

# Protecting your interests

**Ofwat** is a government department headed by the Director General of Water Services. It is responsible for making sure that the water industry in England and Wales provides customers with a good quality and efficient service at a fair price. It is independent of the water industry.

Office of Water Services  
Centre City Tower  
7 Hill Street  
Birmingham  
B5 4UA

Telephone: 0121 625 1300  
Fax: 0121 625 1400  
Website: [www.ofwat.gov.uk](http://www.ofwat.gov.uk)  
e-mail: [enquiries@ofwat.gsi.gov.uk](mailto:enquiries@ofwat.gsi.gov.uk)

Printed on 75% minimum de-inked  
post-consumer waste paper  
October 2005

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## Our vision

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

## Our mission

Our mission is 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.

## Water regulation – what is it all about?

We, the Office of Water Services (Ofwat), are the economic regulator for water and sewerage services in England and Wales. At the moment the functions of the office rest formally with the Director General of Water Services. From 1 April 2006 the functions transfer to the Water Services Regulation Authority.

We make our decisions independently of the Government, but we work closely with:

- the Secretary of State for Environment, Food and Rural Affairs and the Welsh Assembly Government;
- the Consumer Council for Water (CCWater), which is an independent organisation that represents customers' interests and deals with your complaints;
- the Drinking Water Inspectorate, which sets standards for the quality of drinking water; and

- the Environment Agency, which regulates and enforces water abstraction consents and quality standards in inland, estuarial and coastal waters.

### We do this by:

- setting limits on what companies can charge you;
- ensuring companies are able to carry out their responsibilities under the Water Industry Act 1991 as updated by section 39 of the Water Act 2003;
- protecting the standard of service you receive;
- encouraging companies to be more efficient;
- meeting the principles of sustainable development;
- helping to encourage competition where appropriate; and
- investigating complaints and disputes.

We also make comparisons between the companies to help raise the standards of those that need to improve.

## What do we do?

### Set price limits

The companies we regulate supply most households in England and Wales. We set price limits at a level that allows well-managed companies to finance the services they deliver.

We set price limits that are as high as they need to be, but no higher. They will allow water companies to meet your needs and the needs of the environment while continuing to deliver a safe and reliable service.

We set a limit on the average change that companies can make to your bill in each year. We last set price limits in December 2004 for the five years 2005-06 to 2009-10. The next price review will take place in 2009.

Each year we publish a water and sewerage bills leaflet setting out the price limits and the effect they have on the average bill. You can find the latest information on our website at [www.ofwat.gov.uk](http://www.ofwat.gov.uk).

Average bills since privatisation (1989-90) have increased to allow companies to finance improved quality standards and service levels.

The increase would have been far greater if the companies had not become more efficient in response to regulation. We require companies to make demanding efficiency improvements and we give them incentives to outperform these.

Companies pass these benefits of efficiency on to customers, which results in bills being lower than they would be otherwise.

In 2005 the average daily cost for water and sewerage services is 76p for households. A litre of tap water, supplied and taken away, costs just 0.18p.

We check that individual charges are fair to different types of customers – metered or unmeasured customers, large users or small users, and those in towns or in rural areas.

Your water bill will vary depending on where you live. For details of average household bills across England and Wales, see our 'Water and sewerage bills' leaflet.

### We help to improve water and sewerage services

As a result of regulation, the industry has achieved huge improvements across a range of services. For example:

- in 2004-05 more than 99.7% of written complaints were responded to within ten working days;
- between 1997-98 and 2004-05, the number of properties which suffered unacceptable low water pressure fell from 58,000 to 7,400; and
- the number of properties affected by unplanned interruptions to their water supply lasting between 12 and 24 hours has fallen substantially from a high of 183,800 in 1995-96 to 22,700 in 2004-05.

We work closely with the Environment Agency and the Drinking Water Inspectorate to ensure companies can meet environmental and drinking water quality standards.

- Water companies are investing a total of £5.5 billion over the period 2005-10 (more than £3 million every day) to improve drinking water and protect the environment in England and Wales. The investment between 1989 and 2010 will be more than £65 billion.

The joint efforts of the regulators and companies have produced some significant results. The quality of drinking water supplied by companies is now very high, with 99.94% of drinking water in England and Wales meeting the standards.

Coastal bathing water meeting compulsory standards in England and Wales has risen from 66% in 1988 to 98.5% in 2004.

## **We encourage companies to be more efficient**

The water industry is made up of local and regional monopolies. We regulate the industry to protect customers supplied by these monopolies.

The price limits we set companies are based on demanding efficiency assumptions. This encourages companies which perform poorly to catch up with the more efficient ones.

We make comparisons between companies, against each individual company's targets, and with other sectors. We ask them to improve if this is necessary. In a monopoly of this sort we rely on comparative competition.

We give companies incentives to keep their running costs and the costs of maintaining their assets to the minimum necessary and to use cost-efficient solutions to achieve their outputs.

