

Company monitoring framework – further consultation

About this document

This consultation considers the assurance that the 18 largest water and sewerage and water only companies ('the water companies') in England and Wales put in place to give customers and other stakeholders confidence that the information they provide is accurate and reliable.

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We amended this page 5 of this consultation on 25 February to confirm that we will produce a final position on the company monitoring framework by the end of May 2015.

We provided clarity on page 12 on 27 May to make clear that the mode in which we asked companies to provide further assurance as part of the PR14 process included draft determination company specific appendices. The issues were not significant enough for all companies to be asked by letter for this in advance of the draft determination.

Executive summary

Our [shared vision for the water sector in England and Wales](#) is one where customers, the environment and wider society have trust and confidence in vital public water and wastewater services. We want the companies that provide those services to be accountable to their customers for delivering the services they need and want at a price they can afford.

Having information that is easy to understand and navigate provides transparency and helps everyone build trust and confidence in water. Information forms the basis for conversations so that water companies can listen to their customers and deliver the outcomes they, the environment and wider society want. Information also reveals excellence within the sector, to provoke all companies to lift their game and deliver the best for their customers.

Water companies' boards are accountable for the quality and transparency of the information they provide on their performance. It is important that they continue to review what information their customers and other stakeholders want and need. Companies need to adopt a proportionate and transparent approach to the assurance they undertake to give confidence to customers and stakeholders in the information they publish.

We help promote transparency by making sure companies, where appropriate, provide comparative information across the sector. This enables customers, investors and other stakeholders to analyse the companies' relative and absolute performance. Companies will report information in an [annual performance report](#), including both information specific to its customers and stakeholders and information that is comparative across the sector.

We oversee that stakeholders can have confidence in this information. Where companies have met the high standards customers and other stakeholders expect they will have discretion to put in place assurance to give stakeholders the confidence that information they publish is accurate and reliable. Through the company monitoring framework we will step in, where companies fall short of the high standards customers and other stakeholders expect. Where necessary, we will make sure that assurance is provided in a proportionate way that can help rebuild trust and confidence. We have assessed companies between three categories.

- Companies that, apart from the base requirements that apply to all companies, have discretion to deliver **self assurance** in relation to the additional assurance arrangements they put in place.

- Companies which have not consistently met the high standards expected by customers and other stakeholders will be subject to **targeted** prescriptive assurance requirements, to ensure that the assurance arrangements they put in place are sufficient to protect customers.
- Companies which have not provided us with sufficient confidence about their ability to deliver, monitor and report performance, will have assurance requirements that are **prescribed** for all information that the company is required to publish, in order to protect customers.

Since our initial consultation in August 2014 we have considered further how this framework fits with the shared strategy for the sector. We are now consulting on our final proposals of:

- **how we will set the specific additional assurance requirements; and**
- **how companies move between categories over time.**

Our final proposals are as follows.

Self assurance

For self assurance companies we propose that the only further requirements are that their Boards provide explicit sign off on the assurance that has been provided, provide full transparency on the audit procedures and provide a summary of the outcome of the assurance that has been undertaken. This would apply to any information the companies are required to provide or publish. We note companies will have to work with auditors to be able to publish information relating to audit reports.

Targeted

Companies, in conversation with stakeholders, are best placed to identify where the risks, strengths and weaknesses arise in providing the quality of information that stakeholders want and will trust. We propose that targeted companies are required to publish a statement on this in the autumn of each year in advance of submitting information. For areas of weakness companies will be required to publish assurance plans that follow our guidance in a similar way as prescribed companies, but only in the targeted areas.

Prescribed

Prescribed companies will be required to follow our guidance on how information must be assured. In the past prescribing how assurance should be carried out has not necessarily delivered accurate information. Therefore, we propose that these companies are also required to publish their plans for assurance in advance of implementation, so that stakeholders (including Ofwat) can gain confidence and if necessary provide comments that the company would need to respond to.

