price ranges resulting from the work to date on the Periodic Review 1999 (PR99). This major consultation exercise produced valuable feedback from companies and customers that supported the meetings held between the Director and the companies early in 1999.

Regulating company performance

Annual regulatory reports

As part of our continued monitoring of company outputs and performance, we analysed in detail the company data and information contained in July Returns and Principal Statements. This work is summarised in these five annual reports.

- *Report on tariff structure and charges*, May 1998
- *Report on the financial performance and capital investment of the water companies in England and Wales*, October 1998
- *Report on leakage and water efficiency*, October 1998
- *Report on levels of service for the water industry in England and Wales*, November 1998
- *Report on water and sewerage service operating costs and efficiency*, December 1998

Paying for water

[Charging legislation](#)

During the year we contributed to the development of new legislation that will affect water charges: the Water Industry Bill.

Competition and mergers

[Competition legislation](#)

We contributed to the development of the Competition Act and to the consultation on changes to the abstraction licencing system. We also produced new guidelines to improve the process for applying for inset appointments.

Customer protection

A fair deal for consumers, July 1998

Ofwat has been active in responding positively to the Government's proposals on the future of utility regulation. A good deal of the aims set out in the White Paper have already been implemented.

Open and effective regulation

[Welsh Language Scheme](#)

Our Welsh Language Scheme has achieved approval from the Welsh Language Board and we will report next year on our performance against that.

[Effective communication](#)

Ofwat's publications have been produced cost effectively and on time. We have built up our contacts with environmental, business and consumer bodies, the public, government, water companies, the City and other interested parties. We have developed an internal strategy for effective relations with all stakeholders for the price review. We measure customer satisfaction with the service we provide against our own standards and Customer Charter standards.

[Managing resources](#)

During the year, we revised our rules on probity and corporate governance, to ensure the prudent use of public finance. We have also delivered the Government's new requirements on resource accounts.

[Investing in our staff and future](#)

The office invested over £250,000 in the training and development of staff. This has delivered major benefits towards ensuring that we function as an effective regulator and are well prepared for future challenges.

The annual review of CSC membership has been completed. The first evaluation report of members' training and development has been produced, and our first members' training plan produced for 1999–2000. The merger of Northumbria and Yorkshire CSC offices in Darlington was completed.

Forward programme and 1999 annual report

Proposals in *A fair deal for consumers* included the publication of the three year forward programme by each utility regulator. During the winter of 1998–1999, we consulted on our draft forward programme 1999–2002, which was published at the end of March. This process of consultation and openness on our objectives and priorities is very much part of our way of working. Looking to the future, we are now considering the feasibility of combining the annual report and the forward programme into one publication.

2

Progress on the Periodic Review

During the year the consultation process on the price review came to an end and the Director's decision making began. This is the most open and transparent review of prices in the UK.

In 1999 the Director will reset price limits for all 27 companies in England and Wales. The new price limits will take effect from 1 April 2000. They will be set for the five year period from April 2000–2005. Here we report on progress made during the last year.

Periodic Review strategy

We have set out our strategy publicly, which is:

- to ensure that customers benefit, and are seen to benefit, as soon as possible from the achievements of the companies in reducing their costs;
- to preserve incentives for the companies to maintain long-term serviceability of their assets and to act efficiently;
- to conduct a process which is well informed and transparent, so that the Director's final decisions are publicly credible and defensible.

Management of the Periodic Review

Ofwat has focused its resources on the substantial amount of work involved in the review. An executive project team is responsible for developing and managing policy and planning, as well as monitoring progress. The team meets weekly to consider issues of policy and strategy. A group of the team leaders assists this project management.

Key dates for the Periodic Review

The Director's open letter to the Secretaries of State, <i>Setting the quality framework</i>	April 1998
Consultation paper, <i>Assessing the scope for future improvements in water company efficiency</i>	April 1998
Guidance issued by the Secretaries of State on environmental and quality objectives to be achieved by the industry	September 1998
Assessment of overall service to customers	September 1998
The Director's paper, <i>Prospects for Prices: a consultation paper on strategic issues affecting future water bills</i>	October 1998
Ofwat report on capital works unit costs	December 1998
Second open letter to the Secretaries of State, <i>Informing the final decisions</i>	January 1999
A series of formal meetings between the Director and individual companies	January & February 1999
Final report on benchmarking	February 1999
Ministers' guidance on environmental objectives for each water company for the period 2000–2005	1 March 1999
Results of Ofwat's market research	4 March 1999
Director confirms final elements on his approach to key policy issues, process and timetable	8 March 1999
Companies submit draft Business Plans to support their proposals for price limits	9 April 1999
The Director's draft determinations of price limits published	27 July 1999
Written representations on the draft determinations from companies, customers and other interested groups	By 30 September 1999
A series of formal meetings between the Director and individual companies	September & October 1999
Director's meetings with the CSCs to hear their views	October 1999
The Director's final determinations of price limits published	By 30 November 1999
Director makes references to the Competition Commission (formerly the Monopolies and Mergers Commission) if any companies cannot accept the final determination	February 2000
Companies publish monitoring plans	By 31 March 2000
New price limits come into effect	1 April 2000

Establishing the framework

Work on the Periodic Review began in 1997. The first phase developed a framework and exposed the issues for the review.

The interaction of environmental and economic issues is particularly strong in this review. Ofwat published in April 1998 an open letter from the Director to Ministers, *Setting the quality framework*. This made clear how much customers are already paying in their bills to allow companies to meet their quality obligations. The Director asked for guidance from Ministers on what obligations he should allow for, when considering the proper carrying out of functions by companies. The letter presented the companies' estimates of the costs of various environmental programmes. Some of these presented options in terms of scope and timing, or even whether a programme should be included at all. At that time, the cost of quality was between about £4 billion and nearly £15 billion.

Companies have reported substantial efficiency savings since price limits were last set in 1994. The Director intends to pass on companies' past out-performance by an initial step reduction of prices in the first year of new price limits. He will also set forward-looking efficiency targets that will allow less efficient companies to catch up with the better performing ones.

We published in April 1998 a technical paper on assessing companies' scope for achieving further capital and operating efficiencies. This is a key issue when setting price limits.



Exposing the issues

Having established the principles, the next stage of the Periodic Review has been to expose and consult on broad ranges for the price limits in 2000–2005.

During the summer of 1998, the companies submitted a number of key information returns to Ofwat:

- the annual July Return and regulatory accounts, including additional data for comparative efficiency studies, quality improvements not accounted for at the last price review (logging-up) and key financial information;
- a report on asset inventory and system performance, describing the audit of the current asset stock, value, condition and age profile;
- a cost base report, detailing capital expenditure unit costs for present and future operations;
- a supply/demand balance submission, setting out proposals for matching supply and demand in the light of a full economic appraisal, including levels of leakage and tariffs;
- a customer consultation and strategic options return, to report on consultations with customers and to set out companies' proposals on their preferred business strategy;
- an update on the quality costings.

In September 1998, Ministers set out their guidance on the scope and timing of national and regional environmental programmes in *Raising the quality*. Ministers selected from the range of environmental options, indicating what was on the table nationally, but without specifying how much belonged on each region's plate. They estimated the total bill at about £8 or £8.5 billion.

In October 1998, we published *Prospects for Prices: a consultation paper on strategic issues affecting future water bills*, identifying the key issues in quantitative terms for progressing the review. *Prospects for Prices* was a significant marker and heralded a shift from a national towards a regional focus for the rest of the review. The cost burden of environmental obligations will not fall evenly across the country. *Prospects for Prices* indicated how the burden might affect regional bills, but within a range, and subject to uncertainty. Local bills and local services are what matter to customers.

During 1998 Ofwat and the CSCs monitored and commented on the consultation of customers undertaken by the companies.

In parallel with the *Prospects for Prices* consultation, Ofwat also commissioned a survey of 1,200 customers in four regions to explore their priorities for improvements and their views on alternative profiles for future bills. The results were published in March 1999 (*Periodic Review public consultation, Research by Design*). The work indicated that customers wished to see continuing investment in improvements but also wished to see an early reduction in prices.



Explaining our thinking to analysts and other stakeholders is part of our commitment to openness and transparency.

In December 1998, Ofwat issued the report, *Capital works unit costs in the water industry: an analysis of the June 1998 water company cost base submissions*. Ofwat uses the cost base to assess relative capital efficiency. It compares estimated capital works unit costs for standardised projects. The companies' returns were audited by the Reporters and reviewed by Ofwat assisted by the Babbie Group. The analysis suggested that there is considerable scope for further efficiency savings and for relatively inefficient companies to catch up. The report sets out how Ofwat intends to use standardised costs in the 1999 Periodic Review.

In February 1999 we commissioned a report from PA Consulting about benchmarking (*Final report on operational process benchmarking and cost reduction*). This report looked at the scope for water companies to do more benchmarking of their operational processes. It concluded that significant cost savings could result, based on comparisons with other related industries and activities — in some cases by as much as 30%. The Director asked companies to set out in their Business Plans what they have already achieved through benchmarking, and would like to see companies develop this work.

Companies' Business Plans

The second phase of the review is about decisions and determinations.

After *Prospects for Prices*, the companies revised the costs of the Government's proposals in the light of *Raising the quality*. Ofwat challenged companies' costs by comparing the relative capital procurement efficiency, and incorporated assumptions about future efficiency. With the help of independent Reporters, we were able to challenge the consistency and integrity of the companies' assumptions and numbers.

Ofwat published, in January 1999, an open letter from the Director to Ministers about revised quality costings. This identified an overall programme costing £8.3 to £8.8 billion. These revised costings drew attention to those regions where customers would potentially face the largest bills. Ministers published their decisions on quality obligations in early March 1999.

The consultation period on *Prospects for Prices* ran until January 1999. It was pleasing that over 130 responses were received, representing the largest number received for any Ofwat consultation of this kind.

The Director held formal meetings with each of the companies, during January and February 1999, to discuss the public responses to his consultative paper. These constructive meetings helped to resolve or clarify areas of disagreement and differences in perception between the companies and Ofwat. They helped the companies to finalise their Business Plans, which were submitted to the Director by 9 April 1999.

The Director considered carefully the responses he received to the consultation and the points raised by the companies in the meetings, and took account of them when he published two letters (MD145 and MD146), in March 1999, confirming the final elements of his approach to key policy issues for the review, together with the process and timetable.

The Business Plans set out the company boards' proposals for 2000–2001 to 2004–2005. The Plans explain the basis of the price limits requested by the companies and their reasons, so that the Director can take proper account of their views in his determinations. Public versions of the Business Plans were placed in the Ofwat library and one-page summaries added to the Ofwat website. This material in the public domain enables the dialogue between the company and Ofwat to continue and helps all interested parties to get involved. A reference copy of the non-confidential elements of the Business Plan will be placed in the Ofwat library in April 2000, or after re-determination by the Competition Commission.

Companies' Business Plans reflect their work with customers. The Director asked the regional CSCs for their views on the public domain versions of the Plans by early June 1999.

The independent Reporters, assisted by the Auditors, have audited, scrutinised and challenged all of the company information submissions, culminating in their work on the company Business Plans. They checked that companies complied with Ofwat's reporting requirements and guidelines, and ensured that all material assumptions were either exposed by the companies or highlighted in their own reports to us. This scrutiny by Reporters enables Ofwat to make informed comparisons between companies and to take account of factors affecting the consistency and comparability of individual company information.

Panel of senior industrialists

Ofwat's advisory panel of senior industrialists met on eight occasions during the year (for membership, see Appendix 6). Members of the panel also completed a series of visits to individual companies to become better acquainted with the technical and managerial procedures prevalent in the industry.

Most of the key issues that fall to be resolved as part of the Periodic Review were discussed with the panel. The focus has been on three main areas: the assessment of the scope for improvements in efficiency; the proper balance of incentives to both mirror the challenges posed in truly competitive markets and to provide the opportunities to benefit from innovations; and financing issues, particularly issues around the cost of capital and bankability.

We have received helpful and constructive advice from the panel on these issues. This advice has guided the development and presentation of policy for the Periodic Review.

Draft determinations

The draft determinations will be published on Tuesday 27 July 1999. A national publication will set out each company's K factors, infrastructure charge limits and the minimum outputs for the five years 2000–2005. Some numbers will be company-specific, others will be industry-level only. A draft formal notice and a confidential supplement will be sent to each company explaining its own determination.

