



**OFWAT FORWARD PROGRAMME  
2003-04 to 2005-06**

**31 March 2003**

## **Our vision**

A water industry that delivers a world-class service, representing best value to customers now and in the future.

## **Our mission**

To regulate in a way that provides incentives and encourages the companies to achieve a world-class service in terms of quality and value for customers in England and Wales.

## **How do we do it?**

By:

- Setting price limits at levels which:
  - Enable well managed companies to finance the delivery of services in line with relevant standards and requirements.
  - Provide incentives for companies to improve efficiency and service delivery.
  - Share the benefits between customers and investors.
- Ensuring that we are aware of stakeholders' views and priorities by consulting with customers' groups, the industry and others, and undertaking customer surveys.
- Facilitating the development of competition to promote further efficiency gains and, where practicable, further choice for customers.
- Working with the quality regulators to ensure that Ministers have the information they need to set the quality improvement programme within a long-term framework.
- Ensuring that customers' tariffs are fair and do not unduly discriminate or show preference to any class of customer.
- Handling disputes and complaints involving the companies economically, effectively and fairly.
- Monitoring the companies' performance and taking action, where necessary, to protect the interests of customers and other stakeholders.
- Openly and transparently publishing information, which allows customers and other stakeholders to have their say in regulatory decisions.
- Making sure that Ofwat delivers best value in its regulatory role and by valuing and encouraging the development of its entire staff.
- Assessing company performance by making appropriate comparisons between the regulated companies, drawing on relevant information from other sectors and from international comparisons where available.

# Contents

	<b>Page</b>
<b>Foreword</b>	<b>5</b>
<b>1 Introduction</b>	<b>8</b>
1.1 The year ahead for Ofwat	8
1.2 Results of consultation exercise	10
<b>2 Price setting</b>	<b>11</b>
2.1 Periodic review 2004	11
2.2 Interim determinations of price limits	13
<b>3 Safeguarding customers</b>	<b>14</b>
3.1 Companies' charges schemes	14
3.2 Social issues	14
3.3 Complaints and disputes	15
3.4 Levels of service	15
3.5 Serviceability to customers	15
3.6 Supply and demand for water services	16
3.7 Improving drinking water quality and the environment	16
3.8 Efficient use of water	16
3.9 Leakage	17
3.10 Customer representation – WaterVoice	17
<b>4 Comparative competition, industry structure and companies' finance</b>	<b>19</b>
4.1 Comparative competition	19
4.2 Financial performance and regulatory accounts	19
4.3 Transfer pricing	20
4.4 Reporters	20
4.5 Financial restructuring	21
4.6 Mergers	21
4.7 Licences	22
<b>5 Price competition</b>	<b>23</b>
5.1 Water Bill	23
5.2 Common carriage (wholesale supplies)	23
5.3 Self-lay of new water mains	23
5.4 Competition Act 1998 casework	23
5.5 Inset appointments	24

<b>6</b>	<b>Proposed legislation</b>	<b>25</b>
6.1	Water Bill	25
6.2	Enterprise Act 2002	25
6.3	Water Framework Directive	26
6.4	Freedom of Information Act 2000	27
<b>7</b>	<b>Resources and accountability</b>	<b>28</b>
7.1	Finance	28
7.2	Staff management	28
7.3	Annual report	28
<b>Appendix 1</b>		<b>29</b>
	Ofwat structure	
<b>Appendix 2</b>		<b>30</b>
	Glossary of terms	
<b>Appendix 3</b>		<b>33</b>
	List of stakeholders who attended the workshop	
	List of stakeholders who provided a written response	

## Foreword

This is my third forward programme for Ofwat and covers the period 2003-04 to 2005-06. It follows public consultation.

Over the period, our work will focus particularly on price setting, leading up to new price limits for companies in November 2004. This paper should be read in conjunction with our methodology paper 'Setting water and sewerage price limits for 2005-10: Framework and approach', published 27 March 2003. But the periodic review is only a part of our work. This paper sets it in a wider context.

Since consulting on the draft of this programme, the Government has introduced a Water Bill in the House of Lords. The Bill when enacted is likely to have a significant impact on Ofwat's work. In particular, it introduces a new regime for competition in water services. It also proposes to establish Ofwat as a regulatory authority rather than having a single Director General and to separate Ofwat as regulator from WaterVoice as customer representative. It will make the latter an independent consumer council. Both moves are welcome, but will require careful preparation for effective implementation. The Government has indicated it expects to implement these various constitutional changes in 2005. We shall work with them on the implementation timetable, on which I expect to say more in the forward programme for 2004-05 onwards.

Ofwat's primary statutory duties are and will remain to act in a way that we judge will enable efficient companies to finance and carry out their functions, within the context of protecting customers. The Water Bill proposes to make our duty to protect customers more central and, where appropriate, we are to do so by promoting competition. We will also be required to contribute to the achievement of sustainable development.

Customers pay our costs through a charge on the water companies. We seek to keep that burden to the minimum consistent with doing our job properly. We have to weigh up the cost of new regulatory initiatives to help us respond to changing customer expectations, company practice and market initiatives. We also have to assess the likely demands that will be placed on us by the need to respond to the statutory changes and events outside our control, for example merger proposals, interim determination applications and complaints under the Competition Act 1998.

For four years, we have held our call on customers to £11.9 million or less each year. Within that ceiling we have completed the last periodic review and met new statutory requirements especially on competition. We have put ourselves in a better position to undertake the price review 2004, for example by developing a new financial model to share with the industry. For 2003-04 we will increase our cash call to £12.6 million, representing an annual cost of less than 50p per customer. The increase is still well below the rate of inflation over the last four years.

Our success depends on the skills and application of our 227 full-time equivalent staff, more than a quarter of whom work for WaterVoice. We must be flexible in our use of these skills. Together we work to deliver the aims and objectives published at the start of this forward programme. These have remained broadly constant for the

last three years. WaterVoice also publishes its own work plan, which complements this forward programme.

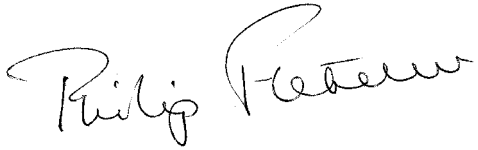
To achieve our aims we need to maintain a stable regulatory environment within which the companies can deliver their services to customers, appropriately reward investors, and achieve the environmental and other service improvements required. We will not make changes for change's sake. A transparent approach by the regulator is essential. We are committed to informing interested parties and consulting them on the key issues. This helps us to make better and balanced decisions taking account of both different values and different stakeholders. We listen carefully and work to properly explain these decisions. We have produced our Freedom of Information Act 2000 publication scheme following approval by the Information Commissioner. This clearly reaffirms our commitment to openness and transparency in our work.

We will not try to do everything at once. For example, over the peak of the review period less of our time will be available for assessing the quality of service. This does not mean that such monitoring becomes any less important. We shall throughout retain the ability to respond flexibly to unforeseen demands in the regulatory world and the wider economy. We have committed ourselves to observing the five general principles of regulatory good practice identified by the Better Regulation Task Force: transparency, accountability, proportionality, consistency and targeting. We shall aim to deliver with flexibility and integrity. 'Setting water and sewerage price limits for the water industry for 2005-10: Framework and approach' expands on this.