Moving between categories

We propose that a company will move down from self to targeted assurance, or targeted to prescribed assurance, if its behaviour leads to a reduction in the trust and confidence stakeholders can place in it. A self assurance company could either be moved to targeted or prescribed assurance depending on the significance of the issues involved. The move down would be immediate.

We propose that a company is able to move up from targeted to self assurance, or prescribed to targeted assurance on an annual basis. This will occur each autumn providing:

- there is confirmation that areas of weakness have been adequately addressed;
- there is no evidence of behaviour that would reduce the trust and confidence stakeholders can place in the company; and
- no significant problems with its assurance plans in the previous year.

Companies in the prescribed category must remain in that category for a minimum of two years and would move to targeted assurance before moving to self assurance.

1. Introduction

In section A9.2 of the [assurance technical appendix to our draft determinations](#) in August 2014, we proposed an assurance framework for 2015-20. We reiterated this proposal in our [regulatory reporting consultation](#) in September 2014. In light of the recent publication of the new shared strategy for the sector, we have considered and revised our proposals. This document seeks views on how the framework, which we have called the company monitoring framework, will apply, before we produce a final position by the end of May 2015.

This introduction explains why assurance is important and the decisions we have already made on the company monitoring framework.

1.1 Why is assurance important?

Accurate information is central to our vision of trust and confidence in the sector. We expect companies to have open and honest conversations with customers and other stakeholders with a high level of transparency. Accurate information forms the basis for conversations on performance between water companies and their customers and other stakeholders.

Water companies must take full responsibility for the integrity of the data and information they collect, analyse and publish. Assurance that is appropriately focussed, which builds on appropriate processes and procedures for gathering and reporting information, reduces the risk of any inaccurate or incomplete reporting.

We expect companies that perform well in this area will continue to keep their processes and procedures for reporting accurate information under review. We expect companies will target the level of assurance to an appropriate level based on the risks associated with the reporting of that information. In line with our strategy of fostering trust and confidence in the sector, we expect companies to report on the assurance undertaken, and the outcome of that assurance in reporting that information to us and stakeholders.

We will continue to challenge the sector, to ensure it improves and provides the quality of information stakeholders want. We are ready to step in if companies fall short, using the right tools from our available toolkit to achieve the best results. We have set out the approach we will take in this company monitoring framework so that the sector understands the approach and our actions are predictable.

1.2 What is the company monitoring framework?

The company monitoring framework is a tool to challenge all companies to publish information that is consistently accurate and reliable and be transparent with customers and stakeholders about the assurance they put in place.

It sets out the basis on which we will step in to protect customers and intervene in how companies carry out assurance processes in a proportionate way that can help rebuild trust and confidence.

1.3 What information does it apply to?

The company monitoring framework applies to information that companies (that have a turnover of at least £6.5 million) are required to publish (or otherwise report to Ofwat), where the information requirements are set out after 1 April 2015 and, giving adequate notice in advance of when the information is required to be published (reported).

1.4 How will it work?

All companies will need to comply with sector-wide reporting requirements in providing annual performance reports.

For companies that have demonstrated that they can deliver information that can be trusted we will not prescribe any further assurance requirements. These companies have discretion to deliver **self assurance** in relation to the additional assurance arrangements they put in place in order to give stakeholders the confidence that information they publish is accurate and reliable.

Companies which have not consistently met the high standards that customers and other stakeholders expect in all areas, will be subject to **targeted** prescriptive assurance requirements, to ensure that the assurance arrangements they put in place are sufficient to protect customers.

Where companies have not provided us with sufficient confidence about their ability to deliver, monitor and report performance, then assurance requirements will be **prescribed** for all information that the company is required to provide, in order to protect customers.

We expect that companies which are subject to additional assurance will now demonstrate – through high quality reporting, information and transparency – that they are meeting their performance commitments and statutory obligations. If they do this, they will be able to reach the self assurance category where there are no additional assurance requirements.

1.5 What categories are companies in?

For the start of the monitoring period, we have assigned companies using an assessment of historic performance against a number of criteria. We have placed most weight on the information provided as part of the recent price review. The companies in each category are:

- self assurance – two companies (South West Water and Affinity Water);
- targeted assurance – 15 companies; and
- prescribed assurance – one company (Dee Valley Water).