The review has involved a two-year business planning process. During this period, we have already consulted on the approach, methodology, information to be collected and broad ranges for price limits. The final stage of external representation and comment will be on the draft determinations. The Director may change figures in his draft determination as a result of representations made by the companies and other interested parties.

Final determinations

The Director intends to announce his final determinations at the end of November 1999. He will explain the reasoning behind his decisions and set out what assumptions have been made. A national publication will set out the final determinations.

Companies will have the choice of either accepting the Director's final decisions or requiring a re-determination by the Competition Commission. They will have two months from the date of the final determination to decide.

Following final decisions, companies will publish their five-year monitoring plans by the end of March 2000. They will be placed in the Ofwat library and a one-page summary added to the Ofwat website. These plans will describe how customer service standards and environmental obligations will be met under the new price limits. They will be used to assess companies' performance year-by-year throughout the price limit period.

The new price limits for K factors and infrastructure charges will take effect on 1 April 2000.

3

Regulating company performance

We have continued to monitor company outputs and performance. We have analysed in detail company data and information in their July Returns and Principal Statements, together with that from the two quality regulators — the Environment Agency (EA) and the Drinking Water Inspectorate (DWI). We, and they, took action where necessary. This work is summarised in five annual reports.

The Director has a duty to ensure that the companies properly carry out their functions. We must collect good quality data to establish whether customers are receiving a good service. Information also allows us, and others, to compare company performance, and to create a climate of robust comparative competition to encourage improvements.

The DWI and the EA both provide information in an agreed format to Ofwat on company progress with the statutory drinking water quality and environmental improvements. Ofwat holds meetings with the DWI and each of the EA's regional offices to identify and confirm any aspects of company performance in respect of quality related obligations which may require further investigation. Any concerns are then followed up with individual companies by Ofwat, EA or DWI as appropriate.

We protect the interests of customers by:

- *reviewing and setting price limits every five years and annually monitoring company tariffs;*
- *providing incentives for cost reduction and greater efficiency by companies;*
- *ensuring that customer expectations of service are met and that levels of service improve.*

We concentrate on monitoring the companies' outputs, rather than merely what they spend.

Performance reports and comparative competition

We use comparative competition as our main vehicle for improving company performance. It encourages companies to provide a better service at lower cost. Comparative competition stimulates the behaviour that market competition might produce. Our annual monitoring produces a series of reports that provide and interpret for customers this important information.

The July Return

All of the companies make a return each July to Ofwat. This return sets out their regulated activities, service to customers, and their expenditure. We use the information to monitor the companies' performance, their progress in meeting legal obligations and their success in meeting a growing demand for services. We also consider any other aspects of performance that concern us.

Information in the public domain

Ofwat made public the July Returns in February 1999 on CD-ROM. A paper version is available for inspection in the Ofwat library. Ofwat uses the information to publish five annual reports that compare company performance:

1998–1999 report on tariff structure and charges

- Companies are starting to develop tariffs that take into account customers' demand. The Director urged the companies to manage their metering programmes and tariff structures carefully.
- Ofwat protects the interests of customers by preventing companies from showing undue preference or discrimination in their charges to customers. A customer's bill should broadly reflect costs.
- Prices should be balanced. Most companies have, for example, made progress in achieving a better balance between water and sewerage charges, and between charges to measured and unmeasured customers. We expect all companies to continue working towards fairness between customers.

1997–1998 report on financial performance and capital investment of the water companies in England and Wales

- Capital investment continued at record levels. Industry operating costs fell, in real terms, compared with recent years.
- Companies are continuing to show that they can become more efficient than expected. Cost reductions resulting from greater efficiency will be passed on to customers at the price review.
- At the same time, service to customers and to the environment is generally improving.



1997–1998 report on leakage and water efficiency

- Ofwat monitors the companies' performance on leakage reduction and requires them to meet tough annual targets set by the Director. Companies have, for the third year running, reported significant progress in reducing total leakage, which in 1997–1998 was 12% lower than in 1996–1997. This represents the largest single year reduction in leakage since privatisation. Meeting the targets set by Ofwat for 1999–2000 would secure a 35% reduction in leakage since its high point in 1995.
- All bar three companies hit or bettered their 1997–1998 targets. Two (Mid Kent Water and Portsmouth Water) satisfied us that leakage had fallen. No regulatory action was considered necessary. One company (Anglian Water) has been required to report quarterly to Ofwat about its progress. (Thames Water was already reporting quarterly and continued to do so.)

- We commissioned, with Mid Southern Water, a joint study into the company's relatively high leakage.
- Some companies' studies of economic levels of leakage were robust and we took them into account when setting their new targets. Many were not good enough. All companies were therefore asked to update and resubmit their appraisals in their Business Plans.
- All of the companies now have strategies to promote the efficient use of water by customers. In 1998, for the first time, we asked them to quantify both the extent of their initiatives and the savings likely to accrue. The response was disappointing. We have asked the companies to set out clearly their intentions to monitor the effectiveness of their activities and we will report on how well they have achieved them.

1997–1998 report on levels of service for the water industry in England and Wales

- Companies significantly improved levels of service to customers for all but one indicator (sewer flooding). Targets were set for companies for whom we had concerns. Subsequent monitoring has shown that the companies are addressing these issues.
- For the first time, the report included a comparative assessment of the overall service companies provided to customers. This followed consultation on our proposed methodology in March 1998. As well as covering the levels of service indicators, this comparative assessment included a broad range of environmental measures, drinking water quality and qualitative aspects of customer service. We will use information for the three years from 1996–1997 to 1998–1999, to adjust price limits at the price review. The scale of the adjustments that would be made to price limits was explored in *Prospects for Prices*.
- Following recommendations from the Public Accounts Committee (PAC), we set out new minimum service standards to work alongside comparative performance, giving customers even stronger protection.
- We continued to compare the water industry with the gas, electricity and rail sectors.

1997–1998 report on water and sewerage service operating costs and efficiency

- Efficiency improvements are the key to low prices. The assessment of companies' performance, and their scope for further improvement, are important in setting prices for 2000–2005.
- From 1993 to 1998, operating costs fell by 9%.
- We commissioned two independent studies into the future scope for efficiency. The first, by the Babbie Group, examined the scope for improvements in capital efficiency. The second, by Europe Economics and Professor Crafts, examined the scope for improvements in operating efficiency. Both reports concur with Ofwat's view that there is significant scope for cost reductions after 2000.
- The Babbie study suggests a minimum scope of 1%–2% per annum for efficiency against capital maintenance expenditure.
- The Europe Economics study suggests 2.5%–3.5% per annum for operating expenditure efficiency.
- Most companies improved their efficiency since price limits were set in 1994, but performance varies.

The external review of Reporters

Comparing company performance depends upon accurate and reliable information. Ofwat uses independent professional consulting engineers, called Reporters, who report to the Director on whether company returns demonstrate progress and performance, particularly in respect of capital investment programmes (see Appendix 5). Reporters also check and report on whether companies have systems in place to collect and record accurately the required data.

In April 1998 we published an external review of Reporters. The aim was to:

- examine and assess their work (especially relating to the Periodic Review);
- evaluate their compliance with our protocol and guidance;
- report on the consistency of their performance;
- assess their effectiveness.

The review was carried out by KPMG Management Consulting assisted by the Babbie Group. They concluded that:

- the Reporters' reports are a useful and reliable basis for further Ofwat work;
- the Reporters' detailed and independent work for the price review is likely to have identified all key aspects and assumptions underlying companies' submissions;
- there were some potential inconsistencies and a lack of comparability between some companies — the Reporters' reports enabled Ofwat to identify and investigate these differences.

A second external review of Reporters is underway and will be completed during the summer of 1999. The initial report identifies improvements in the Reporters' effectiveness since the first review.

4

Paying for water

Ofwat continues to protect customers' interests in respect of the charges they pay for water and sewerage services.

The Director's 1994 price review slowed down the rate of increase in bills. For unmetered household customers of the ten water and sewerage companies, this meant the lowest rate of increase in at least 15 years.

Real terms increases in unmeasured household bills for customers of the water and sewerage companies for 1985 to 2000		
1985–1990 under nationalisation	1990–1995 under limits set by the then Government	1995–2000 under limits set by the Director
22.2%	29.4%	9.9%

The Government's review of charging, which is before Parliament, brings into legislation the proposals set out in the consultation paper, Water charging in England and Wales — a new approach.

Key principles of charging policy

The principles outlined in *Paying for water: the way ahead — the Director General's conclusions* (December 1991) continue to guide Ofwat's approach to charging issues. Details of Ofwat's policy, together with information on companies' charges and tariffs, are contained in Ofwat's *1999–2000 report on tariff structure and charges*.

Companies must avoid showing undue discrimination or undue preference in charging between different classes of customer. Charges should broadly reflect the costs involved in providing a service to the customer and this should be reflected in the customer's bill. Companies should charge customers in similar circumstances similar amounts for a given quantity of water supplied or sewage taken away. Ofwat has continued to press companies to maintain an appropriate balance between:

- water and sewerage bills;
- bills for measured and unmeasured customers;
- charges for trade effluent and domestic sewerage customers.

Balance between water and sewerage bills

Charges made for water and sewerage should properly recover the costs of providing each service. Although there are no separate price limits for water and sewerage, the Director gave a broad indication of the likely price split between them when he set price limits in 1994. This year, companies generally followed those indicative price limits. As a result, charges for the two services are closer to balance. In the current price review, the Director will publish new indicative price limits.

Balance between measured and unmeasured household bills

We expect any difference between the bills charged to metered and unmeasured household customers for the same services to be no greater, on average, than the extra costs of providing a metered service. This is estimated to be no more than £30 a year (in 1999–2000 prices). These costs split down as of two-thirds for water (£20) and to one-third for sewerage (£10). For 1999–2000, almost all companies have an overall tariff differential within our target.

Balance between trade effluent and domestic sewerage charges

Differences between household sewerage bills and trade effluent bills should only reflect differences in the volume and strength of the effluent discharged. In 1999–2000, most companies made progress towards a better balance of charges.

Charges related to costs

Standing charges

Standing charges should be set to recover only customer-related costs. The volumetric rate should reflect the costs which companies incur in meeting demand over the longer term. All companies now have a measured household standing charge for water within the Director's target of no more than £25 (in 1999–2000 prices). Most have measured household standing charges for sewerage within the target of £12.

Companies' non-household measured standing charges should also only recover customer-related costs. These costs may be legitimately higher for larger users as they are billed more frequently and larger meters are more expensive to maintain and replace, but companies could still reduce them from current levels.

Large user tariffs

Twenty-five companies have a tariff for large users of potable water. Six companies have a large user wastewater tariff. Four offer lower tariffs to customers who discharge large volumes of effluent. These large user tariffs are based on a better assessment by companies of the costs of providing services to their large users. They also represent a response by companies to the risks of losing customers through inset appointments.

Trade effluent

Charges for trade effluent are based on the Mogden formula, which seeks to link charges to the costs imposed by customers — so customers pay according to the volume and strength of the effluent they discharge. There should be an appropriate balance of charges within the formula.

Long run marginal cost

Prices for water and wastewater should be set with reference to long run marginal costs (LRMC) in order to give proper signals for the efficient use of water. We will use estimates of LRMC in assessing proposals for large user tariffs, in determining bulk supplies and in establishing the framework for competition.

We published for the first time the LRMC estimates for potable water supplies that companies have included in their Business Plans. These are contained in the *1999–2000 report on tariff structure and charges*. We will prepare a report on these figures, after the new price limits have been set, commenting on the numbers and the methods used.

Tariff basket changes

Ofwat has amended the licences of all companies except Sutton & East Surrey Water to remove customers using not less than 250 million litres of water a year from the tariff basket with effect from 1 April 2000. These large users are part of a competitive market that does not require the same degree of regulation as other groups of customers. Taking large users out of the tariff basket will mean that companies cannot recoup from other customers lost revenue arising from reduced income from large users.

We did not proceed with the proposal to change the way in which the unmeasured tariff basket calculates the increase in charges. Most companies were not willing to make the change following the Government's decision to legislate for free optional meters with reversion. It also was not practicable to proceed with two versions of the tariff basket at the price review, as that would make it more difficult for customers to compare bills.