The major issues which we expect to address over the coming year, apart from the Water Bill, are:

- Periodic review – our approach to price setting will be incentive-based, efficient and transparent. There will be no predetermined outcome – price limits will be what they need to be to enable efficient companies to finance functions. We consulted on the merits of extending the price review for more than five years when we set price limits in 2009. We will consider this further as we approach the 2004 review.
- Competition – we shall prepare for implementation of the new Water Act and meanwhile we shall continue our work under the existing legislation. Where competition is relatively undeveloped, we shall continue to look to regulation expressed through comparative competition, to ensure that monopoly companies have the incentive to continue to improve performance.
- Customer service – we have strengthened the representation of customers through the development of WaterVoice, which speaks separately from Ofwat. We continue to work with other stakeholders on the joint survey work started in 2002-03 to ensure that we understand better the concerns of customers.
- Industry structure – since 1999 a number of companies have changed their capital structure significantly and there have been a series of important mergers and takeovers. We shall continue to consider the issues and to respond promptly to any merger or restructuring proposals made by the industry.

As part of our accountability, we will remain responsive to calls for evidence and information from Parliament and the National Assembly for Wales and take account of the comments made about our regulatory processes in the past. We will continue to prepare at least outline regulatory impact assessments (RIAs) to assess the costs and benefits of proposals for major changes of policy.

A handwritten signature in black ink that reads "Philip Fletcher". The signature is written in a cursive, flowing style.

**Philip Fletcher**  
**Director General of Water Services**

# 1 Introduction

## 1.1 The year ahead for Ofwat

Our objectives for the coming year build upon progress already achieved against the forward programme 2002-03. The highlights include:

- issue of financial model (Aquarius 3);
- publication of the PR04 methodology paper ‘Setting water and sewerage price limits for 2005-10: Framework and approach’; and
- publication of our annual reports on company performances.

The major outputs involved in achieving key objectives for 2003-04 are included in the milestones detailed in the timetable below.

<b>Ofwat milestones 2003-04</b>		
	<b>Paragraph</b>	<b>Date<sup>1</sup></b>
<b>Price setting</b>		
Release update of financial model (Aquarius 3)	2.1.2	May 2003
Issue draft business plan information capture system (ICS)	2.1.2	May 2003
Publish initial feedback on cost base submissions	2.1.2	May 2003
Publish updated guidance on the interim determinations process	2.2	Quarter 1
Companies submit June returns 2002-03	2.1.2	June 2003
Companies submit draft business plans	2.1.2	August 2003
Companies publish summaries of draft business plans	2.1.2	August 2003
Publication identifying issues emerging from draft business plans	2.1.2	October 2003
Publish results of independent external review of reporters’ work on companies’ business plans	4.4	Quarter 3
Provide feedback to companies and their reporters on draft business plan submissions	2.1.2	Oct – Dec 2003
Respond to requests for interim determinations and issue counter notices where necessary	2.2	Quarter 3
Provide companies with details of 2005-06 capital investment programme	2.1.2	December 2003
Publish results of joint customer research	2.1.2	December 2003
Ministers provide final guidance on the required quality programme	2.1.2	January 2004
<b>Safeguarding customers</b>		
Publish ‘Tariff structure and charges’	3.1	May 2003
Hold complaints workshops	3.3	Quarters 1 and 3
Publish ‘Financial performance and expenditure of the water companies in England and Wales’	3.5, 3.7, 4.2 and 4.3	August 2003

<sup>1</sup> Quarter 1 = April to June, Quarter 2 = July to September, Quarter 3 = October to December, Quarter 4 = January to March.

Consultation on measured/unmeasured household differential	3.1	Quarter 2
Publish 'Levels of service for the water industry in England and Wales'	3.4, 3.7	Quarter 2
Publish companies' leakage performance	3.9	Quarter 2
Publish the June return 2003	3	October 2003
Publish 'Security of supply, leakage and the efficient use of water'	3.6 3.8 and 3.9	October 2003
Report progress on Thames' security of supply in 'Security of supply, leakage and the efficient use of water'	3.6	October 2003
Approve companies' draft charges schemes	3.1	February 2004
Publish the results of the Water Resale Order review	3.2	Quarter 4
<b>Comparative competition and companies' finance</b>		
Consult on proposed modifications to licence Condition B	4.7.2	April 2003
Publish international comparison report	4.1	October 2003
Publish 'Water and sewerage unit costs and relative efficiency'	4.1	December 2003
Hold reporters and auditors joint workshop	4.4	Quarter 3
Publish results of assessment of reporters' performance on June returns	4.4	Quarter 3
Publish updated regulatory capital values (RCVs) for 2000-05	4.2	March 2004
Hold city briefings	4.2	Ongoing
Respond to financial restructuring proposals	4.5	As required
Respond to merger proposals	4.6	As required
<b>Competition</b>		
Second report on Competition Act 1998 (CA98) casework	5.4	Quarter 1
Consult on the possible industry working groups to help prepare for the implementation of the Water Bill proposals on competition	5.1	Quarter 2
Respond to CA98 queries	5.4	As required
Respond to applications for inset appointments within stated timescales	5.5	As required
<b>Proposed legislation</b>		
Publish the code of practice on discharge of functions	6.1.3	Quarter 2
Develop new procedures to implement powers conferred by Enterprise Act 2002	6.2	From quarter 1 onwards
<b>Resources and accountability</b>		
Publish our annual report	7.1	May 2003
Publish our annual accounts	7.1	October 2003

## 1.2 Results of the consultation exercise

As part of the consultation exercise, Ofwat held a forward programme workshop on 20 November 2002 at Warwick University. The workshop was a valuable source of feedback from our stakeholders and was well attended by many of them. This year Ofwat invited a number of stakeholders to speak at the workshop and this was very well received by all.

A list of stakeholders who attended the workshop is given in Appendix 3.

We received 20 written responses to our consultation on the forward programme. This is in the context of 48 responses to the 2002-03 consultation and 40 to the 2001-02 consultation.

A list of stakeholders who provided written responses is given in Appendix 3.

The consultation on the forward programme ran concurrently with the consultation on the periodic review 2004. As anticipated, stakeholders focussed their work on responding to 'Setting price limits for 2005-10: Framework and approach: A consultation paper'. Periodic review 2004 forms a large part of the forward programme this year and respondees have indicated on the whole that this is the area where they have the most interest. Stakeholders therefore directed their attention towards responding to the consultation paper on price setting. Accordingly, the majority of issues raised in written responses have been included in 'Setting water and sewerage price limits for 2005-10: Framework and approach'

The minor changes included in the final forward programme therefore arise from:

- Responses to the consultation.
- Developments since the publication of the draft forward programme in November 2002 e.g. Water Bill, Water Framework Directive and Enterprise Act 2002.
- Policy or timetable changes.