We have provided details of our assessment in [‘Company monitoring framework – initial assessment’](#).

This consultation seeks views on our final proposals on how:

- **we will set the specific additional assurance requirements (chapter 2);**
and
- **companies move between categories (chapter 3).**

2. Prescribing assurance

There are a range of approaches to prescribing assurance, from companies deciding their own assurance to the regulator appointing assurers, as illustrated in the table below.

Approach to prescription	Example
Company decides assurance	
Company decides assurance, with explicit Board sign off, full transparency of process	Ofwat: PR14 business plans
Company decides assurance in line with regulatory guidance	Ofwat: PR14 retail cost allocation
Company decides assurance in line with a prescribed risk-based approach	Ofgem: Data assurance guidance ¹
Regulator prescribes how assurance must be carried out by independent assurers. Assurers must provide reasonable further explanation of their reports to the regulator on request	Ofwat: Regulatory Accounts Monitor: NHS foundation trusts ²
Regulator prescribes assurance procedures in advance and prescribes assurers terms of reference. Regulator has a role in appointing independent assurers and there is a duty of care to the regulator	Ofwat: June return 2010 – technical reporters ORR: National Rail Regulatory Accounts – both financial and technical assurers ³ Ofcom: BT Regulatory Accounts ⁴
Regulator appoints own assurers	Ofwat: Targeted review of accounting separation cost allocations

Some of the above approaches need the regulator to set specific guidance on how assurance should be carried out. Guidance can be given in a range of areas, as illustrated in the table below.

¹ <https://www.ofgem.gov.uk/publications-and-updates/statutory-consultation-data-assurance-guidance-and-proposed-licence-changes-electricity-and-gas-transmission-companies-and-gas-distribution-companies>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/385058/AuditCodeDec14.pdf

³ http://orr.gov.uk/__data/assets/pdf_file/0015/11733/cp5-regulatory-accounting-guidelines.pdf

⁴ <http://stakeholders.ofcom.org.uk/binaries/consultations/bt-transparency/statement/financial-reporting-statement-may14.pdf>

Area of guidance	Examples
What is assured?	Data Controls Systems
How it is assured?	Level of sampling Recalculation Analytical procedures Inspection of records Interviews Level of materiality
Who completes the assurance?	Internal auditors External auditors Independent technical experts
The level of confidence independent assurers provide	<p>“True and fair”, “Fairly presents”, “Properly prepared in accordance with”</p> <p>Other international standards such as ISRS 4400 or ISAE 3000 or ISO 19011 that can cover such assurance such as:</p> <ul style="list-style-type: none"> • reasonable assurance engagement report; • limited assurance engagement report; and • agreed upon procedures.

We consider that, based on our experience from PR14, there is room for improvement in the general quality of data made available across the sector, with some water companies having persistent problems with the completeness or accuracy of information and/or data. This is reflected in the small number of companies being allocated to the self assurance category in our initial assessment.

However, being more prescriptive, as we were for some companies in requiring further assurance after draft determinations, does not necessarily lead to accurate and reliable information being reported first time. And as a regulator increases the level of detailed guidance, it also increases the risk that the guidance may not target the greatest risks for each company. There is also a risk that a company may defer to the guidance instead of understanding the risks that it faces and developing its own assurance plan to deliver accurate and reliable information for their customers and other stakeholders.

There has been some movement away from increasing the level of detailed guidance on assurance across regulated industries. Ofgem has developed a risk-based approach for companies to follow in planning data assurance activities, and take appropriate actions on the findings that are proportionate to the risk of a submission. Ofcom in considering making changes to BT's regulatory financial reporting requirements concluded that:

“[W]e recognised that stakeholders other than BT did not attach much value to the audit. We said that the problems identified by stakeholders reflected their concerns about BT's level of control over the basis of preparation, a lack of transparency about the basis of preparation, and the way that data is reported.