Special agreements

Some customers pay a non-standard charge to reflect their individual circumstances. These charges should reflect costs. The Director wants to see new special agreements, or those due for re-negotiation, set with reference to LRMC. To aid transparency and the development of competition, details (excluding the customer's name and address) of these special agreements, together with bulk supply arrangements between the companies, are put on an annual register in the Ofwat library.

Metering programmes

Companies' metering programmes continued apace during 1998. The proportion of metered households in England and Wales increased from 11% of households in 1997–1998 to around 15% in 1998–1999. As companies install more meters through the year, we estimate that almost 18% of households in England and Wales will have a meter.

Supply/demand balance

In June 1998, all companies submitted their initial forecasts of the balance between supply and demand for water up to 2009–2010. We reported on the possible implications for future water bills of these forecasts in *Prospects for Prices*. Since then Ofwat has worked closely with the companies and the EA, who have responsibility for companies' water resource plans. In January 1999 Ministers published *Maintaining public water supplies*, responding to water resource issues identified in *Prospects for Prices*. Companies have revised their forecasts to provide robust submissions to both Ofwat and the EA. We are now considering the companies' final supply/demand balance proposals for the next ten years.

Cesspools and septic tanks

Ofwat continues to press sewerage companies to charge the tanker operators in a transparent way which reflects the different strengths of cesspool, as compared with septic tank waste. We believe it to be more appropriate for undertakers to offer two separate charges. We have discussed our findings with the Office of Fair Trading and we are keeping the situation under review. In the longer term, the Director could propose a legislative change to bring the activity within his jurisdiction.

Water Industry Bill

The Water Industry Bill is currently before Parliament and is expected to become law in summer 1999. The Bill puts into legislation the Government's proposals set out in its 1998 consultation paper, *Water charging in England and Wales — a new approach*.

The Bill will make significant changes in current water charging arrangements by:

- giving rights to domestic customers to have a meter installed free of charge, subject to practicability and expense;
- ending disconnection or restriction of supply (eg by trickle valves) for domestic customers;
- extending indefinitely the right of companies to continue using rateable values as a basis for unmeasured charging;
- giving protection in charging to specified vulnerable groups, in particular large families with low incomes and those with particular medical conditions;
- giving power to the Director to approve companies' charges schemes annually;
- preventing domestic customers from being metered in their existing home except where they are using specified appliances (eg sprinklers).

The prohibition of domestic disconnections will come into force immediately. The other provisions will come into force on 1 April 2000.

Power to approve charges schemes

From 1 April 2000 the Director will have the power to approve company charges schemes. This power will be subject to any guidance given to him by the Secretary of State (and, for customers of Dŵr Cymru (Welsh Water) and Dee Valley Water, by the Welsh Assembly). Charges schemes will also have to comply with any regulations made by the Secretary of State (or Welsh Assembly).

We are consulting on the process the Director intends to follow for the approval of charges schemes for the year 2000–2001 in the *1999–2000 report on tariff structure and charges*. We are also consulting separately on the criteria to be applied in approving the schemes for 2000 - 2001 and beyond.

The companies will be expected to set out in their charges schemes how they will enable customers to take up their rights to an optional meter under the Bill.

We will need to coordinate the process for approving charges schemes with the existing annual cycle for approving company Principal Statements.

Disconnections

The Water Industry Act will in future prohibit the water companies from disconnecting or restricting water supplies to domestic customers. However, companies have continued to reduce the number of customers disconnected. Disconnections fell from 1,907 in 1997–1998 to only 1,129 in 1998–1999. Nine companies disconnected no domestic customers.

Following Mr Justice Harrison's judgement in February 1998, companies have also taken steps to convert or remove budget payment units, which provided for disconnection of the water supply if payments were not made. It is worth noting that a significant proportion of customers have been reluctant to allow companies to remove what they have found to be a useful payment option.

Free meters

Currently, 13 companies offer free meters to customers (in a location of the company's choosing). The new Act will give domestic customers of all water companies the right to opt for a free water meter. During the coming year, Ofwat will consult on the principles we would use when settling disputes over a customer's entitlement to a free meter.

5

Competition and mergers

Competition stimulates companies to improve their performance. Competition lowers prices, raises service standards, provides customers with more choice, promotes efficiency and helps to ensure that charges more accurately reflect costs. Market competition has been introduced into the telecommunications, gas and electricity industries. Ofwat has developed a powerful regime of comparative competition and is strengthening the scope for direct competition in the water industry. The Competition Act 1998 will open up markets further.

The Director's duty is to protect the interests of customers and to facilitate competition. He is developing a framework in which market competition can develop, while continuing to compare performance between existing companies. It is important to maintain enough companies for comparative competition to be effective.

Ofwat stimulates market competition and encourages new entrants by:

- *prompt and effective processing of inset applications;*
- *working with other government departments and regulators on new ways of developing competition;*
- *investigating anti-competitive behaviour by suppliers attempting to prevent or distort competition;*
- *actively communicating competitive opportunities for customers and suppliers.*

We have also been concerned to protect customers' interests during the three mergers this year. We have always argued against reducing the number of independent companies within the water industry, mainly because, in the absence of significant market competition, it is essential for us to be able to compare company performance.

Market competition

The past year has seen five important developments in competition.

- The Competition Act 1998 will significantly affect Ofwat's general competition powers.
- The Director has granted three further inset appointments. These allow a company to provide water and/or sewerage services in an existing water company's area, or on a greenfield site.
- One of the new inset appointments is the first new supplier to enter the industry since privatisation.
- We have published revised guidelines for inset appointments.
- We have established a general approach for determining the price of bulk supplies of water and sewer connections.



Photo: Phil Harrison

The Director grants a new licence to Albion.

New inset appointments

Albion Water (the subsidiary of Enviro-Logic Ltd) is the first new water supplier since privatisation. In March 1999, Albion Water was granted a new licence to supply water to Shotton Paper on Deeside in North Wales, previously supplied by Dŵr Cymru (Welsh Water). Initially, Albion will take a bulk supply of water from Dŵr Cymru (Welsh Water) while it develops its own resources.

In August 1998, the Director changed Thames Water's licence to include MoD Tidworth, a garrison town near Andover, Hampshire, in both its water and sewerage supply areas. The site was previously within the area of Wessex Water and Southern Water, although the Ministry of Defence owned and ran the site's water and sewerage services.

In February 1999, the Director changed Hartlepool Water's licence to include a greenfield site at Wynyard Park near Wolviston in Northumbrian Water's area.

The Director proposed terms of agreement for six further inset applications by Enviro-Logic Ltd during the year. The decision on whether to go ahead rests now with Enviro-Logic and its customers. We are considering two more applications and 14 cases where a company has registered its intention to proceed with an application. Companies are showing more interest in insets based on greenfield sites than before.

Improvements to the inset appointment process

In February 1999, we published *Inset appointments: Guidance for applicants*. The inset appointment process was seen as complex and slow, and the new guidance set out to improve it. To achieve that, we have made the provision and exchange of information between applicants and incumbents more transparent. Previously, both had been reluctant

to disclose to each other information which they had supplied to Ofwat. This new openness allows comments and arguments to be challenged and places more information in the public domain. The guidance emphasises that customers and potential applicants will find it helpful to talk to Ofwat about their proposals before they apply for an inset, so that we can clarify details and identify potential issues as early as possible.

Other improvements to the inset process include:

- simplifying the licence for applicants;
- devising an easier way for Ofwat to control the level of prices;
- simplifying the process of ensuring that the applicant is “fit and proper”;
- providing for time-limited licences.

Applying a time limit to a licence improves customer choice: the customer is not tied indefinitely to the new supplier. It also safeguards customers by giving the option to terminate a licence where the new supplier may not be able to finance or carry out its functions.

[Bulk supplies and sewer connections](#)

We have established a general approach for determining the price of bulk supplies and sewer connections, following consultation on early applications. A summary of the responses and Ofwat’s conclusions were published in September 1998.

So far, most inset appointment applications involve brokerage arrangements. They require bulk supplies or sewer connections from the existing water company. More interest is now being shown in insets where the new entrant develops its own resources. This can involve new sources of water and new methods of treating effluent.

However, some inset appointments may still depend partly on bulk supplies or sewer connection agreements. Where the applicant and incumbent have not agreed terms they can ask the Director to determine whether the agreement is necessary or expedient, and what the terms should be.

[The Competition Act 1998](#)

The Competition Act 1998 significantly strengthens Ofwat’s general competition powers. It comes into force on 1 March 2000 and is closely related to Articles 81 and 82 of the EC Treaty.

It adopts a prohibition-based approach to competition law. The Act prohibits anti-competitive agreements and abuses of dominant market position. It gives utility regulators concurrent powers with the Director General of Fair Trading to administer sector-specific regulation with general competition law.

The Act strengthens the Director’s power to investigate complaints about behaviour that could be anti-competitive. It enables him both to require companies to stop such

behaviour and to impose financial penalties (of up to 10% of UK turnover) on the companies, where he finds an infringement has occurred.

Ofwat will shortly publish guidelines on how the Act will apply to the industry. They will specify procedural matters and economic approaches to implement the legislation.

Common carriage

One effect of the Act may be to help open up the market to common carriage. This already occurs to a limited extent, but some new entrants to the industry are interested in using incumbents' pipes and sewers to supply their own customers. The Director believes that the Act will help to stop the water and sewerage companies denying reasonable access to their infrastructure.

Abstraction licences

We are considering how the Competition Act will apply to abstraction licensing.

An abstraction licensee is entitled to use a resource according to specified quantities and conditions. This entitlement is 'protected' from adverse effects of other potential abstractors. However, its conduct in exploiting the resource could be anti-competitive. For example, the licensee may use only part of its entitlement but claim its protected right over the rest, to prevent access by other potential abstractors to water upstream or from a nearby borehole. The Director will consider how he may apply the Act to prevent abuses.

Looking forward

We are looking at ways of widening the scope for competition. In particular, we want to increase the number of customers who can apply for inset appointments. To qualify for an inset, an existing customer has to use not less than 250 million litres of water a year. Around 500 customers use this much water. Ofwat has proposed to the Government that the threshold be reduced to 100 million litres. This would increase the number of eligible customers by around 1,500, including a number of hospitals and universities.

Ofwat is also considering other proposals to increase competition, as follows:

- specific legislation for common carriage in the water industry;
- improving the system of licensing water abstraction so that new entrants have more scope to secure their own resources;
- requiring water companies to provide cross-border supplies of water for non-domestic purposes;
- allowing premises to be combined to meet the consumption limit;
- removing the companies' current monopoly on making connections to the water main.

In the March 1999 Budget statement, the Chancellor announced a review of competition. We welcome this and will work closely with Ministers.

Mergers

Ofwat has been concerned to protect customers' interests during three mergers this year.

We have always argued that a reduction in the number of independent water and sewerage companies, on its own, harms the public interest. This is because it affects our ability to compare company performance. In the cases referred to it, the Competition Commission must consider the importance of comparative competition when deciding whether a merger might operate against the public interest. In some cases the harm may be remedied by appropriate price cuts.

During the year, customers of the former Chester Waterworks Company and Wrexham Water plc have been served by a single company, Dee Valley Water plc, operating under a single licence granted by the Director. Dee Valley agreed to reduce its price limits by 3.5% by 1 April 2001. The company has already partially reduced price limits (by 1.7% in 1998–1999). As an extra safeguard, the licence also requires that no customers will pay more for water services than if the merger had not taken place.

In July 1998, the Director invited views on the offer by Enron Corporation for Wessex Water plc. Previous multi-utility mergers had raised similar regulatory concerns: the separate offers by ScottishPower and Southern Electric for Southern Water, by North West Water for Norweb, and by Welsh Water for Swalec.

Following this, in October 1998, we published proposals to allow Ofwat to monitor Wessex Water's performance, to strengthen its ring-fencing within the group and to maintain its transparency of reporting. We had to ensure that we could continue to gather information about how the water company is carrying out its duties, and the costs incurred. Wessex Water will maintain three independent non-executive directors of standing and will act at all times as if it were a separately listed and stand alone plc.

In January 1999, the proposed takeover of York Waterworks by Yorkshire Water was announced. York Waterworks has a high level of service coupled with low bills. Its loss would have reduced Ofwat's ability to compare company performance. To remedy this, the Director has secured in the merger agreement benefits for York Waterworks' customers, including a permanent 15% reduction in their water bills from no later than 1 April 2004. This is over and above any reductions in prices which result from the price review. Ofwat will ensure that customers of York Waterworks will be no worse off financially than if the merger did not take place. To do this, the Director will continue preparing price limits for the years 2000–2005 for York Waterworks as if it were a separate company.