## **2 Price setting**

Every five years we set price limits that enable well managed companies to finance the delivery of services in line with relevant standards and requirements. We set a separate price limit for each company for each year. These price limits restrict the average change in charges that each company levies on its customers. We will next set price limits in November 2004 for the five years 2005 to 2010.

### **2.1 Periodic review 2004**

#### **2.1.1 Our aim and approach**

We aim to set price limits which provide best value to customers now and in the future. We intend to:

- enable well managed companies to finance the delivery of services in line with relevant standards and requirements; and
- provide incentives for companies to improve efficiency and service delivery and adopt an efficient and transparent process in conducting the review.

The first phase of the price review began in October 2002 with our consultation on the methodology. Following our consultation, we set out our response in 'Setting water and sewerage price limits for 2005-10: Framework and approach' published on 27 March 2003. This is available on our website at [www.ofwat.gov.uk](http://www.ofwat.gov.uk).

A stand alone executive summary and summary of the consultation responses are also available on our website.

All of these publications can be obtained from our library on 0121 625 1373.

#### **2.1.2 The price review project timetable and milestones**

The price review is managed as a project, with input from across Ofwat, WaterVoice and external stakeholders. The project is managed in four phases. The timetable was confirmed following the consultation on our forward programme last year. Setting price limits requires substantial resources from many stakeholders and will need to be given high priority if we are to achieve the timetable set out on the next page.

### **Timetable for 2004 periodic review**

<b>Remainder of Phase 1: Framework and issues</b>	
<b>May 2003</b>	<ul style="list-style-type: none"> <li>• Release update of financial model.</li> <li>• Issue draft business plan ICS.</li> <li>• Publish initial feedback on cost base submissions so that companies are aware of their comparative costs when they produce their draft business plans.</li> <li>• Confirm reference assumptions.</li> </ul>
<b>Phase 2: Assessment of draft business plans and market research</b>	
<b>May/June 2003</b>	<ul style="list-style-type: none"> <li>• Meet with companies and their reporters while they develop their draft business plans for submission in August 2003.</li> </ul>
<b>13 June 2003</b>	<ul style="list-style-type: none"> <li>• June returns – company annual reports for 2002-03 submitted to Ofwat.</li> </ul>
<b>15 August 2003</b>	<ul style="list-style-type: none"> <li>• Companies submit draft business plans (subsequently, companies will publish summaries.)</li> </ul>
<b>October 2003</b>	<ul style="list-style-type: none"> <li>• Publication identifying issues emerging from draft business plans.</li> </ul>
<b>October 2003 – December 2003</b>	<ul style="list-style-type: none"> <li>• Provide feedback to companies on their draft business plan submissions.</li> </ul>
<b>November 2003</b>	<ul style="list-style-type: none"> <li>• Ofwat meet WaterVoice to hear views on draft business plans.</li> </ul>
<b>December 2003</b>	<ul style="list-style-type: none"> <li>• Provide companies with details of 2005-06 programmes.</li> </ul>
<b>December 2003</b>	<ul style="list-style-type: none"> <li>• Publish results of joint customer research.</li> </ul>
<b>January 2004</b>	<ul style="list-style-type: none"> <li>• Ministers provide final guidance on the required quality programme.</li> </ul>
<b>Phase 3: Decisions and determinations</b>	
<b>7 April 2004</b>	<ul style="list-style-type: none"> <li>• Companies submit final business plans.</li> </ul>
<b>April 2004</b>	<ul style="list-style-type: none"> <li>• Companies publish summaries of final business plans.</li> </ul>
<b>11 June 2004</b>	<ul style="list-style-type: none"> <li>• Companies submit June returns – annual reports for 2003-04.</li> </ul>
<b>July 2004</b>	<ul style="list-style-type: none"> <li>• Draft determinations published for consultation.</li> </ul>
<b>Early September 2004</b>	<ul style="list-style-type: none"> <li>• Companies make written representations ahead of their meetings with the Director General of Water Services (the Director).</li> </ul>
<b>September 2004</b>	<ul style="list-style-type: none"> <li>• Ministers have the opportunity to fine tune their decisions on the required quality programme.</li> <li>• Ofwat meet WaterVoice committees to hear their views on draft determinations.</li> </ul>
<b>September 2004 – October 2004</b>	<ul style="list-style-type: none"> <li>• Companies meet with the Director.</li> <li>• Stakeholders set out their views on the draft determinations.</li> </ul>
<b>November 2004</b>	<ul style="list-style-type: none"> <li>• Publish the final determinations.</li> </ul>

<b>November 2004 – January 2005</b>	<ul style="list-style-type: none"> <li>• Companies have two months to decide whether to accept or challenge new price limits.</li> </ul>
<b>Phase 4: Implementation</b>	
<b>March 2005</b>	<ul style="list-style-type: none"> <li>• Companies publish monitoring plans against which we will check progress on an annual basis.</li> </ul>
<b>1 April 2005</b>	<ul style="list-style-type: none"> <li>• New price limits come into effect.</li> </ul>

## **2.2 Interim determinations of price limits**

A company, or Ofwat, can in certain circumstances seek an interim determination of price limits where there are significant changes in costs or revenues. We may also issue a counter-notice for an interim determination request submitted by a company. If shortfalls are not incorporated into an interim determination of price limits, the value of such shortfalls will be taken into account at the next price review.

In order to revise price limits for 2004-05, the licence requires companies to request an interim determination no later than 1 October 2003. We must then make an interim determination within three months. We encourage earlier submission of requests.

We will update and publish the guidance on the process of interim determinations originally set out in 'MD178 Interim Determinations 2002' in quarter one of 2003-04. We placed the spreadsheet which we use to calculate interim determinations on our website. We will remind companies annually where to find this model and how to use it.

### 3 Safeguarding customers

One of our roles is to make sure that the quality of services delivered to customers - including protecting the environment - is maintained both in the short and long-term. Monitoring and taking required actions is a routine, but important aspect of our work that needs to be carried out annually. We publish the outcome in our five annual reports on company performance.

- 'Tariff structure and charges.' May 2003
- 'Levels of service for the water industry in England and Wales.' Quarter 2 2003
- 'Financial performance and expenditure of the water companies in England and Wales.' August 2003
- 'Security of supply, leakage and the efficient use of water.' October 2003
- 'Water and sewerage service unit costs and relative efficiency.' December 2003

We publish companies' June returns on a CD-ROM each year.

#### 3.1 Companies' charges schemes

Companies need our approval for their charges schemes. We approved companies' charges schemes for 2003-04 in February 2003. Approval for the 2004-05 schemes will take place in February 2004.

Our approach to tariff policy issues is now well established and set out in the relevant guidance to companies. We will:

- Review companies' draft charges schemes for 2004-05 and their draft principal statements in autumn 2003.
- Consider new tariff proposals and monitor companies' application of price limits to their tariffs.
- Consult with WaterVoice committees before approving the companies' draft charges schemes in early February 2004.
- Publish the outcome of our review of companies' charges schemes for 2003-04 in our report 'Tariff structure and charges' in May 2003.
- Review the measured/unmeasured household differential and consult on the outcome in quarter 2, with a view to implementing any changes in 2005-06 when revised price limits come into effect.
- Review companies' approaches to charging for surface water drainage and report on the outcome in quarter 2.
- Review emerging issues.