“We explained that the audit alone cannot be relied upon to address those concerns and instead made proposals as set out in the previous sections. As a result, we did not propose significant changes to audit requirements.”⁵

We have taken these issues into account in developing our final proposals on how we prescribe assurance for each category.

2.1 Self assurance

We think that it is reasonable that water companies in this category, that have demonstrated that stakeholders can place trust and confidence in the information that they provide, have few requirements in providing assurance.

For self assurance companies we propose that the only further requirements, beyond the base requirements, are:

- their Boards provide explicit sign off on the assurance that has been provided;
- the company provides full transparency on the audit procedures; and
- the company provides a summary of the outcome of the assurance that has been undertaken.

This would apply to any information the companies are required to provide or publish. Where the outcome of the assurance undertaken is in the form of an audit report to the company, we note that companies will have to work with auditors to be able to publish information relating to these audit reports.

⁵ <http://stakeholders.ofcom.org.uk/binaries/consultations/bt-transparency/statement/financial-reporting-statement-may14.pdf>

Consultation questions

Q1 Do you agree that companies in the self assurance category should provide explicit sign off on the assurance that has been provided?

Q2 Do you agree that the assurance process, and the outcome of that assurance process, should be transparent? Do you have any suggestions of how this could be accomplished?

2.2 Prescribed

In our risk-based approach⁶ we set out that water companies should be accountable for assessing and managing their own risks. We consider that companies are best placed to understand the risks to providing accurate and reliable information and producing assurance plans to minimise those risks. And customers are more likely to be protected if a company is actively challenging itself, rather than just attempting to follow guidance that may or may not target the greatest risks.

Companies in the prescribed category have not demonstrated that they can deliver accurate and reliable information that gives stakeholders trust and confidence. We need to intervene to make sure that companies produce appropriate assurance plans in order to protect customers, while keeping clear accountability of companies to their customers and stakeholders.

We consider that if stakeholders are to gain trust and confidence in a company that has not delivered in the past it is important that they are able to be involved in the process of how the company intends to assure its information. This will provide a way for companies to build trust and demonstrate that information they provide is appropriately assured. Any assurance plan should follow a risk-based approach and we note that various standards already exist, including an approach recently produced by Ofgem⁷.

We propose that prescribed assurance companies publish their plans for assurance on their websites in advance of implementation, so that stakeholders (including Ofwat) can gain confidence and if necessary provide comments that the company would need to respond to.

We propose that:

⁶ http://www.ofwat.gov.uk/regulating/compliance/pap_pos1203regcomp.pdf

⁷ <https://www.ofgem.gov.uk/ofgem-publications/92140/dagguidancedocumentv1.0.pdf>

- the company publishes an assurance plan two months before the plan is required to be used. A company should undertake a risk-based approach and be clear how and what risks it has identified and how its assurance plan will appropriately reduce these risks to acceptable levels;
- stakeholders have one month to comment;
- company has two weeks to respond to stakeholders comments and if necessary republish its assurance plan; and
- if a company has clearly not responded appropriately to the comments Ofwat would intervene to hold the company to account.

This process could allow us to reduce the level of guidance that we specify, as if an assurance plan would not appropriately address risks, stakeholders will have an opportunity to identify this.

Consultation questions

Q3 Do you agree that a company in the prescribed category should consult on its assurance plans with stakeholders? If not, what approach to prescribing assurance would you suggest?

Q4 Do you consider the outline approach that we have set out to be practicable, or can you suggest improvements?

Q5 Do you think that our guidance could be minimal or do you think that it is necessary for us to define a high level of prescription to protect customers?

2.3 Targeted

We consider that for water companies in this category it is important that additional assurance is prescribed in targeted areas in order to protect customers.

Our initial categorisation has collated some information that could be used to target assurance. For instance during PR14 we wrote letters to companies to request further assurance in specific circumstances, as illustrated in the table below.

