

## Wessex Water

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*Dear Cathryn*

Thank you for the opportunity to respond to your draft forward programme for 2015-16 building on your vision for the sector.

Continued trust and confidence from those receiving and paying for water and sewerage services is we agree of paramount importance. The economic turmoil of recent years has seen the legitimacy of the current sector model challenged more strongly than at any time since privatisation.

It is to the sector's credit that, by and large, both regulators and regulated have recognised and adapted to the new environment – in particular by delivering continued improvements to service levels while reducing bills. However there is more to do to maintain legitimacy and the sector should not ossify in its current form if further change can be shown to contribute positively towards that goal.

Regulators have a dual role in building legitimacy: firm, independent enforcement where appropriate; but also trusted advocates, building public confidence. The role of the DWI post privatisation is an exemplar of this – changing the public perception of drinking water quality by speaking authoritatively, without compromising its independence and ability to enforce needed changes.

Wessex Water has always realised that water is different, and that the provision of essential public and environmental services through private finance brings with it a set of expectations that exceed our statutory duties and good-practice corporate social responsibility. We have shown this over the past decade through our approach to community and stakeholder engagement, customer service, affordability assistance, taxation and sharing of outperformance, importantly always backed up by full delivery of our commitments to customers and the environment.



Looking forward we want to explore how, given our track record on delivery, we can take further steps towards customer-led rather than regulator-led business planning that will result in greater trust and confidence of those receiving services from us. As preparation for PR14 we did some early thinking on moving towards a model of negotiated settlement with customers, and we would be keen to progress this with you, in particular how this might fit with your model of a more risk-based approach to regulation.

We are also looking at our role within the wider water and drainage value chains and those of the other actors within it – in particular how in future roles may change to facilitate delivery of government objectives for the wider water sector, and how we and others could be remunerated for doing so. We look forward to sharing our thoughts on these issues with you over the coming months.

Within this context, and looking at your proposed work areas:

- We welcome your work to further understand the potential for customers to become more empowered in the provision of services, and believe that PR14 should be considered a stepping stone to greater customer involvement in price determinations. Alongside this, customer trust and confidence in the regulatory model itself should not be overlooked – there are mechanisms contained within the PR14 price settlement that we know are not readily understood or accepted by customers, resulting in some risk to sector legitimacy moving forward as these mechanisms play-out. A willingness to listen and adapt if necessary to customers' views on the way companies are regulated would be helpful as we move towards a model for PR19.
- We welcome your intention to carry out some pilot studies on wholesale services with service providers. We are also carrying out pilot studies in this area and would be keen to align these with yours and contribute to your work.
- We welcome the fact that Ofwat's underlying costs are to be less than in 2012-13. A focus on efficiency across the sector is necessary to maintain and improve customers' perceptions of value for money.

These are some specific areas of your programme where we hope to be able to contribute to the delivery of a successful outcome, but if we can be of assistance in any other areas of your forward programme please do let us know.

We look forward to continuing our constructive working relationship with you over the coming year.



Colin Skellett  
Chief Executive