

Information notice

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Update on the 2014 price review

This information notice updates our stakeholders on our plans for the [2014 price review](#). This is when we will make decisions on the price and service package ('price limits') each of the monopoly water and sewerage and water only companies in England and Wales must deliver in each of the five years between 2015 and 2020.

Background

Over the past two years we have reviewed how we make our decisions on price limits. This is so that we can encourage the monopoly companies to do better for their customers and the environment.

In '[Future price limits – statement of principles](#)', which we published in May 2012, we set out the six principles that will guide how we set the price controls that monopoly companies must deliver to all of their customers in the longer term – and in particular, how we will next set price limits in 2014. The key changes to our

approach to setting price limits that we set out included:

- increasing the focus on the outcomes customers want, and how well companies deliver for their customers;
- giving companies more ownership of, and accountability for, what they deliver; and
- targeting our price control regulation appropriately and, in particular, setting separate controls for companies' wholesale and retail activities.

In July 2012, we published our '[Consultation on retail price controls for the 2014 price review](#)', which set out some of the key issues associated with setting retail controls for future price reviews. And, in August 2012, we published '[Consultation on wholesale incentives for the 2014 price review](#)', which set out the new incentives we proposed to create within wholesale controls and the key issues associated with them.

We said in both consultations that we would use the responses we

received to develop our proposed methodology for setting price limits for 2015-20.

Our methodology for setting price limits for 2015-20

We will publish our proposed methodology for setting price limits in early 2013. The document will focus on the retail and wholesale controls and how we plan to operate the new incentives associated with them.

We will be consulting on:

- the introduction of retail and wholesale controls, including the definition of the retail activities;
- different forms of retail control for those customers that can choose their retail supplier and those who cannot; and
- targeted incentives that support each control, including wholesale incentives which encourage more efficient, sustainable use of water resources.

After publishing the methodology framework we intend to publish

This is a formal document that alerts our stakeholders to a change in the way that we regulate the water and sewerage sectors in England and Wales.

further information on other issues we need to consider in price setting. This includes a consultation on the information we would expect companies to give us when they submit their business plans.

We intend to supplement our methodology consultation with workshops and other opportunities for our stakeholders to give us their views. We will use the responses we receive to decide our final methodology for the 2014 price review, which we plan to publish in summer 2013.

Next steps

Following the consultation on our methodology, we expect to:

- publish our final methodology in the summer of 2013;
- ask companies to submit their plans to us early in 2014;
- make draft determinations in the spring of 2014; and
- make final determinations in the autumn of 2014. The new price limits will start in April 2015.

Further information

If you have any questions about the price review, please send them to mailbox@ofwat.gsi.gov.uk.

More information

'Future price limits – statement of principles', May 2012

'Consultation on retail price controls for the 2014 price review', July 2012

'Consultation on wholesale incentives for the 2014 price review', August 2012



Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We are responsible for making sure that the water and sewerage sectors in England and Wales provide consumers with a good quality and efficient service at a fair price.



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