Example areas Ofwat could target	Relevant 'targeted' companies
Cost allocation and segmental reporting	Anglian Water Severn Trent Water Southern Water Thames Water United Utilities

In the response to this consultation two companies named in the table noted that they had not received a letter. To clarify, a number of companies were asked to provide further assurance in the draft determination company specific appendix.

	<p>Wessex Water</p> <p>Yorkshire Water</p> <p>Portsmouth Water</p> <p>South East Water</p> <p>South Staffordshire Water</p> <p>Sutton & East Surrey Water</p>
Financeability	<p>Dŵr Cymru</p> <p>Portsmouth Water</p> <p>South Staffordshire Water</p> <p>Sutton & East Surrey Water</p>

However, if the company monitoring framework operates in this way it would only react to issues that have already occurred, rather than challenge companies to address risks proactively.

Water companies, in conversation with stakeholders, are best placed to identify where the risks, strengths and weaknesses arise in providing the quality of information that stakeholders want and will trust. We propose that targeted companies are required to publish a statement on this in the autumn of each year in advance of submitting information. For areas of weakness companies will be required to publish assurance plans that follow our guidance in a similar way as prescribed companies, but only in the targeted areas. In other areas companies would have the same level of discretion as self assurance companies.

This again will provide a way for companies to build confidence and demonstrate that information they publish is appropriately assured.

Consultation questions

Q6 Do you think that companies in the targeted category should publish an assessment of risks, strengths and weaknesses, to be used to target more prescriptive assurance requirements? If not please suggest how we should target the areas that require more prescriptive assurance.

Q7 Do you think that the prescription for targeted areas should be the same as for the prescribed assurance category? If not please suggest how assurance should be prescribed.

Q8 Do you think that for areas that are not targeted that the prescription for these areas should be the same as the self assurance category? If not please suggest how assurance should be prescribed.

3. Moving between categories

We consider that there are two main options to assess how companies could move between categories.

- An annual relative assessment similar to our initial categorisation.
- Assessments that respond to the behaviour of companies, without an explicit relative assessment.

The table below sets out the pros and cons of each approach.

Option	Pros	Cons
Annual relative assessment	<p>Can highlight areas where improvement is required</p> <p>Allows for fair, consistent assessment for all companies including self assurance companies</p>	<p>The assessment would not change when issues come to light</p> <p>May lead to a focus on Ofwat, rather than stakeholders</p> <p>Burden on all companies and resource requirement on Ofwat for an additional annual process</p>
Assessments that respond to the behaviour of companies	<p>Risk-based approach</p> <p>Allows action to be taken when issues come to light</p> <p>Focus of companies more likely to remain on customers and stakeholders</p> <p>Clarity to how this would be applied in areas where companies reduce the confidence of stakeholders – more likely to be discrete issues at a point in time</p>	<p>Reduced scrutiny of self assurance companies</p> <p>Greater risk that companies will move to the self assurance category without specific improvement</p> <p>It is unclear how this could be applied where companies improve the confidence of stakeholders – more likely to be general improvement over time</p>

We consider that we should take action as soon as an issue comes to light, rather than waiting for a specific time to review companies. Therefore when responding to issues which have reduced the trust and confidence of customers and stakeholders we think it is also important to consider if companies should move down from the self assurance or targeted assurance categories to the targeted or prescribed assurance categories.

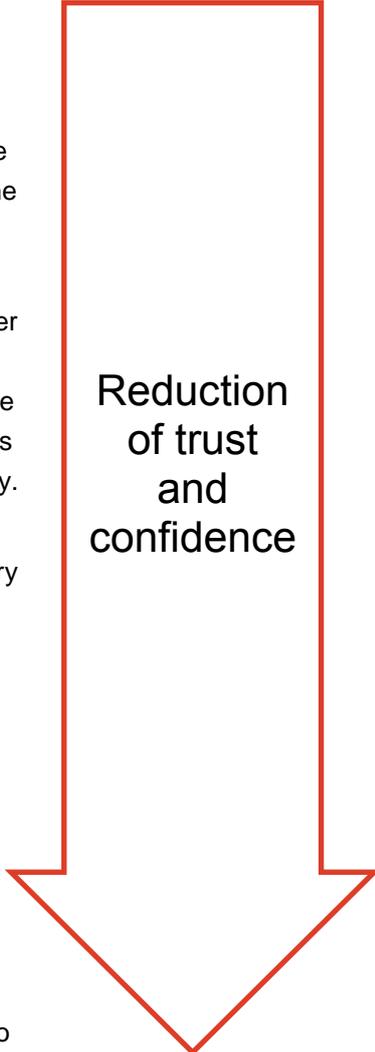
However, we think that trust and confidence will be built as a company consistently improves and demonstrates a transparent approach to reporting and assurance over time. This points to an annual process for companies to move up from the targeted or prescribed assurance categories to the self assurance or targeted assurance categories.

