

23 May 2013

Your ref: Ofwat - Setting Price Controls



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Dear Mr St Pier

Consultation on 'Setting Price controls for 2015-20 – business planning expectations'

Natural England works for people, places and nature to conserve and enhance biodiversity, landscapes and wildlife in rural, urban, coastal and marine areas. We conserve and enhance the natural environment for its intrinsic value, the well-being and enjoyment of people, and the economic prosperity it brings. We promote access and recreation and contribute to the sustainable management of our natural resources.

Thank you for consulting us. We are broadly supportive of the proposed approach and we appreciate its links to the Gray review and the intention to reduce the regulatory burden on water companies and to encourage innovation. There are a few specific points that we wish to make:

1. As a regulator and the national adviser on natural environment matters we are concerned that the new arrangements effectively create twin roles for Natural England in respect of our contribution to the Customer Challenge Groups (CCG). There is a potential tension between our role as the statutory adviser on natural environment matters and our role as a member of the CCG itself. Given the importance being attached to the CCG's role in assessing the quality and effectiveness of company business plans we would wish to ensure that there isn't any confusion about our respective roles. To date there are no specific problems however these could emerge as business plans are written and assessed. To avoid confusion in the CCG (and elsewhere) it would seem sensible to explain the twin responsibilities of ourselves, and the other regulators, in the new business planning process.
2. Our own assessment of water company business plans requires us to have sufficient information to be able to tell whether plans are going to meet legal obligations and assist in restoring protected sites that have been impacted by water company activities. Given the new approach it is clearly up to the water company to ensure that the plan is adequate in these areas and where necessary for the CCG to seek our advice on the adequacy of what is proposed. We look forward to making constructive comments as business plans are developed; we will of course advise CCGs if we feel there are significant environmental shortcomings in any business plan. Our overall impression is that the consultation could do more to explain the importance of effective action (where water companies are responsible) for the natural environment in a high quality business plan.
3. Given the importance of the water companies in contributing, where appropriate, to the delivery of the next generation of River Basin Management Plans (RBMP) and the mismatch between the timing of these and the current periodic review; we believe it would be useful to explain how statutory priority actions that arise from RBMPs will be accommodated and the 'change process' that will apply to these. In our view it makes sense to include provisional financial allocations for work where it is clearly anticipated that action will be needed by a water company.

4. Given that this approach to *setting price controls* is new and as yet untested we believe it will be important to keep it under review it; both during the remainder of the current review (in case specific and immediate challenges emerge) and in a more structured way once the current periodic review is complete. We are willing to contribute to such a review.

If you have further questions regarding our response to this consultation, please contact Tim Collins, Principal Specialist – Water & Coasts on 0300 060 0754.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rob Cooke', written in a cursive style.

Rob Cooke
Director, Land Use