Where companies are successful, they retain the savings for five years and customers benefit at the next price review through price limits which take account of the efficiencies achieved.

Companies have to manage their water resources and the situation varies from region to region. For example, resources are abundant in the north-east of England, but there are shortages in the south-east. Companies have water resource plans to make sure that they are able to continue to supply water to their customers.

We work with the Environment Agency to make sure that companies can meet customers' demand for their water services.

It is not possible to remove completely the possibility of interruptions to the supply during extreme events such as droughts, but we do expect companies to reduce risks to an acceptable level.

We expect the companies to invest around £1.3 billion between 2005 and 2010 to maintain a balance between what customers need and what they can supply.

An efficient and cost-effective system for supplying water means lower bills for customers. It also benefits the natural environment, as companies take no more water than is necessary.

The companies have targets to reduce the amount of water that is lost through leaks from their networks. Overall, they have reduced the amount of water lost through leaks by around a third since 1994-95, which is enough to supply the daily needs of more than ten million people.

We monitor the level of water that leaks from each company's network and take action where the leakage is unsatisfactory.

Leakage is still unacceptably high in London and we have set Thames Water a target of reducing this to a cost-effective level by 2009-10. We will continue to monitor the work Thames is doing to control leaks to make sure it meets its leakage target.

## **Promoting competition**

The Water Act 2003 creates more competition in the water industry. It is limited to very large business customers, who are likely to use at least 50 megalitres of water a year, like large health service trusts, big industrial sites and universities. A megalitre is one million litres. From 1 December 2005 these customers will be able to choose their water supplier from a range of new companies entering the market. More information is available on our website.

## We protect your interests

Each year we compare how companies perform to make sure that they maintain the high levels of service they deliver to customers, including protecting the environment. The process encourages poor performers to rise to the challenge of achieving the best standards for their customers.

Your bill should take account of costs for a supply of clean water, getting rid of dirty water and taking away surface water. We approve each company's charging schemes to make sure this is happening.

We have made sure that charging schemes include the options available for how and when to pay your bills. In particular, we expect the companies to meet minimum standards when offering suitable payment options for customers who are facing difficulties in budgeting for essential household bills.

We expect companies to maintain acceptable payment arrangements for customers on low incomes. This includes making it possible for customers to make cash payments, free of charge, at places that are easy to access.

We check that companies are meeting their responsibilities to customers, such as reducing the number of properties at risk from being flooded with sewage. At the 2004 price review, we made allowances for investment of nearly £1 billion to deal with this problem.

Sewer flooding is one of the worst service failures that a customer can experience. By 2009-10 we expect that only around 0.01% of properties connected to the public sewerage system will be at risk of flooding from overloaded sewers once or more in ten years.

We also approve companies' codes of practice to help them deliver a better service, for example to customers who need special services or those who are in debt.

Companies must also work to the conditions set out in their licences. We enforce these. Licence conditions and accounting rules effectively protect, or 'ring fence', the companies from being disadvantaged by other activities of the group and its associate businesses that are not connected with supplying water or treating sewage.

We can also make changes to licence conditions so that customers' interests are protected if a company is taken over, merges with another company or is financially restructured. This allows companies to act independently in their customers' interests if the need arises.

## Investigating complaints and disputes

We determine complaints including those about:

- the costs and arrangements for installing new water mains and sewers;
- the adoption of sewers; and
- allegations that companies may not be complying with their statutory duties or licence conditions.

## Guaranteed standards scheme

Customers of water and sewerage companies are entitled to guaranteed standards of service, as set by the Government. If a company fails to meet any of the guaranteed standards, customers are entitled to a compensation payment. The standards include targets on making and keeping appointments, responding to account enquiries and dealing with planned or unplanned interruptions to the water supply.

## How are customers represented?

CCWater is the independent organisation that represents customers' interests. There are nine CCWater regional committees in England and one for Wales that monitor the service your water company provides. They also deal with your complaints if the company fails to offer you a satisfactory response.

You can find more information about CCWater by looking on its website at [www.ccwater.org.uk](http://www.ccwater.org.uk).

There are local offices that deal with the different regions. You can find the contact details of these offices on the website.

You can also contact CCWater at:

**Consumer Council for Water  
Victoria Square House  
Victoria Square  
Birmingham  
B2 4AJ**

**Telephone: 0121 345 1000  
or 0845 039 2837  
e-mail:  
[enquiries@ccwater.org.uk](mailto:enquiries@ccwater.org.uk)**

If you have hearing difficulties, you can also contact them by minicom on **0121 345 1044**.

## More information

We publish a wide range of information about the water and sewerage industry and our work. You can find out more by looking on our website at [www.ofwat.gov.uk](http://www.ofwat.gov.uk).

You can also contact our library at:

**Library & Information  
Services  
Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham  
B5 4UA**

**Telephone: 0121 625 1373  
e-mail:  
[enquiries@ofwat.gsi.gov.uk](mailto:enquiries@ofwat.gsi.gov.uk)**

We also offer a telephone interpreting service.