While we could also apply an annual process for companies moving down, this would lead to some level of regulatory burden on companies and it would need an assessment framework and criteria to be specified in advance by Ofwat. It would not be consistent with company ownership of the assurance process. This may lead companies to report in a manner that is focussed on our annual assessment, rather than focussing on delivering accurate information for its customers and other stakeholders.

We set out below a process that allows for a risk-based assessment and categorisation process.

We propose that a company will move from self to targeted assurance categories, or targeted to prescribed assurance categories, if its behaviour leads to a reduction in the trust and confidence stakeholders can place in it. This move would be immediate. A self assurance company could either be moved to the targeted or prescribed category depending on the significance of the issues involved. Examples of such issues are:

- A company does not report accurate and reliable information and fails to address the issue in a timely manner once identified, or fails to engage appropriately with stakeholders or, the issue is long standing but its assurance processes have not identified the error. A number of failings may lead to a movement straight to the prescribed category.
- A company that does not meet its performance commitments, or otherwise is at risk of not meeting statutory obligations, fails to address the issue in a timely manner and/or fails to engage appropriately with stakeholders. A number of failings may lead to a movement straight to the prescribed category.
- Ofwat opens a strategic case that involves the company or otherwise there are a material number of open cases or cases closed within the last two years involving the company. This in itself would only move a company to the targeted category.
- Where a company's response to a case is poor and/or the company is not cooperative **and** the findings are adverse to the company. If this involved a strategic case or a number of cases, it could lead to a movement straight to the prescribed category.
- A company has not demonstrated compliance with the code it has put in place to meet our principles for Board leadership, transparency and governance.
- When we introduce rules about charges, if we give direction to a company we consider is not acting as required by the rules.
- Stakeholders highlight significant problems with a company's assurance processes.
- Additionally a company in the targeted category would be moved to the prescribed category if it fails to respond appropriately to comments on its assurance plans or it does not demonstrate it has adequately identified and exposed areas of weakness.



Reduction
of trust
and
confidence



We propose that a company will move from the targeted to self assurance category, or prescribed to targeted category, each autumn providing:

- there is confirmation that areas of weakness have been adequately addressed;
- no evidence of behaviour that leads to a reduction in the trust and confidence stakeholders can place in it;
- an absence of significant problems with its audit plans in the previous year; and
- companies in the prescribed category must have remained in that category for a minimum of two years and can only move to the targeted category.

There are potential risks with this approach, but we think there are a number of protections in place to mitigate them. It is important we are confident a company will only move upwards following appropriate improvement and an increase in the trust and confidence of stakeholders. Equally, a company in the self assurance category could allow standards to drop and it is important that we can identify if this happens. If such issues occurred, it might mean that customers are not sufficiently protected, but we think there are two broad reasons that protections are in place.

Firstly, all companies will be expected to deliver a high level of transparency in their reporting processes and procedures, in the assurance undertaken and the outcome of that assurance and the improvements they make over time. This provides opportunities for all stakeholders (including Ofwat) to identify material issues. Furthermore, the possibility of such challenge helps to provide an incentive for all companies to deliver accurate and reliable information.