Mid Southern Water and South East Water also came together under a single licence. The proposals were published in November 1998 and took effect from January 1999. The owner of the two companies, SAUR, agreed to reduce customers' bills in 2000 by £580,000 (estimated at about 0.5% off bills).

Multi-utilities

Some water and sewerage companies are now part of multi-utility groups. In its Green Paper, *A fair deal for consumers: modernising the framework for utility regulation*, the Government invited the utility regulators (for electricity, gas, telecoms and water) to carry out and publish a joint study of the issues. Ofwat took a lead in this study and the regulators published a consultation paper in April 1998.

Following wide consultation, the regulators concluded that:

- many of the issues arising from multi-utilities are not new;
- regulators already have sufficient powers to regulate multi-utilities.

The development of the multi-utility does, however, emphasise the importance of joint working by regulators, especially where the multi-utility involves two regional monopoly services. The regulators identified the need for further action to ensure that customers' interests are properly protected.

Transfer pricing

It is important that customers pay a fair price for services provided by associate companies. Ofwat therefore continues to monitor the trading relationships between water and sewerage companies and water only companies and their associates, to ensure that they comply with their statutory duty to trade at arms' length and without cross-subsidy.

Work this year has been concentrated on the few companies whose procedures had not been fully investigated; and on companies where there is an above-average level of trade with associated companies and where the Auditors had raised concerns.

In particular, Ofwat has undertaken investigations at North West Water, Dŵr Cymru (Welsh Water) and Southern Water, which are part of multi-utility groups, and where it is particularly important that there is effective ring fencing of licensed activities.

The focus of the investigations has been:

- to ensure that proper cost allocation systems are in place so that costs are properly allocated between water and electricity activities;
- to understand what synergy savings have been delivered following the acquisition of the electricity companies by United Utilities and Hyder;
- to understand the extent of further operational integration within water and electricity businesses and its impact on costs.

The findings of these visits will be published later this year.

6

Customer protection

Customer protection is at the heart of regulation. The Director, with the CSCs, monitors company performance in providing service to customers. Ofwat handles complaints, disputes and appeals from customers, and this year reviewed the guaranteed minimum for standards of service for customers.

We ensure that customers' views influence regulatory policy by effective communication, involvement and consultation with the ten regional CSCs.

The Government outlined its plans for new independent consumer councils in A fair deal for consumers. Once proposals have been finalised, we will make our plans for working with the new bodies. Close working relationships between the regulator and customer representatives are essential. Our current integrated system of representation with the ten CSCs and the Ofwat National Customer Council has worked well.

Complaints/disputes

The Water Industry Act 1991 obliges the Director to deal with certain categories of complaint and dispute. These include complaints that a company is in breach of statutory duties, that a CSC has failed to investigate a complaint properly and that a CSC has been unable to resolve a complaint against a water company to the customer's satisfaction.

Disputes that the Director can settle include:

- disputes about the cost of making a connection to a public main;
- disputes about whether a sewerage company is able to refuse to allow a connection, or whether that refusal was reasonable;
- claims that sewers should be adopted into public not private ownership;
- disputes from landowners who suffered loss or damage through water companies laying mains on private land;
- trade effluent appeals;
- disputes arising from the Guaranteed Standards Scheme (GSS).

Ofwat HQ dealt with 504 complaints and disputes, formal and informal, in 1998–1999, an increase of 12% over the previous year, and obtained compensation and refunds amounting to over £100,000.

Complaints

The Director dealt with 115 formal cases in 1998–1999. Apart from complaints against CSCs and unresolved complaints dealt with below, 63 were alleged breaches of statutory duty or an alleged failure of a company to comply with its licence requirements.

The Director did not conclude that any company was in breach of statutory requirements. He did, however, require several to correct service failures and in some cases to compensate complainants.

Companies can recover their reasonable costs for installing sewers requested by developers. Following an Ofwat investigation, a Thames Water customer received a refund of £36,000 because costs claimed by the company were considered excessive.

The Director considered 14 complaints which the CSC had been unable to resolve with the companies. The Director supported the CSC's recommendation in five cases and the companies accepted his recommendation in all but one of these. In two other cases, companies are taking long-term action likely to resolve the complaints. Seven are ongoing.

The Director dealt with 40 complaints alleging that CSCs had not investigated customer complaints properly. One, against the CSC for Wales, was partially upheld. In one case involving Thames CSC, the Director found no fault with the investigation but obtained increased compensation for the complainant.

Connection charge disputes

During the year, the Director settled 31 disputes about the cost of the connection of a water supply. Twenty-seven determinations were in favour of the customer. Companies were required to make refunds ranging from 6% to 59% of the original charge and averaged 31%. Most companies have standard water connection charges. The Director continues to pursue problems with the structure or level of charges with individual companies.

Sewer adoption appeals

The Director has received 28 appeals or enquiries during the year. Many were resolved informally. Five determinations were issued, with four appeals upheld and one rejected.

Pipelaying on private land

Most of these complaints arise because of inadequate consultation with landowners. During the year, Ofwat received one formal complaint about a company's activities while pipelaying. It has not yet been determined. There were 88 informal complaints and 25 enquiries from landowners, which have been resolved by explanations, further reinstatement by companies, or further compensation.

All companies have now agreed revised Codes of Practice with Ofwat and these are awaiting the Secretary of State's approval.

Pipelaying in the street

Thirty-three approaches were made to Ofwat following pipelaying in the street. Compensation or reinstatement by the companies has resolved most of these. In two cases an arbitrator has been appointed.

Trade effluent appeals

During the year the Director received eight appeals. Twenty remained outstanding from previous years. One has been determined. Of the remainder, six long-standing appeals relating to removal of colour from dyehouse effluent went to an inquiry in February. Ten more were withdrawn. A decision on the six is imminent. Another appeal relating to a landfill site was heard in May 1999 and a decision will be made shortly. Seven appeals were withdrawn following discussions, and four remain outstanding.

Guaranteed Standards Scheme

The Director settled 13 disputes under the GSS and found in favour of the customer in three. In another three cases, companies accepted his recommendation to pay compensation.

In March 1999 Ofwat published a consultation paper, *Compensation for customers — a review of the Guaranteed Standards Scheme*, setting out proposals to improve the minimum statutory standards of service customers should receive. The paper proposed increased levels of compensation, the tightening of some existing standards and the introduction of a new standard relating to the quality of drinking water. It also confirmed that the provisions for compensation for restrictions to essential supplies, currently enshrined in Condition Q of the licence, should be incorporated into the GSS Regulations.

Customers with special needs

Ofwat, together with the CSCs, continues to monitor companies' policies and practice in providing services to customers with special needs. This work is one of the aspects of customer service incorporated into the overall performance assessment through which the Director intends to reflect good or poor performance when he sets new price limits.

Water resale

In January 1999 Ofwat published proposals for a water resale order under Section 150 of the Water Industry Act 1991. This set out principles for assessing the maximum to be charged by landlords, mobile home park owners and others when reselling water and sewerage services. The main principle set out was that the reseller should be able to recover no more than he paid to the water and sewerage company, plus a reasonable administrative charge. The proposals were broadly supported and consultation on the formal order will take place during the summer of 1999.

Customer representation

ONCC: Chairmen and members

The Council's members are the ten CSC Chairmen. The Director appoints the Council Chairman, currently Sheila Reiter (Wessex CSC Chairman); there are two deputy Council Chairmen, Maurice Terry (North West CSC Chairman) and Clive Wilkinson (Central CSC Chairman).

CSC appointments

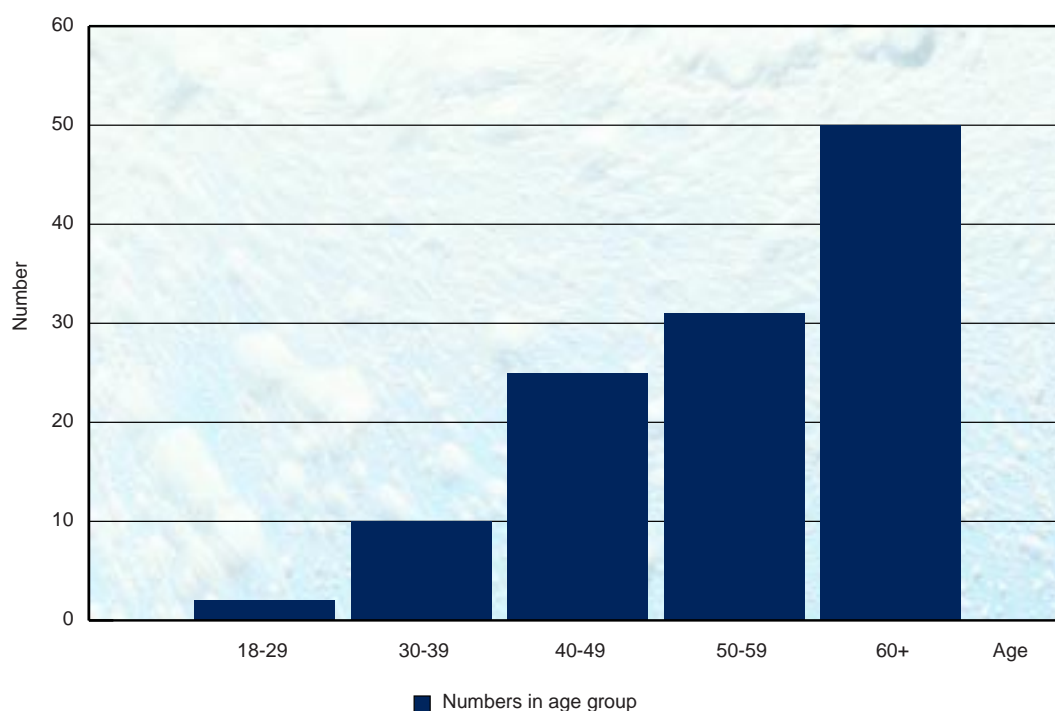
The Chairmen and members of the ten CSCs representing the interests of water customers in England and Wales are appointed by the Director under Section 28(4) of the Water Industry Act 1991.

Ofwat is committed to displaying fairness and openness, with selection on merit. We are working towards ensuring that all aspects of our procedures are in line with the Code of Practice and Guidance issued by the Commissioner for Public Appointments.

Review of CSC appointments

Membership of the ten regional CSCs is reviewed annually. Of the 30 members whose appointments expired in April 1999, 18 were re-appointed and 15 new appointments were made.

At 31 March 1999 the total membership of the CSCs was 119. There were 44 (37%) women and 8 (7%) from ethnic minority groups. The members' age profile is shown below.



Advertising and recruitment

To increase the number of younger people on the CSCs, adverts will be placed in *The Big Issue*. Contacts have also been made with the National Union of Students and Surfers Against Sewage.

To recruit members, paid adverts were also placed in a number of local newspapers. Adverts were also placed in *Asian Age* and *The Voice* (an Afro-Caribbean newspaper). For the first time, an advert was played on Radio Ceredigion, a Welsh radio station, in English and Welsh.

As last year, we approached a range of bodies, including women's organisations, to invite nominations. The Cabinet Office Public Appointments Unit was also contacted and a number of candidates on their lists approached.

There were no changes to CSC Chairmen's appointments. The dates, length of appointment, monthly time commitment and remuneration of CSC Chairmen are set out in Table 1 (overleaf).

Table 1: CSC Chairmen as at 31 March 1999

CSC	Chairman	First appointed	Current appointment started	Appointment ends	Monthly time (days) commitment	Remuneration
Central	Clive Wilkinson	26.2.90	26.2.97	25.2.01	6	£13,481
Eastern	Roger Corbett	1.4.94	1.4.97	31.3.01	5	£11,228
North West	Maurice Terry	26.2.97	26.2.97	25.2.01	7	£15,714
Northumbria	Jim Gardner	26.2.90	1.4.97	31.3.01	6	£13,481
Southern	John Beishon	1.10.96	1.10.96	30.9.00	7	£15,714
South West	Jessica Thomas	1.4.93	1.4.97	31.3.01	8	£17,978
Thames	Herman Scopes	19.4.97	19.4.97	31.3.01	7	£15,714
Wales	Raymond Roberts	26.2.90	26.2.97	25.2.01	8	£17,978
Wessex	Sheila Reiter	1.8.95	1.8.95	31.3.01	12*	£26,967
Yorkshire	Eric Wilson	26.2.94	26.2.97	25.2.01	8	£17,978

* includes four days as ONCC Chairman

Membership application form and leaflet

The membership application form and leaflet (*A water watchdog role for you?*) were revised during the year. The form now includes a political activity questionnaire and an equal opportunities monitoring form, in line with government policy.

