

# Information notice

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## 2014 price review communications – transparency and information sharing

This information notice sets out that we will be transparent about:

- how we assess the quality of companies' business plans (our 'risk-based review' process); and
- the information and data that companies send to us.

This is part of our 2014 price review.

The 2014 price review is our process for setting the price and service packages ('price controls') that each monopoly company must deliver over the five years between 2015 and 2020. Each company will send us its business plan, setting out its plan for prices and services for its customers, by 2 December 2013.

This information notice follows 'IN 13/07: 2014 price review communications between Ofwat and water companies', which we published in July 2013.

### Background

In 'Setting price controls for 2015-20 – final methodology and expectations for

companies' business plans' (our 'methodology'), which we published in July 2013, we explained how we will set companies' price controls for 2015-20. We also set out:

- our requirements for the business plans and other information each company will need to send us; and
- our approach for assessing those plans.

A key feature of our methodology is that it is more focused on customers. In particular, we have:

- made it a key requirement for each company to speak with and listen to ('engage') their customers in developing their plan; and
- required each company to set up an independent group of customers and customer representatives. Each of these customer challenge groups (CCGs) has challenged its company's approach to customer engagement. They will also be sending us a report on how they think their company has engaged with their customers on 2 December.

We will be carrying out a series of tests (our 'risk-based review') on each company's plan. This includes us looking at how well the company has listened to their customers and how affordable their plans are for customers.

We will use the results of our tests to classify the quality of each company's plan as one of three categories – 'enhanced', 'standard' or 'resubmission'. The category a company receives for its plan will determine how and when we set its price controls. Companies with enhanced plans will receive rewards such as early draft decisions ('determinations') on their price controls.

### Our commitment to transparency about our risk-based review

We recognise the importance of being transparent about how we make our decisions during our risk-based review. This is important to:

- deliver the rewards and penalties ('incentives') we introduced as part of our methodology to encourage each company to

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.

- produce a high-quality business plan;
- give a clear signal to investors and other stakeholders about which companies have – or do not have – high-quality plans;
- promote accountability and public trust in us; and
- give valuable information to customers and other stakeholders.

It is also consistent with the UK Government's principles of better regulation, which encourage regulators to be consistent, proportionate, transparent, accountable and targeted in delivering their work.

So we commit to publish the documents and other evidence our Board use to decide whether a company's plan is enhanced, standard or resubmission. We will do this for each company.

### **Publishing our risk-based review decisions and confidential information that companies send us**

We plan to publish our decision on companies' business plan categories on 4 April 2014.

We recognise that the information we propose to publish about our

## **More information**

'Setting price controls for 2015-20 – final methodology and expectations for companies' business plans', July 2013

'IN 13/07: 2014 price review communications between Ofwat and water companies', July 2013

2014 price review [web pages](#)

decisions on companies' business plan categories may include specific information about individual companies.

So before we publish our decisions we will identify the types of information that we consider should be confidential and excluded from the information we publish. Companies will be given the opportunity to comment on the information we plan to publish. If companies wish other information to be considered confidential – in addition to the information we specify – we will expect them to give a detailed explanation of why this is necessary.

Given the benefits of transparency, we would expect companies' arguments to be extremely compelling. It will be for each company to prove to us that a specific piece of information would

or might seriously and prejudicially affect their interests. For this reason, we will not accept companies asking for confidentiality for all of their information (a 'blanket confidentiality claim').

### **Enquiries**

If you have any questions about this information notice please send them to [price.review@ofwat.gsi.gov.uk](mailto:price.review@ofwat.gsi.gov.uk).

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November 2013

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**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.**