#### 3.2 Social issues

All customers and especially those on low incomes or with special needs, need to have access to companies' services. During 2002-03 in a joint project with WaterVoice we reviewed companies' policies and practices for providing services to customers with special needs. In 2003-04 we will:

- Implement recommendations arising from our review of companies' policies for special needs customers.

- Continue to work with the industry and Department for Work and Pensions to explore improvements in the direct payment scheme to help reduce bad debt.
- Work with the industry to implement any changes to the Vulnerable Groups Regulations that result from the current review by the Department for Environment, Food and Rural Affairs (DEFRA).
- Review the operation of the Water Resale Order and, consult on any necessary changes to the Water Resale Order arising from provisions in the Water Bill in quarter 4.
- Carry out joint research with WaterVoice to explore customers' views on issues associated with paying for water services, in particular customer debt.

### **3.3 Complaints and disputes**

Customers expect us to handle their complaints promptly, efficiently and within agreed time limits. We have reduced the time it takes to provide companies' customers with a decision. We will aim, where practicable, to cut the time we take even further, without jeopardising the quality of our response. We will hold complaint workshops for WaterVoice staff and members in quarters 1 and 3.

### **3.4 Levels of service**

Companies are responsible for providing an acceptable level of service to their customers. Generally there is a high level of customer satisfaction with the quality of service. Our aim is to ensure this is maintained and we will take action where this needs improvement or is deteriorating. We will:

- Analyse and compare companies' June return data on levels of service to customers. We will publish company performance in 'Levels of service for the water industry in England and Wales' in quarter two.
- Update service indicators as required to take account of changes in technology and customers' expectations. We are currently working with the industry on development of the measures for sewer flooding and the introduction of a qualitative measure of telephone contacts to be introduced for 2004-05.

### **3.5 Serviceability to customers**

Serviceability indicators are intended to measure whether companies' assets e.g. water mains and sewers can maintain services to customers now and in the future. We aim to understand how serviceability changes over time as a result of capital maintenance by companies. We will:

- Monitor serviceability information in the June return including the enhanced indicators. We will note where the position is stable or improving. If there is any information which indicates an uncertain or deteriorating position, we will investigate the causes with the company and reporters (see paragraph 4.4) and if necessary seek action to improve the situation.
- Use the annual assessment to inform the analysis of the longer term capital maintenance needs, which will form part of the price review 2004.
- Publish our analysis of serviceability to customers in 'Financial performance and expenditure of water companies in England and Wales' in August 2003.

### **3.6 Supply and demand for water services**

Companies must produce plans to meet and manage demand for water services. We aim to make sure that they choose the right balance of leakage reduction, resource development and demand management by promoting efficient use of water by customers. We will monitor:

- The companies' delivery of supply/demand balance outputs, in particular where companies received funding at the last price review to enhance the security of water supplies.
- The new security of supply index, which will be reported in our annual report 'Security of supply, leakage and the efficient use of water' in October 2003.
- Thames Water's progress in delivering target security of supply margins and leakage targets in its London zones, to ensure that there is sufficient water supply to meet any additional demand. This will follow up actions agreed with the company during 2002-03. We will report progress in October 2003 in our report 'Security of supply, leakage and the efficient use of water.' We will take any action as required to ensure targets are met.

In 2003-04 we will also contribute to joint work to examine long-term water resource planning in the south east of England, along with the Environment Agency (EA) and water companies in the region.

### **3.7 Improving drinking water quality and the environment**

The 1999 price review final determination stipulated that companies should deliver a programme of outputs designed to improve water quality and the environment. In 2003-04 we will:

- Work with the Drinking Water Inspectorate (DWI) to make sure that companies carry out the expected improvements to their water treatment works and distribution systems.
- Assess each company's progress in meeting its environmental obligations based on information received from the EA and take action as required.
- Include the views of the quality regulators on companies' performance in 'Levels of service for the water industry in England and Wales' in quarter two and in 'Financial performance and expenditure of water companies in England and Wales' in August 2003.
- Work with DEFRA, the EA and other stakeholders on the EU Water Framework Directive. This was adopted by member states in December 2000 to establish a framework for the protection of inland and coastal waters and groundwater (see also chapter 6.3).

### **3.8 Efficient use of water**

We will continue to support and work with companies to promote the efficient use of water by their customers. We will:

- Work with the industry, the EA and others to improve our understanding of the cost effectiveness of companies' activities to promote the efficient use of water by their customers.

- Assess how companies' draft business plans integrate efficient use of water activity in their plans to balance supply and demand.
- Continue to support the Ofwat economic research category in the Water UK Environment Agency's Water Efficiency Awards. We will also participate in judging entries.
- Review the companies' June returns and publish our analysis of their promotion of the efficient use of water in the 'Security of supply, leakage and efficient use of water' report in October 2003.

### **3.9 Leakage**

We monitor companies' leakage performance to make sure that they are carrying out their duty to maintain an efficient and economic system of water supply.

Customers benefit from this work through lower bills (up to the economic level of leakage) and improved security of supply. The natural environment benefits as no more water than necessary is extracted. In the year ahead we will:

- Assess and report on companies' performance using leakage data in the June return 2003. We will take action against companies failing to meet their leakage targets.
- Make sure that future leakage targets are based on a sound economic approach.
- Look for a more consistent relationship between supply/demand balance planning and economic levels of leakage.
- Publish companies' leakage performance for 2002-03 in quarter 2. We will publish further analysis in 'Security of supply, leakage and the efficient use of water' in October 2003. This will include details of leakage performance and leakage targets for 2004-05. The report will include reasons for failures to meet targets and actions to rectify problems.
- Monitor Thames Water's progress on mandatory leakage targets.

### **3.10 Customer representation – WaterVoice**

WaterVoice continues to develop its role as the independent voice of the customer and will publish its forward programme 2003-04 to 2004-05 in April 2003. We work closely with WaterVoice to co-ordinate our workplans and ensure that it has the resources to carry out its functions. The Ofwat and WaterVoice Memorandum of Understanding (MoU) supports our relationship. Ofwat and WaterVoice will monitor the operation of the current MoU and review it in 2004. DEFRA is expected to set up the necessary joint projects to take forward the creation of the new Consumer Council for Water and related consumer provisions in the Water Bill. Ofwat will work closely with DEFRA, the Welsh Assembly Government and WaterVoice.

The price review, developments on competition plus the Water Bill will feature heavily in our work with WaterVoice. We will consult with WaterVoice on regulatory and customer protection policy proposals. We will provide support to WaterVoice in providing resources, accommodation, legal advice and central services.

We have agreed with WaterVoice that its programme for next year will include:

- Reporting on quality of service provided to customers based on sample audits of individual cases and other assessments of company practice.
- Providing input to the 2004 price review.

- Providing options to enhance existing levels of service measures.
- Bringing to our attention issues of customer service, which may require us to exercise our powers, or which, may raise broader policy issues.
- Monitoring the implementation of the Vulnerable Group Regulations.

