



**Setting price limits for 2015-20 – final methodology and expectations for companies’ business plans  
Government and regulators briefing session: questions and answers**

**Q1: What can the non-economic regulators do to help reconcile the mismatch in timetables for PR14 and Water Resource Management Plans (WRMPs)?**

- It is really important that wherever possible the non-economic regulators engage with the companies at a local level. There are examples of companies who have already engaged with their non-economic regulators at a local level and as a result have a very clear articulation of what their future statutory requirements are likely to be.
- Ofwat needs to understand whether firms are going to meet their statutory obligations and the views of the non-economic regulators on this - set out in the CCG report - will be extremely valuable.

**Q2: It won't be possible for the non-economic regulators to provide Ofwat with total assurance that the company will meet its statutory requirements – this is the responsibility of the company. However we can confirm that there has been due process and the company has sought to identify and manage the risks.**

- We agree. We are not asking for the non-economic regulators to provide total assurance that all statutory requirements will be met. Instead we are relying on you to flag concerns, for example if you think a company's approach is putting compliance at risk.
- If you think a company's approach is putting compliance at risk then it is very important that you raise this in the Customer Challenge Group (CCG) report and therefore with the company's Board. There will not be the opportunity to raise concerns after the business plans have been submitted.

- If you consider that you need more information from companies it is important that you request this ASAP to allow you and them to respond by 2 December. Ofwat is very supportive of the Environment Agency's letter to companies.

### **Q3: How can the non-economic regulators support Ofwat in delivering the price review in 2014?**

- We are developing a plan for delivering PR14 and hope to publish the current version within the next 24 hours.
- The nature of engagement with the non-economic regulators and the CCGs in 2014 will depend on the company's status in the risk-based review (RBR). For example resubmission companies will require fresh engagement with its CCG and a statement to accompany their resubmitted plan. For enhanced companies there will be very little left to do for PR14 and the company will be free to get on running its business. For standard companies we have intentionally left it more open. These companies may need to engage with their CCG as they adjust their plan but it will depend on the nature of the adjustments they are making. So the nature of engagement for non-economic regulators will depend on RBR categorisation.

### **Q4: We are concerned that there may be certain parts of business plans which are not very visible to the CCGs.**

- It is important to force companies to be transparent now. For example, a regulator is writing to the companies requesting the information they need.
- If the company is not being sufficiently transparent this should be flagged in the CCG report and therefore with the company's Board.
- The non-economic regulators have a very important role to play here – their views will be a very important component of the CCG report.

### **Q5: How will you deal with a situation where the CCG supports the plan but it gets categorised as resubmission?**

- We have been careful to emphasise that resubmission does not equal failure. We are making significant changes to the way in which companies are regulated so there is a process of learning that we all need to go through.

- It is possible that a plan is categorised as needing to be resubmitted because of inefficient costs or a cost of capital which is poorly evidenced. These issues will not have been examined in depth by a CCG.
- We will explain transparently to companies and all our stakeholders how we have reached our decisions on categorisation as part of the RBR.

**Q6: Will there be a different timetable for enhanced companies?**

- We are developing a plan for delivering PR14 and hope to publish the current version within the next 24 hours.
- We are actively considering the possibility of early Final Determinations for enhanced companies so they can get on with running their businesses.

**Q7: Once PR14 is delivered will you evaluate what worked well and what could have been better?**

- Yes, as usual we will do a post-implementation review once the price review is fully delivered.

**Ofwat**  
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