

Foreword

This document sets out the decisions of Ofwat (the Water Services Regulation Authority) on price limits for the regulated water companies in England and Wales for 2010 to 2015.

This is the fourth determination of price limits since privatisation 20 years ago. Much has been achieved in those two decades. The UK has shed its reputation as the 'dirty man of Europe'. We have world-class drinking water, fish have returned to the river Thames and we have more than 100 blue flag beaches and marinas in England and Wales.

These improvements are the result of a substantial investment programme. By 2010, the companies will have invested about £85 billion (in today's prices) to maintain and improve assets and services. Our price limits allow for another £22 billion of capital expenditure in the next five years. At 94p a day on average, water bills for most customers represent good value for money.

Our stable, transparent and consistent regulatory framework is a key ingredient in the sector's success. We have built on and improved our process, ensuring we focus on meeting customers' needs and securing the long-term sustainability of the sector. We began our review with the innovative strategic direction statements. These allowed each company to set out for its customers and other stakeholders its goals and aims for the next 25 years. At the same time, companies developed water resource management plans for a similar timeframe. Using these as a backdrop, companies produced detailed business plans for the five years to 2015.

We consulted extensively on draft price limits, listened carefully to representations, took account of the most up-to-date information, and we have made final decisions that are balanced and robust. Our price limits are consistent with the long-term view, take account of customers' views, acknowledge the current difficult economic climate, and enable well-run companies to finance their functions during both good times and bad.

Our decisions mean that average water and sewerage bills will remain at 2009 levels (excluding inflation) over the five-year period. This is significantly lower than in companies' final business plans, which proposed an average increase of about £31. At the same time, the major capital investment programme of more than £22 billion will ensure this crucially important infrastructure will continue to support safe, secure services to customers. It will also continue to address new environmental, security and drinking water standards.

With price limits set for the five years up to 2015, we have an opportunity to review how best to set prices in the future. By 2014, the wider debate on delivering sustainable services, our work in harnessing market forces and possible new legislation may have changed how we think about setting prices. We look forward to continuing to work closely with our stakeholders to deliver a robust regulatory framework for sustainable water and drainage services for the customers of England and Wales.

A handwritten signature in black ink, appearing to read 'Regina Finn', is centered on a light gray rectangular background.

Regina Finn
Chief Executive