WaterVoice will advise Ofwat on:

- Company strategies and policies for the prevention of sewer flooding and the handling of incidents when they occur.
- The content and implementation of companies' water efficiency plans.
- How companies handle domestic customers in debt.
- Companies' codes of practice and complaints procedures before our approval.
- Best company practice in customer service.
- The development of companies' charging policies with particular reference to proposed charges schemes for 2004-05.
- The outcome of the joint customer research study.
- Any needs for further joint customer research.

## **4 Comparative competition, industry structure and companies' finance**

### **4.1 Comparative competition**

The water companies are regional monopolies and face very limited exposure to competition for their customers. Accordingly, comparative competition is an important tool in economic regulation. We will:

- Carry out a thorough analysis of operating and capital maintenance expenditure data provided in the June return. We will publish the results in 'Water and sewerage unit costs and relative efficiency' in December 2003.
- Continue to review the recommendations of the Competition Commission's (the Commission) report on the Vivendi bid for Southern Water and report on progress for comparative competition in 'Water and sewerage unit costs and relative efficiency' published in December 2003.
- Continue our investigations into how companies' costs and performance compare with their international peers. We will use this information to develop incentives for companies to become more efficient and to provide better service to customers. We will publish the results.

### **4.2 Financial performance and regulatory accounts**

We monitor and assess the performance of each company to ensure they are operating within the expectations of the 1999 price review. In July 2003 companies will submit their regulatory accounts. These provide information on revenues, expenditure and overall financial performance. The regulatory accounts are underpinned by regulatory accounting guidelines (RAGs). We consulted on changes and revised RAGs were issued on 22 January 2003. We will:

- Analyse the regulatory accounts and publish our findings in 'Financial performance and expenditure of the water companies in England and Wales' in August 2003.
- Work with the industry and other interested parties to develop proposals for companies to provide additional cost information at a disaggregated level. Our initial proposals, if appropriate, will take into account the changes proposed by the Government in its consultation 'Extending opportunities for competition in the water industry in England and Wales' and carried forward in the Water Bill. We anticipate that this change will be implemented for 2005-06 accounts at the earliest.
- Hold two City briefing seminars to explain our policies to investors and analysts. We will hold these seminars at approximately six-monthly intervals. In addition we will also hold briefings for investors and analysts at key stages of the price review.
- Publish updated RCVs for 2000-05 in March 2004 to reflect any interim determinations in 2003.

Financial ring-fencing and managerial independence of the regulated businesses are necessary elements of the regulatory regime. This maintains the distinction between the elements that we regulate and set prices for and elements that are outside the

regulatory regime. This ensures that only appropriate costs and revenues are taken into account when we set price limits. We will:

- Monitor compliance to ensure the financial ring-fence is maintained.
- Liaise with companies on the appointment of new non-executive directors. This will ensure that licence requirements on their independence and experience are satisfied.

### **4.3 Transfer pricing**

We need to make sure that future price limits reflect the true operating costs of the regulated water companies and these are not inflated by cross-subsidy. This will protect customers from any disadvantages due to cross-subsidies made to associate companies. We will:

- Monitor transactions between companies and associates and investigate areas of concern.
- Ensure companies comply with their licence requirements on arm's length trading and ring-fencing.
- Publish a summary of our work on transfer pricing in 'Financial performance and expenditure of water companies in England and Wales' in August 2003.

### **4.4 Reporters**

An important aim for us is to obtain comparable regulatory information from each company and to expose all submissions to expert scrutiny and audit before they are presented to us. We will continue to use suitably experienced engineering consultants to act as our independent reporters to verify regulatory information submitted from each company. We will:

- Use reporters to assist in special investigations, for example progress in achieving economic levels of leakage, and to support our work in monitoring companies' water resource planning performance and water resource strategies.
- Provide company specific guidance and relevant correspondence to the reporters. We will hold regular workshops and briefings to help reporters to focus on areas of impact on regulatory policy.
- Require reporters to support the auditors in the audit of regulatory accounts. We expect reporters to provide a commentary on the companies' draft business plans to be submitted in August 2003 as part of the price review.
- Arrange for an independent external review of the reporters' process for scrutinising and reporting on the companies' draft business plans and the companies' business planning process. The consultants' findings on the draft business plan will be made public in a RD letter in quarter 3 of 2003.
- Continue to assess the work carried out by the reporters on the companies' June returns and announce publicly those who achieve the highest standards at the reporters and auditors joint workshop in quarter 3.
- Agree with each company a programme for reletting their reporter's contract in 2005 and 2006.

## **4.5 Financial restructuring**

Since the 1999 price review a number of companies have made changes to their capital structures. A number of different models have emerged but all have involved increasing the level of debt finance on the companies' balance sheets. We will respond to any further restructuring proposals as they arise. This will include public consultation on key issues and where necessary, additional licence conditions.

A company's particular capital structure is a matter for its management, not us. We must be satisfied that customers are protected from any undue additional risk arising from a particular structure. Also that companies remain able to access the capital markets readily and at reasonable cost to finance present and prospective capital programmes and their quality and safety responsibilities are not compromised. We have said that if these structures increase the level of, for example, refinancing risk then this is a matter for the shareholders of, and lenders to, the companies that adopt these structures, not their customers.

Recently Oxera has published research that highlights the financial risks of highly leveraged structures including the potential systemic risk of a number of highly leveraged companies simultaneously encountering financial failure.

We do not think that companies should be forced to adopt what may be over risky structures. For the purposes of setting the cost of capital at the periodic review in 2004 we have said that we will assume a consistent capital structure for all companies. We will assume, as a starting point, gearing in a similar range to that adopted for the 1999 review. We intend to set the cost of capital such that the more traditional equity model and new structures can co-exist.

Reviews of restructuring proposals will focus on the following tests as they apply to specific proposals.

- Have the benefits to customers been clearly established and do they outweigh any additional risks or uncertainty?
- How well are the incentives to efficiency maintained compared to the equity-financed model?
- How robust is the new financial structure?
- Have the practical concerns associated with any separation of asset ownership from operations and the introduction of a competitive procurement strategy been addressed properly?

## **4.6 Mergers**

Under the current regime companies have made substantial efficiency gains to the benefit of customers and shareholders. This can in part be attributed to the success of comparative competition. A merger between two water companies would result in the loss of an independent comparator. There would also be one less independent management team aiming to improve returns to investors and push back the efficiency frontiers. This could affect all customers. New provisions in the Enterprise Act 2002 will leave the fundamentals of the merger regime intact (see paragraph 6.2).

In the event of a proposed merger between water companies we will:

- Continue to look with an open mind at individual propositions when they are brought forward.
- Submit evidence to the Commission including an assessment of the impact of the merger on the comparative regime and any benefits that may arise from the merger.

In the event of other mergers leading to a change of ownership for a water company, we will publicly consult before advising the Director General of Fair Trading on whether the merger should be referred to the Commission.

In November 2002 the Commission reported on the bid by Vivendi Water for First Aqua (owners of Southern Water). Subsequently Ofwat and the Office of Fair Trading have provided further advice to the Secretary of State on this bid.

