



Price review update

The newsletter of the 2009 price review (PR09)

Issue 1, October 2007

Key messages for PR09

1. Each company should own its own strategy and direction so that it brings draft and final plans to us that meet the needs of its consumers, the quality regulators and its investors.
2. Ofwat is protecting consumers in the short, medium and long term by challenging both the scope and the costs of company proposals and by ensuring consumers' views are taken into account.
3. Ofwat is promoting value by setting price limits that reflect the low levels of risk faced by the industry, seeking efficiency, innovation and where possible competition.
4. Ofwat is safeguarding the future by setting price limits in a long-term context, promoting sustainable development and taking account of climate change.

PR09 consultation launched

On 18 October 2007, we took the first step in setting new price limits by launching a consultation exercise into our approach to the 2009 price review.

This is the start of a process that will last two years and end in November 2009 when we announce new price limits for the next five years (2010-15). They will take effect from April 2010 when companies bill their customers.

The consultation, called 'Setting price limits for 2010-15: Framework and approach', explains how we intend to deliver this review. We have some difficult decisions ahead. To help us reach our conclusions, we will consult interested parties at key stages of the review and listen carefully to what they have to say. We will publish our conclusions in March 2008.

During the consultation period we will hold two workshops and speak at various events to support the process.

Strategic direction statements

Each water company must submit a strategic direction statement to us by 14 December 2007.

Each SDS will set out for consumers, regulators and other stakeholders the company's direction of travel over the next 25 years. It gives each company an opportunity to set out its vision and show how it will deliver for consumers and the environment. We expect the SDS to show that stakeholders support the company strategy and that it is grounded in consumer priorities. We will put a link on our website to each company's SDS.



Protecting consumers, promoting value and safeguarding the future

Timetable of key events for PR09

Phase 1: Preparation

June to December 2007	Companies develop and publish strategic direction statements following consultation with stakeholders.
October 2007	Consultation on our approach to the 2009 price review.
Late 2007	Welsh Assembly Government to publish Water Policy Statement.
Early 2008	Defra to publish new Water Strategy that will outline the Government's priorities for water.
Late 2007 to March 2008	CCWater-led/joint stakeholder research.
January 2008	Consultation on approach to PR09 ends.
March 2008	We will publish final framework and approach for the review.

Phase 2: Setting the scene

August 2008	Companies submit and publish summaries of draft business plans, informed by cost-benefit assessments and including a 25-year forward look.
September 2008 to January 2009	Joint stakeholder research into consumers' views on issues arising from draft business plans.

Phase 3: Decisions and determinations

April 2009	Companies submit and publish summaries of final business plans including 25-year forward look.
July 2009	We will publish our draft determinations for comment.
September/October 2009	We will meet with companies and CCWater to consider representations on draft determinations.
November 2009	Publication of our final determinations.

Phase 4: Implementation and evaluation

January 2010	Companies decide whether to accept price limits or to seek a referral to the Competition Commission.
January/February 2010	Approval of charges schemes, setting out how new price limits affect consumers' bills.
April 2010	New price limits take effect.
April to September 2010	Evaluation of price review process.

This is the first in a series of newsletters we will publish to keep you informed about the key stages of the 2009 price review. You will also find information on our website at www.ofwat.gov.uk. If you have any comments about this newsletter, e-mail the editor at carolyn.baker@ofwat.gsi.gov.uk.