Publicising CSC appointments

Ofwat is committed to informing a wider audience about CSC appointments. In addition to press releases and annual reports, details of all current CSC Chairmen and members were published on Ofwat's website for the first time in October 1998.

Training

As part of Ofwat's commitment to Investors in People, training was evaluated and a training plan produced for 1999–2000.

CSC members' expenses

CSC members are unpaid, but travel, other out of pocket expenses and loss of earnings can be claimed. New rules introduced this year allow members to claim childcare costs.

Honours

Mary Milton, who retired as a member of Central CSC in April 1998, was awarded the MBE in the Queen's Birthday Honours 1998. This takes to six the number of MBEs awarded to CSC members for services to water customers.

Annual reports

The work and achievements of the CSCs and ONCC are described in their own annual report, *Representing water customers 1998–1999*, published in July 1999.

7 Open and effective regulation

We continue to improve our performance in satisfying the Ofwat Customer Charter. Now in its second year, it fulfils two functions. It lets customers know what standards of service they can expect from us; and it tells our staff what level of performance is expected from them.

Openness and transparency are the key factors driving Ofwat's work to keep customers and all interested parties informed. When people know what is going on, they are better equipped to make judgements and to keep the Director informed about their views.

We welcomed many of the proposals in the Government's Green Paper A fair deal for consumers: modernising the framework for utility regulation, and published a response. We already meet many of the review's recommendations.

The Ofwat Customer Charter

This year we have met all but two of the Ofwat Charter standards. This is an improvement on last year's performance, but we are not complacent and will push for better results next year. Table 2 overleaf sets out this year's performance against the standards.

In a survey of customers who have contacted our public enquiry unit this year, nearly 90% of those who responded said they were very satisfied with the outcome of their enquiry. A total of 98% rated our answers as "helpful". Fewer than 5% thought our response time was slower than expected.

Table 2: Performance against the Ofwat Charter standards

	Performance standards	Achievement against standard
Replying to written enquiries (headquarters)	Reply within ten working days (unless the item is particularly complicated). Our target is 95%.	Achieved
Replying to phone enquiries (headquarters)	Reply within two working days (by phone). Our target is 97%.	Achieved
	Reply within ten working days (in writing). Our target is 95%.	Achieved
Enquiries to the CSCs (written and phone)	Answer within one working day. Our target is 95%.	Achieved
Customer Service Committees — keeping appointments	Keep appointments to within ten minutes. If the original person cannot keep the appointment, you will be seen by someone else.	Achieved
Returning your messages	If you ask us to, we will return calls left on our answering machines within one hour of the office re-opening. – Ofwat – CSCs	Achieved
		Not achieved ¹
Requests under the Code of Practice on Access to Government Information	We will reply within 20 working days.	Achieved
Requests under the Environment Information Regulations	We will reply within 40 working days.	No requests
Complaints to CSCs about your local water company	CSCs will start action on your complaint within five working days. Our target is 97%.	Achieved
	We will aim to settle your complaint within 20 working days. Our target is 70%.	Achieved
	We aim to clear up 85% of complaints within 40 working days.	Achieved
Complaints handled by the Director and disputes and appeals	We will respond to enquiries within five working days. We will decide formal disputes or appeals within 60 working days. Our target is 70%.	Achieved ²
Internal review procedure	We will acknowledge your complaint within two working days.	No requests
	We will tell you about the outcome within 20 working days.	No requests
Complaining about the Customer Service Committees	We will tell you within ten working days whether we will investigate the matter.	Not achieved ³
	We aim to deal with 80% of complaints within 40 working days.	Not achieved ⁴

¹ In 835 out of 837 cases, calls were returned within one hour of the office re-opening.

² Headquarters responded to 85% of enquiries within five working days; 75% of complaints within the Director's jurisdiction were settled within 60 days. The target for connection charges and sewer adoption appeals was not met due to the time taken by companies and third parties to supply information.

³ In 95% of cases we told the customer within ten working days whether we would investigate.

⁴ We dealt with 42.5% of complaints within 40 working days.

A fair deal for consumers

In May 1998 the Director published his response to the proposals in the Government's Green Paper *A fair deal for consumers*, in which he:

- welcomed statutory guidance on social and environmental objectives;
- welcomed the regulator's new primary duty to protect customers' interests;
- expressed disappointment at proposals for new consumer councils;
- welcomed the retention of RPI-X;
- suggested that in choosing whether to appoint individual regulators or other structures, there needs to be clear accountability and an ability to act quickly;
- agreed with all of the proposals for transparency and predictability.

Ofwat already meets the review's recommendations in a number of areas, including the following.

- Ofwat's new performance assessment will adjust the companies' price limits from April 2000 to reflect overall levels of customer service.
- Ofwat annually assesses and reports on companies' levels of service. Where levels are unacceptable the Director takes action.
- The Director has written to companies' remuneration committees, enclosing the Ofwat levels of service report, which sets out the companies' performance on a range of indicators and assesses their performance over the past two years.
- Ofwat publishes wide-ranging comparative information about companies' services, tariffs and charges.
- In 1998, Ofwat published its first Business Plan. A three-year forward programme for 1999–2002 has now been published following consultation.
- Ofwat always explains the reasons for key decisions.
- Ofwat issues regulatory accounting guidelines to ensure consistency in financial reporting.
- Ofwat is working on the regulatory issues associated with multi-utilities.
- Ofwat works with other regulators to consider issues of common interest.

Accountability to Parliament

The PAC reported in May on Ofwat's consumer protection work. The PAC acknowledged that Ofwat had acted to put in place proper arrangements to monitor reliability of supplies. It stressed minimum standards to support comparative competition, and we were pleased to consult it when proposing new measures for levels of service. Ofwat's action plan on the report of the National Audit Office (NAO), addressing all of their concerns, was submitted to the PAC in July. We also consulted the Committee in drawing up our new minimum standards for levels of service indicators. The Treasury responded to the report on 23 July.

We twice sent written briefings to all MPs in England and Wales: in April, about the Director's open letter to the Secretaries of State, and in October, about *Prospects for Prices*. Ofwat hosted a meeting for MPs and Lords in June 1998 about the price review.

We also sent a briefing about each of our annual reports on company performance to MPs who have expressed interest in water or regulation issues. The Director briefed a group of MPs who signed an Early Day Motion about the condition of sewers.

Assistant Director Mike Saunders addressed two meetings of the Associate Parliamentary Water Group. The Director met in March 1999 with a group of South West Labour MPs to discuss the review.

During the year the Director replied to some 50 letters from MPs or MEPs and Ofwat was consulted by the Department of the Environment, Transport and the Regions when it was drafting replies to some 30 Parliamentary Questions.

Other government departments/regulators

Ofwat is in regular contact with other government departments and other sector regulators. We took the lead in publishing a report to the President of the Board of Trade that examined the regulatory issues associated with multi-utilities. Other major projects included preparatory work on drafting guidelines for the Competition Act 1998, with the Office of Fair Trading and other regulators.

Ofwat has also liaised with regulators and others on the Millennium Bug. We have participated in the National Infrastructure Forum organised by Action 2000.

At a working level, Ofwat staff are in regular contact with colleagues in other departments and agencies whose work is related to ours, including the Department of the Environment, Transport and the Regions, the Welsh Office, the EA and the DWI, the Department of Trade and Industry and the Treasury. This covered the Government's charging proposals in the Water Industry Bill; taking forward the Government's proposals on utility regulation; and the Secretary of State's decision in respect of the quality programme.

The Director has met with the Deputy Prime Minister and Secretary of State for the Environment, Transport and the Regions, the Rt Hon John Prescott, MP and with the Rt Hon Michael Meacher, MP, Minister for the Environment several times during the year to discuss issues affecting the water industry, including the Water Industry Bill, competition, leakage and the quality programme.

The Director and senior staff regularly meet other regulators to discuss matters of common interest and agree common approaches to cross-sector issues. The Directors General have also agreed in future to publish a joint forward work programme showing how utility regulators are working together on multi-utility and cross-sector issues.

The City

The Director places great emphasis on Ofwat's availability to talk to City audiences. We made considerable efforts to explain the price review proposals and to consult and listen to a variety of City views.

The Director briefed broking analysts at the launch of the April 1998 open letter and *Prospects for Prices* (on 29 October). In May, David Rees, Ofwat's Corporate Finance Advisor, spoke at a seminar held by Dresdner Kleinwort Benson for institutional investors, outlining Ofwat's approach to the cost of capital. Presentations were given to institutional investors at Merrill Lynch, Credit Lyonnaise Securities and Dresdner Kleinwort Benson following publication of *Prospects for Prices*.

David Rees and other senior Ofwat staff have been available throughout the year for private meetings with key City interests, including shareholders, banks and bond holders, credit rating agencies, and broking analysts. He has also spoken at investor conferences organised by Panmure Gordon (26 March 1998) and HSBC Markets (16 September).

Communication with customers

In the media

From the start of the year media attention focussed on the 1999 price review. Coverage peaked when *Prospects for Prices* was published in October. Competition and charging issues also hit the headlines.

Sixty-two national press notices were issued during the year — an increase of 20% on the previous year — and 88 CSC press notices. We contributed articles that were published in a range of consumer, financial, parliamentary and industry journals.

The broadcast media paid more attention to Ofwat's activities than previously. We gave almost 100 TV and radio interviews — twice the number of the previous year. We handled over 3,000 press calls again this year.

Publications

Ofwat produces a wide variety of reports, consultation papers, research papers and information notes during the year (see Appendix 4). These are distributed widely.

Leading up to the Periodic Review, this year we published an information note, four documents setting out the information requirements for the companies' submissions, the open letter to the Secretary of State (*Setting the quality framework*), the financial model rule book, *Prospects for Prices* and an accompanying leaflet, an analysis of the company unit costs, a second open letter to Ministers and the market research report. In addition, we published a number of reports following research that we had commissioned from independent consultants.

An audio tape about Ofwat was produced again to help customers with reading difficulties. Over 7,000 tapes are distributed through libraries, Citizens Advice Bureaux and other organisations, reaching an audience in excess of 100,000.

We continue to make most of our publications available to the public free of charge. They are available on request from the Ofwat library.

On the net

The Ofwat website has now been running for nearly two years and continues to be developed. It provides a range of information about regulation, including all national press notices, the latest consultation papers, reports on water company performance, leaflets and information notes. Over the last year, all of our key publications and the companies' one-page public summaries of their Business Plans have been placed on the website. Ofwat's web pages can be accessed on <http://www.open.gov.uk/ofwat/>



Open Government

Ofwat received two requests under the Code of Practice on Open Government this year. Both were answered well within the target time.

In January, we published most of the data collected from the companies in their July Returns, including information from the DWI and the EA. The returns are available in Ofwat's library for inspection. They can be purchased in the form of a CD-ROM.

Our library houses and maintains the Director's Register. This is freely available for consultation by the public, with a small charge made for copies of extracts.

Determinations made by the Director under the Water Industry Act 1991 are also available for inspection. Determinations under Section 40 (Bulk supplies), Section 47 (Conditions of connection with a water main) and Section 56 (Requests for non-domestic supplies) have been added to those previously available.

Library and Information Service

The library acts as the public enquiry unit and also as our publication sales and distribution point. This year, we answered nearly 15,000 enquiries (an increase of 25%) and issued about 36,000 publications (an increase of 10%). The public correspondence unit's work increased.

We answered over 750 written enquiries — an increase of 20% over last year. The number of outside visitors (350) using the library for research continues to increase — a 30% increase.

There has been considerable interest in the Periodic Review information returns and Business Plans.