## **4.7 Licences**

### **4.7.1 Review of company licences**

During 2002-03 we published the conclusions of our review of company licences in MD 181 'Consistency review of companies' licence conditions'. In light of the responses to our proposals we concluded that at this stage we would not implement the proposed changes aimed at bringing about a greater degree of consistency between companies' licences. We will continue to seek modifications on ring-fencing of the regulated business and corporate governance. This will take place when companies restructure or are involved in mergers. We will propose such other licence conditions as may be appropriate to the circumstances of any company.

### **4.7.2 Licence modifications**

We have identified the need for some minor modifications to licence condition B, which governs companies' compliance with price limits. The proposed modifications are discussed in 'Setting water and sewerage price limits for 2005-10: Framework and approach' published 27 March 2003. We will consult on these changes in April 2003.

## **5. Price competition**

### **5.1 Water Bill**

During 2003-04 we will take account of any parliamentary amendments and initiate the preparatory work to allow implementation of the new regime.

The Water Bill includes proposals for a legislative framework for common carriage and retail competition and for competition in the laying of mains to connect new sites to the network. During 2003-04 and 2004-05 we will be focusing on the preparatory work necessary to allow the new framework to be implemented.

Subject to the progress of the Water Bill we propose to establish industry working groups, by quarter 2, to help in this work. We will consult on the composition of and terms of reference for these groups.

### **5.2 Common carriage (wholesale supplies)**

On common carriage and retail competition we expect these groups to help on:

- Preparing guidance on implementing the threshold requirements.
- Preparing guidance on access and wholesale agreements, including price terms.
- Arrangements for licensing new suppliers.
- A protocol for the transfer of customers who switch supplier.

### **5.3 Self-lay of new water mains**

On mains self-lay we established an Advisory Group in May 2002 to provide a forum for facilitating competition. This group is working well and we propose to use it to help us prepare for implementation of the Water Bill proposals.

### **5.4 Competition Act 1998 casework**

We receive complaints under the Competition Act 1998 (CA98) alleging anti-competitive behaviour and abuses by companies of their dominant positions in markets. The number of complaints has levelled at around 20 to 30 per annum.

Investigations may lead to an informal remedy where we are able to persuade the company concerned to modify its behaviour. We may also decide to publish a report on an individual case or issue guidance on specific issues. Our aim is to reduce the need for complaints. We will:

- Investigate where we have reasonable grounds for suspecting an infringement of CA98.
- Respond promptly to queries generated by CA98.
- Make our second report on progress on CA98 complaints (from 1 April 2002 to 31 March 2003) in quarter 1 of 2003-04.

- Improve the process for dealing with complaints by learning from our experiences and those of other competition authorities.

## **5.5 Inset appointments**

The procedure for assessing inset appointments is lengthy. We will deal with completed applications as soon as possible: normally within four months for greenfield sites; and within seven months where a bulk supply or sewer connection agreement is required.

## **6 Proposed legislation**

### **6.1 Water Bill**

The Government introduced a Water Bill on 19 February 2003. In addition to constitutional change it includes measures for extending opportunities for competition and for Ofwat to have powers to impose financial penalties. It will also require Ofwat to publish a code of practice on the discharge of its functions. Our forward programme includes work in preparing for these changes.

#### **6.1.1 Ofwat and WaterVoice constitutional changes**

The Bill provides for the replacement of the Director by an Authority, and for the creation of an independent consumer council for water. The timetable for the constitutional and other changes will depend on the passage of the Bill. Ministers have said that the constitutional changes will not be implemented before April 2005, to enable the periodic review to be completed under the current regime.

#### **6.1.2 Competition**

Commencement of the provisions for competition has not been decided but the work in preparing for the new competition regime is set out above in chapter 5.

#### **6.1.3 Other work**

We will consult, when the Bill is enacted on a statement of policy about financial penalties.

We have published, for consultation, a draft code of practice on the discharge of our functions. We will consider responses and publish the code in quarter 2.

### **6.2 Enterprise Act 2002**

The Enterprise Act was enacted in November 2002. The Government's target date for commencement of the main provisions of the Act is during quarter 1 of 2003-04. The Act is directed at delivering the Government's objectives of strengthening the competition regime, empowering consumers and reforming insolvency laws.

We welcome the commitment to strong competition authorities. We have concurrent powers with both the Office of Fair Trading and the Commission in relation to a number of provisions in the Act, for example in the making of a market investigation reference within the water sector and powers under the Competition Disqualification Order provisions. This entails new responsibilities for Ofwat. During 2003-04 we will develop new procedures to implement these powers if required.

The Act also updates the clauses in the Water Industry Act 1991 (WIA91) that deal with mergers between water enterprises. No substantive changes have been made to the factors governing such mergers. Thus all merger proposals between existing undertakers continue to require a mandatory reference to the Commission. The

crucial test of the prejudice to Ofwat's ability to make comparisons between companies remains. However, the WIA91 now reflects the context and language of the Act. Thus, the threshold for a reference is now based on turnover rather than assets. Moreover, decisions on cases under the Act will be made by the Commission, rather than by the Secretary of State for Trade and Industry following their recommendations.

### **6.3 Water Framework Directive**

The national governments of the United Kingdom are working towards transposing the Directive into national legislation, in line with the timetable set out in it.

The Directive must be transposed by December 2004. DEFRA and the Welsh Assembly Government issued a second consultation paper in October 2002 on some of the transposition issues.

We responded to this paper, and will also respond to other proposals as they develop. DEFRA and the Assembly have planned a third consultation paper for 2003, which will contain the proposed draft transposing regulations, a revised regulatory impact assessment (RIA), and other sections including transposition notes setting out how the regulations transpose the main elements of the Directive.

We will play a full role in commenting on the draft regulations, and the impact it will have on water companies and their customers.

The second consultation paper included the Government's proposals that we contribute to the economic analysis of water use as required by article 5 and annex III of the Directive. In particular, the paper proposed that the Secretary of State for Environment, Food and Rural Affairs be responsible for carrying out such analysis and issue statutory guidance to Ofwat and the EA on:

- the information that needs to be gathered;
- the methods and procedures to be followed;
- bodies to be consulted; and
- timing of reviews.

The paper suggests that Ofwat and the EA should be responsible for providing the necessary information to the Secretary of State to carry out the economic analysis.

This economic analysis will have a significant impact on Ofwat's workplans for 2003-04 and 2004-05. Under the Directive the economic analysis needs to be completed by December 2004, again in 2013, and every six years thereafter.

We will review our workplans for 2003-04 and following years, once we know the nature of the economic analysis and other work expected under the regulations.

#### **6.4 Freedom of Information Act 2000**

We have published 'Freedom of Information Act 2000 - Our publication scheme'. This sets out the information that we publish and how it can be obtained. The Information Commissioner has approved our scheme. Although the Commissioner will not review our scheme again until 2006, we plan to review the scheme in November 2003.

We will offer training to our staff in order that they are aware of and meet their obligations under this Act. We will also begin our preparations for handling requests for information that we do not publish under the Freedom of Information Act 2000. These requests can be made from January 2005 onwards. At present access to information is governed by the Code of Practice on Access to Government Information, the Environmental Information Regulations and the Data Protection Act 1998.