Secondly, the increase in discourse that the targeted and prescribed companies will undertake with stakeholders reduces the scope for a company to be moved positively without addressing weaknesses. However, it is important companies in the prescribed category develop a track record that allows stakeholders to have trust and confidence in the information published. Therefore we consider that a company in the prescribed category should spend at least two years in this category. This will allow an adequate opportunity for customers and other stakeholders to gain trust in the information that the company reports.

Consultation questions

Q9. Do you think that companies should move to a tighter assurance category immediately an issue that reduces trust and confidence comes to light, rather than wait for an annual review? Do you think that the examples which we have provided are appropriate?

Q10. Do you think it is appropriate that companies can move up from the prescribed to targeted category or targeted to self assurance category without the need for a positive relative assessment?

Q11. Do you think that an annual relative review is unnecessary? If you think Ofwat should undertake an annual relative assessment, do you consider it necessary for moving companies both up and down or only in one direction?

Q12. Do you think that it is appropriate for companies to spend at least two years in the prescribed assurance category?

Q13. Do you agree that the overall package of proposals leads to appropriate incentives for companies? Are there ways you consider that these incentives could be improved?

4. Responding to this consultation

We welcome your comments on our final proposals in this document. A list of questions is provided in appendix 1. Please email responses to FinanceAndGovernance@ofwat.gsi.gov.uk or post them to:

Company monitoring framework consultation response
Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA.

The closing date for this consultation is **10 April 2015**.

Before this date, we intend to continue to engage and consult with stakeholders, holding a workshop with companies in March 2015, and meetings with other stakeholders as appropriate

We will publish responses to this consultation on our website at www.ofwat.gov.uk, unless you indicate that you would like your response to remain unpublished.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Freedom of Information Act 2000 (FoIA), the Data Protection Act 1998 and the Environmental Information Regulations 2004. If you would like the information that you provide to be treated as confidential, please be aware that, under the FoIA, there is a statutory ‘Code of Practice’ which deals, among other things, with obligations of confidence.

In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on Ofwat.

We will set out our conclusions including any specific guidance for assurance by the end of May 2015.

Appendix 1: Questions for consultation

Q1 Do you agree that companies in the self assurance category should provide explicit sign off on the assurance that has been provided?

Q2 Do you agree that the assurance process, and the outcome of that assurance process, should be transparent? Do you have any suggestions of how this could be accomplished?

Q3 Do you agree that a company in the prescribed category should consult on its assurance plans with stakeholders? If not, what approach to prescribing assurance would you suggest?

Q4 Do you consider the outline approach that we have set out to be practicable, or can you suggest improvements?

Q5 Do you think that our guidance could be minimal or do you think that it is necessary for us to define a high level of prescription to protect customers?

Q6 Do you think that companies in the targeted category should publish an assessment of risks, strengths and weaknesses, to be used to target more prescriptive assurance requirements? If not please suggest how we should target the areas that require more prescriptive assurance.

Q7 Do you think that the prescription for targeted areas should be the same as for the prescribed assurance category? If not please suggest how assurance should be prescribed.

Q8 Do you think that for areas that are not targeted that the prescription for these areas should be the same as the self assurance category? If not please suggest how assurance should be prescribed.

Q9. Do you think that companies should move to a tighter assurance category immediately an issue that reduces trust and confidence comes to light, rather than wait for an annual review? Do you think that the examples which we have provided are appropriate?

Q10. Do you think it is appropriate that companies can move up from the prescribed to targeted category or targeted to self assurance category without the need for a positive relative assessment?

Q11. Do you think that an annual relative review is unnecessary? If you think Ofwat should undertake an annual relative assessment, do you consider it necessary for moving companies both up and down or only in one direction?

Q12. Do you think that it is appropriate for companies to spend at least two years in the prescribed assurance category?

Q13. Do you agree that the overall package of proposals leads to appropriate incentives for companies? Are there ways you consider that these incentives could be improved?

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a leading economic regulator, trusted and respected, challenging ourselves and others to build trust and confidence in water.



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Printed on 75% minimum de-inked post-consumer waste paper.
February 2015

ISBN 978-1-908116-91-8

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