Ofwat's public enquiry unit can be contacted via e-mail at enquiries@ofwat.gtnet.gov.uk

Communicating in other languages

We produce information for customers whose first language is not English. We published our first Welsh Language Scheme in November, following consultation. This was approved by the Welsh Language Board on 16 September 1998. Under the scheme, we adopted the principle that in the conduct of public business in Wales we will treat the English and Welsh languages equally. Our performance in providing services under the scheme will be reported on in future annual reports.

Conferences and seminars

We make every effort to provide a speaker at key conferences where our participation will be of value. This year, staff spoke at over 25 conferences and seminars. We also held a number of briefings and meetings for water sector analysts and for consumer and environmental and business groups.

Overseas visitors

The demand from overseas visitors to hear about utility regulation continues. This year we saw over 30 overseas visitors from around the world with a special interest in regulation. These senior officials included politicians and government officials as well as overseas representatives from the water industry and other public utilities, regulators and academia.

Ofwat resources

Staff

Our success in achieving the annual business plan objectives and supporting the Director in fulfilling his statutory responsibilities, is based on the hard work and expertise of staff.

Recruitment, pay and reward and individual training and development are given a high priority.

Staff turnover during the year fell to 14%, a lower level than the national average of 17%.

We recruit on merit through fair and open competition. This ensures opportunity for employment, regardless of race, sex, physical disability or marital status.

Ofwat has a total of 220 staff of whom:

- 59% are women;
- 18% are from ethnic minority groups;
- 4% are members of the Senior Civil Service;
- 21% are employed on fixed-term, part-time, or casual contracts;
- 25% work in the ten CSCs.

All recruitment policy and practices are subject to both external audit by the Civil Service Commissioners to ensure that Ofwat complies with the guidance set out in its Recruitment Code, and to internal audit by a senior manager, to ensure that Ofwat's recruitment policy is being properly followed.

During the year, we successfully undertook 41 separate recruitments. The results are summarised in Table 3 in accordance with the requirements of the Civil Service Commissioners.

Table 3: Recruitment undertaken

Level	Number appointed	Proportion of women (%)	Proportion from ethnic minorities (%)
Head of team/function	4	25	0
Analysts	17	47	17
Clerical and secretarial	20	75	25
TOTAL	41	58	19

Birmingham as a headquarters' location offers the right balance for recruiting high calibre staff, access to the industry and stakeholders, and as a convenient place of work.

Training and development of staff is an investment for the future. Last year over £250,000 was committed to providing a broad range of training courses and academic study. We will continue to pursue this priority expenditure. During the year we set up a graduate training scheme and sponsored eight places at the Warwick University course on utility regulation. Our work towards Investors in People accreditation is making good progress, which we aim to complete in the autumn of 1999.

Our salary levels remain comparable with the public sector. We nevertheless need to ensure that remuneration levels attract and retain the right staff.

Below is a summary of the remuneration of the Director and members of the Senior Civil Service in Ofwat (salaries at 31 March 1999).

The salary of the Director is £107,874.

Table 4: Salaries for members of the Senior Civil Service

£80,000 – £84,999	1
£65,000 – £69,999	1
£60,000 – £64,999	2
£55,000 – £59,999	1
£50,000 – £54,999	2
£45,000 – £49,999	1

Finance

The past year required sound financial management to ensure that the resource requirements of the office were matched. The Periodic Review, emerging new legislation and the Millennium Bug generated cost pressures that required funding. Thanks to budgetary control and forward planning the year end outturn proved satisfactory.

Table 5: Estimated running costs outturn for 1998–1999 (by activity group)

Activities	Estimated running costs £
Regulatory action	5,604,634
External Relations and Legal Services	985,584
Finance, Human Resources, Services and Operations	791,527
Customer Service Committees and CSC A&P	2,108,881
IT Services and Information Management	633,196
Total	10,123,822

Table 6: Estimated running costs outturn for 1998–1999 (by expenditure group)

Expenditure group	Estimated running costs £
Permanent staff	5,060,573
Agency and secondees	128,118
Consultancy	1,736,441
Accommodation	1,332,235
Other costs such as training, travel, stationery and telecoms	1,866,455
Total	10,123,822

During the year, the office employed external consultants to provide expertise and advice on:

- corporate finance and taxation,
- economics,
- engineering,
- project management,
- market research,
- information technology.

As a non-ministerial central government department, accountability for public funds is a fundamental principal that we adhere to. We are externally audited by the NAO. During the year KPMG were our internal auditors and all major financial decisions followed consultation with H M Treasury. The office is subject to central government rules on accounting and financial management. The office continues to implement resource accounting and budgeting, which will put our accounts on a more commercial basis. In 1998 we updated procedures on probity, procurement cards and asset management.

Ofwat's expenditure is entirely recovered through the licence fees paid by the water companies of England and Wales. The cost of regulation to the customer remains at around 40p per year.

Information systems support and development

Data collection, storage and analysis underpins the regulatory function of the office. In the past year, major data collection exercises have been managed as part of the Periodic Review. This has involved preparation of information requirements, programming of data collection software, loading giga bytes of data onto the Water 2000 regulatory database and supporting data analysis tools. In addition, the new financial model, Aquarius, was completed.

Other software applications continued to be supported by our development team, including Water Care, a system that supports the work of the ten CSCs.

Day to day IT operation and effective use of office automation software is critical to the work of the office and the CSCs. The network and personal computers are continually upgraded and monitored to improve performance and reliability.

In the autumn/winter of 1998 all the CSC offices were successfully switched over to Microsoft Office and NT.

We are promoting the use of the e-mail and are considering the future options of joining the Government Secure Intranet (GSI) and routine use of encrypted data for transfer using the Internet.

Our plans for ensuring millennium compliance of our systems are well on track and should be 100% completed by September 1999.

OBE for Ofwat Head of External Relations

Dilys Plant (Head of External Relations from December 1989 to October 1998) was awarded the OBE in the Queen's Birthday Honours List 1999.

Ofwat's senior management team



Ian Byatt
*Director General of
Water Services*

Julia Havard
*Head of External
Relations*

Allan Merry
Legal Adviser

David Rees
Head of Financial Affairs

Responsible for integrating presentation and communications into policy work. Manages press and publicity, the library, enquiries and parliamentary work.

Gives legal advice on all aspects of the work of the Director and the CSCs.

Advises the Director on corporate finance matters, Periodic Review methodology and determinations.



Mike Saunders
*Assistant Director and
Head of Consumer
Affairs*

Advises the Director on customer issues, including standards of service. Responsible for decisions on disputes and complaints on behalf of the Director.

Tony Ballance
Chief Economist

Chief economic adviser to the Director. Responsible for policy advice on tariffs, balancing supply and demand and the development of competition.

Bill Emery
*Assistant Director and
Chief Engineer*

Adviser to the Director on water industry costs and efficiency, particularly capital investment, quality programmes, leakage and the work of the Reporters.

Roger Dunshea
*Assistant Director and
Head of Operations*

Manages the financial, human resources and information technology support to the office.

Roy Wardle
*Head of CSC
Appointments and
Performance Division*

Responsible for maintaining the ten CSCs and supporting the Chairmen, members and staff in carrying out their statutory duties to represent customers' interests.

Appendix 1:

Ofwat Customer Service Committees at 31 March 1999

Central CSC	Northumbria CSC	South West CSC
<p>First Floor Chanelle House 86 New Street Birmingham B2 4BA</p> <p><i>Telephone:</i> 0121 644 5252 <i>Lo-call:</i> 0345 023953 <i>Fax:</i> 0121 644 5256 <i>e-mail:</i> clcsc@ofwat.gtnet.gov.uk</p> <p><i>Office hours:</i> 8.45-16.45 Mon-Fri</p> <p><i>Responsible for customers of:</i> Severn Trent Water Ltd South Staffordshire Water plc</p> <p><i>Chairman</i> Mr Clive Wilkinson</p> <p><i>Regional Manager and Secretary</i> Mr Will Dawson</p>	<p>Eighth Floor Northgate House St Augustine's Way Darlington DL1 1XA</p> <p><i>Telephone:</i> 01325 464222 <i>Lo-call:</i> 0345 089367 <i>Fax:</i> 01325 369269 <i>e-mail:</i> nbcsc@ofwat.gtnet.gov.uk</p> <p><i>Office hours:</i> 8.45-17.00 Mon-Fri</p> <p><i>Responsible for customers of:</i> Northumbrian Water Ltd Hartlepool Water plc</p> <p><i>Chairman</i> Mr Jim Gardner CVO CBE DL</p> <p><i>Regional Manager and Secretary</i> Mrs Elizabeth Bond</p>	<p>First Floor Broadwalk House Southernhay West Exeter EX1 1TS</p> <p><i>Telephone:</i> 01392 428028 <i>Lo-call:</i> 0345 959059 <i>Fax:</i> 01392 428010 <i>e-mail:</i> swcsc@ofwat.gtnet.gov.uk</p> <p><i>Office hours:</i> 8.30-16.30 Mon-Fri</p> <p><i>Responsible for customers of:</i> South West Water Services Ltd</p> <p><i>Chairwoman</i> Mrs Jessica Thomas</p> <p><i>Regional Manager and Secretary</i> Mrs Gillian Johnston</p>
Eastern CSC	North West CSC	Southern CSC
<p>Ground Floor Carlyle House Carlyle Road Cambridge CB4 3DN</p> <p><i>Telephone:</i> 01223 323889 <i>Lo-call:</i> 0345 959369 <i>Fax:</i> 01223 323930 <i>e-mail:</i> encsc@ofwat.gtnet.gov.uk</p> <p><i>Office hours:</i> 9.00-17.00 Mon-Fri</p> <p><i>Responsible for customers of:</i> Anglian Water Services Ltd Cambridge Water plc Essex & Suffolk Water plc Tendring Hundred Water Services Ltd</p> <p><i>Chairman</i> Dr Roger Corbett</p> <p><i>Regional Manager and Secretary</i> Mrs Marisa Johnson</p>	<p>Suite 902 Ninth Floor Bridgewater House Whitworth Street Manchester M1 6LT</p> <p><i>Telephone:</i> 0161 236 6112 <i>Lo-call:</i> 0345 056316 <i>Fax:</i> 0161 228 6117 <i>e-mail:</i> nwcsc@ofwat.gtnet.gov.uk</p> <p><i>Office hours:</i> 9.00-17.00 Mon-Fri</p> <p><i>Responsible for customers of:</i> North West Water Ltd</p> <p><i>Chairman</i> Mr Maurice Terry</p> <p><i>Regional Manager and Secretary</i> Miss Margaret Smith</p>	<p>Third Floor 15-17 Ridgmount Street London WC1E 7AH</p> <p><i>Telephone:</i> 0171 636 3656 <i>Lo-call:</i> 0345 581658 <i>Fax:</i> 0171 637 4813 <i>e-mail:</i> snscsc@ofwat.gtnet.gov.uk</p> <p><i>Office hours:</i> 9.00-17.30 Mon-Thurs 9.00-17.15 Fri</p> <p><i>Responsible for customers of:</i> Southern Water Services Ltd Portsmouth Water plc Mid Kent Water plc Folkestone & Dover Water Services Ltd South East Water plc</p> <p><i>Chairman</i> Dr John Beishon</p> <p><i>Regional Manager and Secretary</i> Ms Karen Gibbs</p>

Thames CSC

Second Floor
15-17 Ridgmount Street
London WC1E 7AH

Telephone: 0171 636 3656
Lo-call: 0345 581658
Fax: 0171 636 3665
e-mail: tmcsc@ofwat.gtnet.gov.uk

Office hours:
9.00-17.30 Mon-Thurs
9.00-17.15 Fri

Responsible for customers of:
Thames Water Utilities Ltd
Three Valleys Water plc
North Surrey Water Ltd
Sutton & East Surrey Water plc

Chairman
Mr Herman Scopes

Regional Manager and Secretary
Mr Andrew Milne

Wessex CSC

2 The Hide Market
West Street
St Philips
Bristol BS2 0BH

Telephone: 0117 9557001
Lo-call: 0345 078268
Fax: 0117 9557037
e-mail: wxcsc@ofwat.gtnet.gov.uk

Office hours:
8.30-16.30 Mon-Fri

Responsible for customers of:
Wessex Water Services Ltd
Bournemouth & West Hampshire
Water plc
Bristol Water plc
Cholderton & District Water
Company Ltd