## 7 Resources and accountability

### 7.1 Finance

Our budget for 2003-04 will be £13.6m (2002-03 £13.5m). The increase relates to the additional staff and consultancy needed to support the PR04 project and the Water Bill developments. The estimated net amount charged to companies in 2003-04 will be £12.6m (2002-03 £11.9m). This will be the first increase in the Licence fee charged to companies since April 1999. Over the past four years we have used underspends to offset any increase in the Licence fee. This year we have needed to increase our charges to companies due to the price review, new developments in competition regulation and other policy areas. The increase will be less than the increase in RPI aggregated over the past four years. We will continue to spend well within the limit set within the water companies' Licences. Our costs per connected customer will be less than 50p per annum. We will publish our annual accounts in October 2003.

We estimate our resources will be allocated to the following areas of works which reflect our priorities for the coming year. We will reallocate resources should regulatory priorities change.

	<b>2003-04</b>	<b>2002-03</b>
	<b>%</b>	<b>%</b>
Price setting	37	24
Safeguarding quality and protecting customers	18	28
Comparative competition and companies' finance	7	10
Competition	10	10
WaterVoice	28	28
	<b>100</b>	<b>100</b>

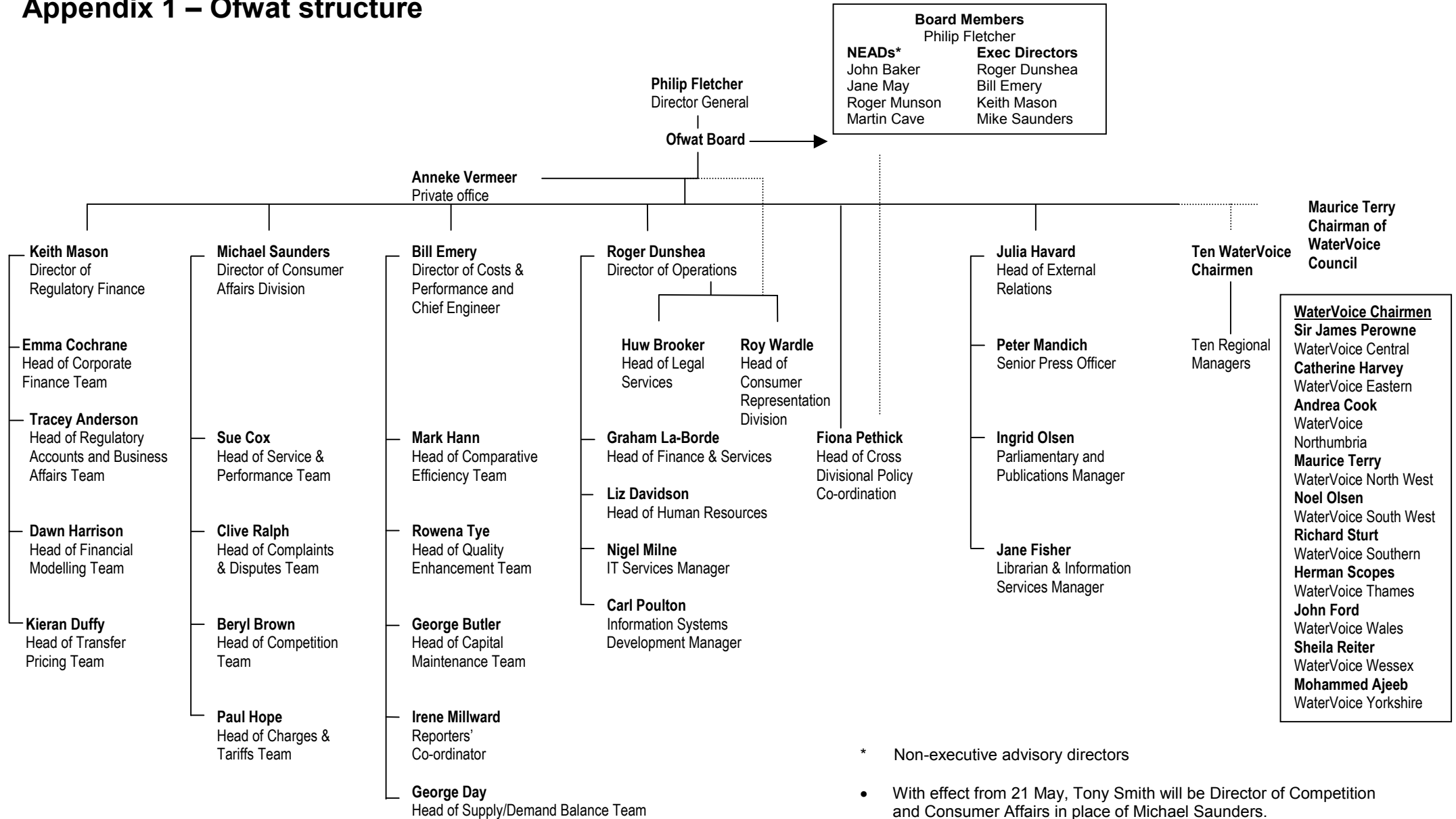
### 7.2 Staff management

We will continue to invest in staff development. We will seek Investors in People reaccreditation in July 2003. Progress will be maintained on the Modernising Government initiative.

### 7.3 Annual report

The Director must make an annual report to the Secretary of State for Environment, Food and Rural Affairs and the First Secretary of the Welsh Assembly Government. This is laid before Parliament and published. Our annual report, published in May 2003, will set out our achievements against our forward programme 2002-03.

# Appendix 1 – Ofwat structure



## Appendix 2 Glossary of terms

Aquarius 3	The financial modelling software used by Ofwat to set price limits. It provides the information the Director publishes at the time of determining price limits, namely expenditure assumptions, financing assumptions, revenue assumptions and top-level financial projections.
Business plan	The business plans set out companies' overall strategies and the implications for price limits and average bills; their strategic objectives in terms of service performance, quality, environmental and other outputs; the activities necessary in the period to meet these objectives; and the scope for improvements in efficiency.
Common carriage	The shared use by other suppliers of a company's network (resources, treatment works and pipes) to provide water and / or sewerage services to different customers.
Competition Act 1998	The Act, which took effect on 1 March 2000, prohibits agreements that prevent, restrict or distort competition and prohibits abuses of a dominant position. The Director's jurisdiction covers all commercial activities connected with the supply of water or sewerage services.
Competition Commission (Commission)	<p>The Commission considers merger references. It is also the body to which companies can appeal if they wish to contest our decisions in relation to determinations of price limits, licence amendments and accounting guidelines.</p> <p>Parties can appeal to the Competition Commission Appeal Tribunals (CCAT) on a decision made under the Competition Act 1998 by the Director in respect of agreements or conduct. Appeals can be made on the substance of decisions or on penalties imposed.</p>
Cost of capital	The minimum return that providers of capital require to induce them to invest in or lend to a business, given its risks (also weighted average cost of capital).
Economic level of leakage (ELL)	The level of leakage at which it would cost more to make further reductions in leakage than to produce the water from another source is known as the ELL. Operating at ELL means the total cost to the customer of supplying water is minimised and companies are operating efficiently. In determining this it is important to include consideration of environmental and social costs as well as other costs.
Interim determination	Condition B of the Licence allows the Director to make adjustments to a price limit for certain relevant changes of circumstances. The Director may also indicate his assumptions for certain 'notified items'. Significant differences from these assumptions may also trigger an interim determination. Key variations are: changes in legal obligations placed on companies; failure to achieve legal requirements allowed for when price limits were set; and to allow for differences between the actual proceeds of surplus land and the proceeds assumed when price limits were last set.

