



Dylan Spedding

Forward programme consultation
Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Strategy & Regulation

Name Nick Fincham
Phone 0203 577 4989
Fax 0118 3738918
E-Mail nick.fincham@thameswater.co.uk

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Dear Mr Spedding

OFWAT'S FORWARD PROGRAMME 2014-15: DRAFT FOR CONSULTATION

Thank you for the opportunity to respond to the consultation on Ofwat's forward programme for 2014-15. We welcome the opportunity to comment on the proposed programme, and have arranged our comments to align with the core projects that you have identified.

- **2014 price review** – Our principal observation on the 2014 price review is that the timetable for the completion of the review remains very challenging for both Ofwat and the companies. If there are further changes to the timetable, we would be grateful if these could be flagged early, so as to allow companies, CCGs – and all other interested parties – time to adapt;
- **Choice and trading arrangements** – We continue to support the opening of the non-household retail market to competition, and look forward to working with Ofwat on the changes to its regulatory framework that are necessary to deliver this reform. Again, we would note that the timetable for reform is very demanding and, for that reason, would encourage Ofwat to find ways to de-risk the delivery of the programme (including simplifying the programme and building in gateway reviews at appropriate stages);
- **Board leadership, transparency and governance** – This is also an area in which Thames Water is keen to work constructively with Ofwat as it further develops its approach;
- **Licence review** – We share the view that the licences have become rather complex and unwieldy, and would support a review of the licences to tidy them up once the PR14 final determinations have been published, as proposed. From the wording in the draft forward work programme, it is not clear whether Ofwat envisages that this review would lead to substantive changes to licences. If so, we would encourage Ofwat to clarify the nature and extent of the modifications early in the process to ensure that all stakeholders understand what is proposed;

Thames Water Utilities Limited
Clearwater Court, 2nd East
Vastern Road
READING
RG1 8DB
T 0203 577 4989
F 0118 3738918
I www.thameswater.co.uk

Registered in England and Wales
No. 2366661 Registered office
Clearwater Court, Vastern Road,
Reading, Berkshire, RG1 8DB

- **Thames Tideway** – We continue to be grateful for Ofwat's full involvement in, and support for, the delivery of the Thames Tideway Tunnel via an Infrastructure Provider model. We share Ofwat's view that this approach will deliver value for money for customers, whilst at the same time ensuring that the risks of the Tunnel are properly separated from Thames Water's appointed business so that the financing of the appointed business is not exposed;
- **Casework** – We recognise that – from time to time – Ofwat will need to investigate cases and, in certain circumstances, take enforcement action. However, based on our experience, we believe that there is more that Ofwat could do to focus its resources on those cases that involve the most serious harm to customers, as well as taking steps to improve the efficiency and speed of its investigations;
- **Special administration arrangements** – We will work constructively with Ofwat in any review of special administration arrangements, although note that it will be difficult to review the effectiveness of the current arrangements given that Ofwat has never had to use them;
- **New strategy** – We will naturally be very keen to engage with Ofwat to understand the nature and rationale for any refinements to its current strategy. Equally, we support the development of proposals for Ofwat to monitor its performance against its strategic goals.

There are two further points that we wanted to use this opportunity to raise. First, we would be grateful for any further information on the draft performance framework against which Ofwat proposed assessing its performance last year. For example, does it remain Ofwat's intention to assess its performance in 2013/14 against this framework? If so, has the framework been refined compared to that which it consulted on last year?

Second, whilst we understand the reasons for recent increases in Ofwat's fees, and accept that these are necessary, we are conscious of the impact on our costs and, ultimately, customers' bills.

I hope these comments are helpful. If you would like to discuss them further, please do not hesitate to get in touch.

Yours sincerely



Nick Fincham
Director of Strategy & Regulation