Chairman
Mrs Sheila Reiter

Regional Manager and Secretary
Mrs Teresa Evans

CSC for Wales

Room 140
Caradog House
1-6 St Andrews Place
Cardiff CF1 3BE

Telephone: 01222 239852
Lo-call: 0345 078267
Fax: 01222 239847
e-mail: wlcsc@ofwat.gtnet.gov.uk

Office hours:
8.30-16.30 Mon-Fri

Responsible for customers of:
Dŵr Cymru Cyfyngedig
Dee Valley Water plc

Chairman
Archdeacon
Raymond Roberts CB

Regional Manager and Secretary
Mr Clive Sterl

Yorkshire CSC

Eighth Floor
Northgate House
St Augustine's Way
Darlington DL1 1XA

Telephone: 01325 469777
Lo-call: 0345 089368
Fax: 01325 369269
e-mail: ykcsc@ofwat.gtnet.gov.uk

Office hours:
8.45-17.00 Mon-Fri

Responsible for customers of:
Yorkshire Water Services Ltd
York Waterworks plc

Chairman
Mr Eric Wilson

Regional Manager and Secretary
Mr John Tushingham

Appendix 2:

Letters to the companies from 1 April 1998

To Managing Directors		
MD 134	Proposed modifications of Condition B — (1) five yearly Periodic Reviews and (2) review of the tariff basket (MD131)	21.05.98
MD 135	Confidentiality for July Returns and PR99 information submissions	22.05.98
MD 136	The treatment of merger savings at the Periodic Review	06.07.98
MD 137	Proposed modifications of Licence Condition B — (1) five yearly Periodic Reviews and (2) review of the tariff basket (MD134)	01.09.98
MD 138	Business Plans for the 1999 Periodic Review	30.09.98
MD 139	Assessment of the overall service provided to customers	30.09.98
MD 140	The treatment of merger savings at the Periodic Review	08.10.98
MD 141	Consultation during phase 2 of the Periodic Review	19.10.98
MD 142	Benchmarking and efficiency	17.11.98
1999		
MD 143	Responses to <i>Prospects for Prices</i>	15.01.99
MD 144	Proposed changes to the treatment of large users and to the unmeasured tariff basket — modifications of Licence Condition B	04.02.99
MD 145	The framework for setting prices	08.03.99
MD 146	The 1999 Periodic Review: timetable and procedures	08.03.99
MD 147	Compensation for customers: review of the Guaranteed Standards Scheme	18.03.99
MD 148	Publication of long run marginal cost data	31.03.99
To Regulatory Directors		
RD12/98	Reporting of water disconnections 1997–1998 and related matters	02.04.98
RD13/98	Interest rates for requisitions and infrastructure charges — six monthly review	07.04.98
RD14/98	A benchmarking study of the England and Wales water companies and Sydney Water Corporation Ltd for 1996–1997	20.04.98
RD15/98	Regulatory Accounts for 1997–1998 Regulatory Requirements Rag 3.04	27.04.98
Amend. to RD15/98	Regulatory Accounts for 1997–1998 Amendment, Reporting Requirement RD15/98	29.04.98
RD16/98	1999 Periodic Review: Approach to supply/demand balance expenditure	27.04.98
RD17/98	Periodic Review information requirement I — customer consultation and strategic options	28.04.98
RD18/98	1999 Periodic Review — capital maintenance and operating expenditure efficiency	20.05.98
RD 19/98	Levels of service — setting performance standards	09.06.98

RD 20/98	Reporters' and auditors' joint workshop 11	12.06.98
RD 21/98	The implications of future improvements in water company efficiency for the quality framework	16.06.98
RD 22/98	Revised inset appointment process and policy booklet	25.06.98
RD 23/98	Comparisons of relative operating efficiency — summary treatment measure	21.07.98
RD 24/98	Periodic Review draft Business Plan reporting requirements	03.08.98
RD 25/98	Regulatory accounting reporting	17.08.98
RD 26/98	Levels of service — setting performance standards. Responses to RD 19/98	28.08.98
RD 27/98	Operation of Condition N	21.09.98
RD 28/98	Periodic Review PR99 — update of quality costings. Quality timetable to April 1999	21.09.98
RD 29/98	Confidentiality for July Returns and PR99 information submissions	25.09.98
RD 30/98	The Director's conclusions on RD 11/98: determining sewer connection agreements	29.09.98
RD 31/98	Reporting of water disconnections 1997–1998 and related matters	02.10.98
RD 32/98	Financial model rule book	05.10.98
RD 33/98	Business Plans for the 1999 Periodic Review	09.10.98
RD 34/98	1999 Periodic Review — Information Requirement J: Update of the costs of quality enhancements	13.10.98
RD 35/98	Efficiency assessments for <i>Prospects for Prices</i>	28.10.98
RD 36/98	Customer satisfaction survey	30.10.98
RD 37/98	Interest rates for requisitions and infrastructure charges — six monthly review	06.11.98
RD 38/98	RD 27/98. Operation of Condition N	17.11.98
RD 39/98	Second external review of Reporters	19.11.98
RD 40/98	Reporters' and auditors' joint workshop 12	26.11.98
RD 41/98	1999-2000 Principal Statement	16.12.98
RD 42/98	1999 PR analysis of 1998 submission and revised reporting requirements	22.12.98
1999		
RD 01/99	July Return 1999: submission date	12.01.99
RD 02/99	Efficiency assessments: econometric models	15.01.99
RD 03/99	Allocation of expenditure between quality enhancement and capital maintenance	29.01.99
RD 04/99	PA Consulting report: operational process benchmarking	16.02.99
RD 05/99	Information notes on the serviceability of assets in England and Wales up to March 1998	19.02.99



RD 06/99	Results of Ofwat market research	03.03.99
RD 07/99	1999 Periodic Review: approach to supply/demand balance expenditure and revenues	09.03.99
RD 08/99	Revision to Financial Model Rule Book	09.03.99
RD 09/99	Section 40 order determining terms for a bulk supply	10.03.99
RD 10/99	Optional metering schemes 1999–2000	17.03.99
RD 11/99	Reporting of water disconnections 1998–1999 and related matters	26.03.99
RD 12/99	Section 40 Order determining terms for a bulk supply	31.03.99
RD 13/99	The AMP3 monitoring plan	31.03.99
RD 14/99	Interest rates for requisitions and infrastructure charges — six monthly review	15.04.99
RD 15/99	Regulatory accounts for 1998–1999: Reporting requirements Rag 3.04	21.04.99

Appendix 3:

Press notices issued

14/98	Ofwat welcomes government's proposals on water charging	01.04.98
15/98	Dee Valley Water licence takes effect from 1 April 1998	03.04.98
16/98	New national water watchdog chairman appointed	06.04.98
17/98	Details of water company special agreements now open to public scrutiny	07.04.98
18/98	Future improvement in water company efficiency is key to lower prices	30.04.98
19/98	Ofwat seeks ministerial guidance on environmental and quality programmes to be financed by water company customers	30.04.98
20/98	Ofwat publishes report on water company tariffs	13.05.98
21/98	Water disconnections fall for sixth year running	14.05.98
22/98	Ofwat responds to government review of charging	15.05.98
23/98	Ofwat responds to government's review of regulation	20.05.98
24/98	Ofwat publishes proposals to change water company tariff basket calculations	22.05.98
25/98	Multi-utilities: could be beneficial, say regulators	29.05.98
26/98	Ofwat publishes plans for Thames Water to take over Wiltshire army garrison supplies	05.06.98
27/98	Environmental improvements must bring benefits says water regulator	18.06.98
28/98	Water regulator says opportunity not seized to speed up competition and ensure most effective use of resources	19.06.98
29/98	Byatt suggests ways of linking director's pay with performance	07.07.98
30/98	Leakage levels continue to fall	14.07.98
31/98	Environmental obligations push up prices for customers in the North East	24.07.98
32/98	Ofwat issues consultation paper following bid by Enron for Wessex Water	28.07.98
33/98	Ofwat gives the go ahead for Thames Water to take over Wiltshire army garrison supplies	26.08.98
34/98	Ofwat announces changes to water company licences and the way ahead for changing the tariff basket	01.09.98
35/98	Water regulator confirms increase in water bills in North East to finance higher environmental standards	14.09.98
36/98	Ofwat publishes proposals to appoint new entrant as sewerage undertaker	01.10.98
37/98	Water companies' performance in meeting environmental and quality standards will affect their price limits	01.10.98
38/98	Ofwat continues its drive to reduce leakage levels	14.10.98
39/98	Water industry financial performance report bodes well for customers' bills	20.10.98
40/98	New Head of External Relations appointed at Ofwat	21.10.98
41/98	Water companies working hard to iron out Millennium Bug problems	22.10.98

42/98	Ofwat publishes proposals to benefit customers of Wessex Water and to safeguard their interests	23.10.98
43/98	Ofwat publishes proposals to allow water company to supply new development in another's area	26.10.98
44/98	Changes made to 14 water companies' licences to take large users out of the regulated tariff basket	27.10.98
45/98	Water bills to fall says Ofwat	29.10.98
46/98	Water disconnections continue to fall	06.11.98
47/98	Customer service improves — price limits in 1999 will reward the very best company performance and penalise the worst	17.11.98
48/98	Customers to benefit from a single licence for Mid Southern Water and South East Water	25.11.98
49/98	Changes made to five more water companies' licences to take large users out of the regulated tariff basket	03.12.98
50/98	Leaflet helps Ofwat find out customers' views on price review	11.12.98
51/98	Ofwat gives the go ahead for entry of first new sewerage undertaker	15.12.98
52/98	Companies have made savings but there is still scope for more, says Ofwat	16.12.98
53/98	Analysis of companies' capital works unit costs show 10–15 per cent reduction since 1994	22.12.98
1999		
01/99	Mid Southern Water and South East Water come together under single licence	04.01.99
02/99	Changes made to two more water companies' licences to take large users out of the regulated tariff basket	08.01.99
03/99	Ofwat publishes proposals to cap water resale prices	14.01.99
04/99	Ofwat makes public the latest news on the cost of quality	15.01.99
05/99	Response to <i>Prospects for Prices</i> made public	18.01.99
06/99	Ofwat reports on Millennium Bug and next steps for water industry	21.01.99
07/99	Proposed merger to bring substantial benefits to customers of York Waterworks	22.01.99
08/99	Ofwat makes public information on water companies' activities for 1997–1998	03.02.99
09/99	Last of the big ten water companies agrees to take large users out of the regulated tariff basket	03.02.99
10/99	Changes made to two more water companies' licences to take large users out of the regulated tariff basket	15.02.99
11/99	Ofwat urges water companies to use benchmarking to help cut costs	17.02.99
12/99	Hartlepool Water beats neighbouring company to supply proposed business park	17.02.99

13/99	Regulator lays out his approach to ensure that companies carry out essential work on water mains and sewers and other assets	22.02.99
14/99	New guidance on inset appointments published to help progress competition in the water industry	26.02.99
15/99	Ofwat welcomes clarity on quality from ministers	01.03.99
16/99	Consultants appointed for second independent study into the water industry's preparations for the Year 2000	02.03.99
17/99	Ofwat publishes results of customer survey	04.03.99
18/99	Ofwat publishes plans to simplify licence arrangements in Hartlepool	05.03.99
19/99	Ofwat finalises the framework for setting prices	08.03.99
20/99	Ofwat proposes improvements to companies' minimum service standards and customer compensation	19.03.99
21/99	Water regulator and customer watchdogs publish their forward programmes for 1999–2002	31.03.99
22/99	Average daily household water bill is less than the cost of a litre of sparkling spring water	31.03.99
23/99	Director announces terms for a bulk supply of water between two water companies in the South East	01.04.99
24/99	Updated details of water company special agreements now open for public scrutiny	16.04.99
25/99	All companies' Business Plans received	20.04.99
26/99	Major boost for competition in the water industry	29.04.99
27/99	Ofwat amends licence to benefit customers of Wessex Water and to safeguard their interests	30.04.99

Appendix 4:

Publications available from Ofwat

The following is a list of current publications available from Ofwat produced in 1998–1999. They are free of charge from Ofwat's Library & Information Services unless otherwise indicated.