June return	This is the water companies' annual report to us detailing progress on capital expenditure programmes and key programmes to comply with legal obligations set by the Government or EU, e.g. to clean up bathing waters. It provides a framework for the submission of the majority of information required to enable Ofwat to monitor progress and compare performance between companies. Some of the information is commercial in confidence but the majority is placed in the Ofwat library and published on a CD-ROM.
Overall performance assessment (OPA)	<p>A measure used to reflect the broad range of services provided to customers. The key areas within the OPA are:</p> <ul style="list-style-type: none"> <li>• water supply (pressure, interruptions, hosepipe bans and drinking water quality);</li> <li>• sewerage service (flooding incidents and risk of flooding);</li> <li>• customer service (quantitative and qualitative aspects of service); and</li> <li>• environmental impact (compliance with statutory environmental legislation).</li> </ul> <p>Ofwat uses the OPA within the price setting process. It is used to award companies with good performance and penalise companies with poor performance.</p>
Regulatory accounts	Accounts submitted by companies to Ofwat in respect of the regulated businesses and presented on a current cost basis. They are separate from the Companies Act accounts (which are based on historical costs).
Regulatory capital values	The capital base used in setting price limits. The value of the appointed business which earns a return on investment. It represents the initial market value (first 200 day average), including debt, plus subsequent net new capital expenditure, as assumed at the time of price setting and including new obligations imposed since 1989. The capital value is calculated using Ofwat's methodology (ie after current cost depreciation and infrastructure renewals accrual.)
Ring-fencing	Licence conditions and accounting rules that allow the regulated business to be viewed and treated as an independent company. Segregating and protecting assets and resources of the regulated business from other activities of the group.

Vulnerable Group Regulations      The Water Industry (Charges) Vulnerable Groups state the nature of the assistance to be provided to a prescribed class of persons (vulnerable groups) who are eligible to apply for assistance with water and sewerage charges. The regulations apply only to companies in England.

WaterVoice      In April 2002 the ten Ofwat Customer Service Committees and the Ofwat National Customer Council were renamed WaterVoice Committees and WaterVoice Council. This move reflects the developing independence of WaterVoice in representing the opinions of customers across England and Wales.

### Appendix 3 List of stakeholders who attended the workshop

<b>Attendee</b>	<b>Organisation</b>
Jane May	NEAD
Mohammed Ajeeb	WaterVoice Yorkshire
Maurice Terry	Chairman, WaterVoice
John Ford	WaterVoice Wales
Noel Olsen	WaterVoice South West
Nick Roadnight	Portsmouth Water
Jon Latore	Severn Trent Water
Mark Wilson	Severn Trent Water
Ian Robertson	Severn Trent Water
Matt Lewis	South Staffordshire Water
Jenny Gorton	South Staffordshire Water
Nick Fisher	Sutton and East Surrey Water
Chris Pleass	South East Water
David Mannering	Anglian Water
Bill Dovey	Bournemouth and West Hampshire Water
David Holt	Bristol Water
Mike King	Bristol Water
David Guest	Dee Valley Water
David Walton	Folkestone & Dover Water
John Beechey	Mid Kent Water
Julia Gorman	Mid Kent Water
Richard Allison	Mid Kent Water
Ken Oswald	Northumbrian Water
Stuart Goodwin	Thames Water
Helen Newman	Thames Water
Martin Hall	Three Valleys Water
Kevin Dewhurst	United Utilities
Margaret Edwards	Welsh Water
Jean Spencer	Yorkshire Water
Chris Newsome	Yorkshire Water
John Brindley	WS Atkins
Ian Cartwright–Taylor	W S Atkins
David Arnell	Binnie Black & Veatch
Ben Haywood–Smith	Strategic Management Consultants
Jon Bateman	Halcrow Management Sciences
Robin Clark	Halcrow Management Sciences
Jeremy Hawkins	Halcrow Management Sciences
Steve Tooms	Montgomery Watson Harza UK Ltd
Mike Reid	Monson Engineering
Ian Dobson	Chartered Institute of Purchasing and Supply
Stephen Reeson	Food and Drink Federation
Peter Hooker	Major Energy Users Council
Richard Thackray	Biwater Treatment Ltd
Gordon Reddish	Utility Consumers Consortium
Robert Siddall	Chemical Industries Association
Maxine Holdsworth	National Consumer Council
Barrie Delacour	Southern Water
Keith Richards	South West Water

Philip Burston	Royal Society for the Protection of Birds
Karen Gilbert	National Farmers Union Research Ltd
John Kidd	Unison
Robin Finer	Department of Trade and Industry
Paul Mullord	British Water
Bob Macey	Welsh Assembly Government
Chris Baines	Independent Environmental Advisor
Chris Binnie	Chartered Institute of Water & Environmental Management
Frank Latremoliere	Europe Economics
Rob Francis	Frontier Economics
Leon Fields	Oxera
Bojana Ignjatovic	Oxera
Angela Whelan	Associate Indepen Consulting
Scott Reid	Stone Webster Consultants
John Ashton	Cranfield University
William Stephens	Cranfield University
Joanna Gigg	Drinking Water Inspectorate
Peter Bailey	Environment Agency
Catherine Wright	Environment Agency
Brian Buckley	Chartered Institute of Water & Environmental Management
Jimmy Carter	Mott Macdonald
Phil Mills	Water UK
Robert Weeden	Water UK
John Taylor	British Waterways
Mark Turner	Mersey Basin Campaign
David Howarth	National Water Demand Management Centre
Brian Wilkinson	National Sewerage Association
Carol Hickman	Society of British Water and Wastewater industries
Milo Purcell	Drinking Water Inspectorate
Lee Hossain	Department for Environment, Food and Rural Affairs

## List of stakeholders who provided a written response

<b>Respondee</b>	<b>Organisation</b>
Tony Cooke	Bournemouth Water
Mike Reid	Monson
Alan Parsons	
David Wilkes	
Chris Lewis	EIC
Stuart Goodwin	Thames Water
S G Beale	Campaign against monopoly abuse
Robert Weeden	Water UK
Walter Menzies	Mersey Basin
D C McKinnon	
Robert Latimer	
Keith Harris	Wessex Water
Robert Day	PCS
Jean Spencer	Yorkshire Water
Nick Reeves	Chartered Institute of Water & Environmental Management
Sheila Reiter	WaterVoice Wessex
Graeme Sims	United Utilities
Trevor Bishop	Mid Kent Water
Carol Hickman	SBWWI
John Harman	Environment Agency