A complete list of current and past publications can be obtained from Ofwat's Library and Information Services (telephone 0121 625 1373). It can also be found on our website: <http://www.open.gov.uk/ofwat/>

1999 Periodic Review

Consultation paper

Prospects for Prices: a consultation paper on strategic issues affecting future water bills (October 1998)

Other documents

Financial model rule book: a technical paper (October 1998) £5.00

Capital works unit costs in the water industry: an analysis of the June 1998 water company cost base submissions (December 1998)

Informing the final decisions on Raising the quality 2000–2005: an open letter to the Secretary of State for the Environment, Transport and the Regions and the Secretary of State for Wales (January 1999)

Periodic Review public consultation: full report. Prepared by Research by Design for Office of Water Services £10.00; free summary also available (March 1999)

Consultation papers

(See also 1999 Periodic Review)

The proposed takeover of Wessex Water plc by the Enron Corporation: a consultation paper by the Director General of Water Services (July 1998)

Making a water resale order: a consultation paper (January 1999)

Compensation for customers: a review of the Guaranteed Standards Scheme. A consultation paper (March 1999)

Reports

1999–2000 report on tariff structure and charges (May 1999). Published annually

1997–98 report on the financial performance and capital investment of the water companies in England and Wales (October 1998). Published annually

1997–98 report on levels of service for the water industry in England and Wales (November 1998). Published annually

1997–98 report on leakage and water efficiency (October 1998). Published annually

1997–98 report on water and sewerage service operating costs and efficiency (December 1998). Published annually

Miscellaneous reports

Millennium compliance survey: final report. Commissioned by Ofwat from Montgomery Watson (October 1998) £5.00

Ofwat Welsh Language Scheme: prepared under the Welsh Language Act 1993; approved by the Welsh Language Board on 16 September 1998 (November 1998)

Final report (to Ofwat) on operational process benchmarking and cost reduction by PA Consulting Group. £15.00; free summary also available (February 1999)

Inset appointments: guidance for applicants (February 1999)

Review of costs to balance supply and demand: final report to Ofwat by Mott Macdonald (2 vols) *Project 1: review of desalination; Project 2: review of other source development options*. £15.00 each (March 1999)

The Ofwat forward programme 1999–2000 to 2001–02 (March 1999)

Special agreements register: April 1999 update. Disc £5.00+VAT (April 1999)

July Return information

July Return 1998 CD-ROM (February 1999) £62.50+VAT

July Return reporting requirements and definitions manual 1999 (January 1999) £50.00

Information notes

11. *First time rural sewerage* (revised July 1998)
33. *Customer representation in the water industry: the role and independence of Ofwat CSCs* (revised January 1999)
- 35A. *Serviceability of the water and sewer networks in England and Wales up to March 1998* (revised February 1999)
- 35B. *Serviceability of water treatment works, water storage, water pumping stations, sewage treatment works, sewage pumping stations and sludge treatment facilities in England and Wales up to March 1998* (revised February 1999)
38. *The 1999 Periodic Review* (revised March 1999)
42. *Regulation of capital investment* (September 1998)

Leaflets

Customer Service Committees: a water watchdog role for you? A guide to the functions of the CSCs and their members (revised March 1999)

Ofwat annual report 1998: summary (June 1999)

Prospects for Prices: how to have your say on your future water bills (December 1998)

Water and sewerage bills 1999–2000 (March 1999). Published annually

Water and you: this guide illustrates the costs of everyday use of water and sewerage based on an average bill for 1999–2000 (March 1999). Published annually

Ofwat National Customer Council (ONCC)

Representing water customers 1997–98: the annual report of the Ofwat National Customer Council and the ten regional Customer Service Committees (July 1998). Published annually

A fair deal for consumers: modernising the framework for utility regulation. Public consultation on consumer councils. Response of the Ofwat National Customer Council and the ten regional Customer Service Committees (November 1998)

A fair deal for consumers: modernising the framework for utility regulation. Public consultation on consumer councils. Joint response by the Chairmen of Electricity Consumers Committees Chairmen's Group (ECCCG), Consumer Communications for England (CCE), Gas Consumers' Council (GCC) and Ofwat National Customer Council (ONCC) (November 1998)

Ofwat National Customer Council and the ten regional Customer Service Committees: forward plan 1999–2000 to 2001–2002 (March 1999)

ONCC briefing notes

5. *Water Industry Bill: water charging in England and Wales* (December 1998)
6. *Review of utility regulation: consumer representation* (January 1999)

Dear Managing Director/Regulatory Director letters

These are copies of letters sent to the Managing Directors or Regulatory Directors of all appointed water companies (August 1989 to date) £3.55 each (annual subscription April 1999–March 2000 £210), see Appendix 2.

Speeches

Speeches made by the Director General of Water Services, Ian Byatt, can be purchased at £3.55 each. A list is available from Library and Information Services.

All MD letters and some speeches can be found on the Ofwat website.

Appendix 5:

Independent Reporters and Auditors

Water and sewerage companies	Auditors	Reporters
Anglian Water Services Ltd	Price Waterhouse	Binnie Black & Veatch
Dŵr Cymru Cyfyngedig	Coopers & Lybrand	Halcrow Management Sciences
Northumbrian Water Ltd	Arthur Andersen & Co SC	Binnie Black & Veatch
North West Water Ltd	KPMG	Halcrow Management Sciences
Severn Trent Water Ltd	Price Waterhouse	Halcrow Management Sciences
Southern Water Services Ltd	Coopers & Lybrand	W S Atkins
South West Water Services Ltd	Price Waterhouse	W S Atkins
Thames Water Utilities Ltd	Coopers & Lybrand	W S Atkins
Wessex Water Services Ltd	Arthur Andersen & Co SC	Halcrow Management Sciences
Yorkshire Water Services Ltd	Ernst & Young	Strategic Management Consultants
Water only companies	Auditors	Reporters
Bournemouth & West Hampshire Water plc	Price Waterhouse	Binnie Black & Veatch
Bristol Water plc	Coopers & Lybrand	W S Atkins
Cambridge Water plc	Binder Hamlyn	Pick Everard
Dee Valley Water plc	Saffery Champness	Montgomery Watson
Cholderton & District Water Company Ltd	B Johnson Esq	*
Essex and Suffolk Water plc	Arthur Andersen & Co SC	Halcrow Management Sciences
Folkestone & Dover Water Services Ltd	Coopers & Lybrand	Montgomery Watson
Hartlepool Water plc	Price Waterhouse	Halcrow Management Sciences
Mid Kent Water plc	Arthur Andersen & Co SC	W S Atkins
Mid Southern Water plc	Coopers & Lybrand	Halcrow Management Sciences
North Surrey Water Ltd	Coopers & Lybrand	W S Atkins
Portsmouth Water plc	Grant Thornton	RKL Arup
South East Water Ltd	Coopers & Lybrand	Halcrow Management Sciences
South Staffordshire Water plc	Arthur Andersen & Co SC	Halcrow Management Sciences
Sutton & East Surrey Water plc	KPMG	Binnie Black & Veatch
Tendring Hundred Water Services Ltd	Coopers & Lybrand	Montgomery Watson
Three Valleys Water plc	Coopers & Lybrand	W S Atkins
York Waterworks plc	Garbutt & Elliott	Halcrow Management Sciences

* Cholderton & District Water Company is an exceptionally small company and does not provide information.

Appendix 6:

Senior industrialists

Jeffrey Herbert:

Chairman and Chief Executive, Charter plc (international engineering group); Deputy Chairman, Vickers plc (engineering); Chairman, Howden Group South Africa Limited; non-executive Director, M&G Recovery Investment Trust plc.

Roger Sainsbury:

President of the Institution of Civil Engineers. Previously director of a number of companies in the John Mowlem group (construction, facilities management and environmental services).

Cob Stenham:

Deputy Chairman of TeleWest Communications plc (cable TV and telephony services); non-executive Director of: Standard Chartered plc (banking and financial services); Unigate plc (food manufacturer); The Rank Group plc (leisure and media); Rothmans International BV (tobacco). Previously Chairman of Arjo Wiggins Appleton plc (paper manufacturer).

Allen Sykes:

A former Managing Director of Consolidated Goldfields, now Chairman of TEG Environmental plc and a non-executive Director of Willis Corroon Group plc. His main background is mining, energy and natural resources.

Sir Alan Thomas:

Chairman of Firth Holdings plc (steel processing, logistics management outsourcing); Deputy Chairman, University of Westminster; non-executive Director of PowerGen plc. Previously Head of the MOD's Defence Sales Organisation and President and Chief Executive of Raytheon Europe (electronics and aerospace).

Terms of reference

Senior industrialists will assist the Director for the purposes of the forthcoming price review on:

- consideration of the structure of incentives which will encourage companies to reduce costs while improving services to customers;
- the quality of the business planning processes used by companies to make projections of the expenditure necessary for them to comply with legal obligations and to provide service to customers;
- the specification and interpretation of inter-company information on costs and efficiency;
- the most appropriate methods of regulating capital expenditure in order to ensure that medium-term programmes are carried out both efficiently and effectively.

Appendix 7:

The water and sewerage companies

Anglian Water Services Ltd

Anglian House
Ambury Road
Huntingdon
Cambridgeshire PE18 6NZ
Telephone: 01480 323000

Dŵr Cymru Cyfyngedig (Welsh Water)

Plas-y-Ffynnon
Cambrian Way
Brecon
Powys LD3 7HP
Telephone: 01874 623181

North West Water Ltd

Dawson House
Great Sankey
Warrington WA5 3LW
Telephone: 01925 234000

Northumbrian Water Ltd

Abbey Road
Pity Me
Durham DH1 5FJ
Telephone: 0191 383 2222

Severn Trent Water Ltd

2297 Coventry Road
Birmingham B26 3PU
Telephone: 0121 722 4000

South West Water Services Ltd

Peninsula House
Rydon Lane
Exeter EX2 7HR
Telephone: 01392 446688

Southern Water Services Ltd

Southern House
Yeoman Road
Worthing
Sussex BN13 3NX
Telephone: 01903 264444

Thames Water Utilities Ltd

Blake House
Manor Farm Road
Reading RG2 0JN
Telephone: 0645 200800

Wessex Water Services Ltd

Wessex House
Passage Street
Bristol BS2 0JQ
Telephone: 0117 929 0611

Yorkshire Water Services Ltd

Western House
Western Way
Halifax Road
Bradford BD6 2LZ
Telephone: 01274 691111

Appendix 8:

The water only companies

Bournemouth & West Hampshire Water plc

George Jessel House
Francis Avenue
Bournemouth BH11 8NB
Telephone: 01202 591111

Bristol Water plc

PO Box 218
Bridgwater Road
Bristol BS99 7AU
Telephone: 0117 966 5881

Cambridge Water plc

41 Rustat Road
Cambridge CB1 3QS
Telephone: 01223 403000

Cholderton & District Water Company Ltd

Estate Office
Cholderton
Salisbury
Wiltshire SP4 ODR
Telephone: 01980 629203

Dee Valley Water plc

Packsaddle
Wrexham Road
Rhostyllen
Wrexham
North Wales LL14 4EH
Telephone: 01978 846946

Essex & Suffolk Water plc

Hall Street
Chelmsford
Essex CM2 OHH
Telephone: 01245 491234

Folkestone & Dover Water Services Ltd

Cherry Garden Lane
Folkestone
Kent CT19 4QB
Telephone: 01303 298800

Hartlepool Water plc

3 Lancaster Road
Hartlepool
TS24 8LW
Telephone: 01429 868555

Mid Kent Water plc

Rocfort Road
Snodland
Kent ME6 5AH
Telephone: 01634 240313

North Surrey Water Ltd

Millis House
The Causeway
Staines
Middlesex TW18 3BX
Telephone: 01784 455464

Portsmouth Water plc

PO Box 8
West Street
Havant
Hants P09 1LG
Telephone: 01705 499888

South East Water plc

14 Upperton Road
Eastbourne
East Sussex BN21 1EP
Telephone: 01323 411411

South Staffordshire Water plc

Green Lane
Walsall
West Midlands WS2 7PD
Telephone: 01922 638282

Sutton & East Surrey Water plc

London Road
Redhill
Surrey RH1 1LJ
Telephone: 01737 772000

Tendring Hundred Water Services Ltd

Mill Hill
Manningtree
Essex C011 2AZ
Telephone: 01206 399200

Three Valleys Water plc

PO Box 48
Bishop's Rise
Hatfield
Herts AL10 9HL
Telephone: 01707 268111

York Waterworks plc

Lendal Tower
York
YO1 7DL
Telephone: 01904 622171



1998

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of Water Services



