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## **Building trust in water event**

### **21 October 2015**

### **Introduction by Cathryn Ross**

#### **Summary**

Cathryn introduced the event and talked about how Ofwat's strategy is being brought to life since its launch in January 2015.

- Why working together is more important than ever to continue to move away from the one-size-fits-all regulatory model, and looking towards the development of markets.
- Through the pillar of reporting and information sharing, how the sector delivers the shared vision of trust and confidence.

Thank you all for coming.

We have a lot to get through this morning – I hope you all have a copy of the agenda.

Given how much we have to get through I will keep my opening remarks fairly brief.

You will remember that we launched our new strategy back in January this year. As part of that strategy we set out a vision of trust and confidence in water and waste water services. You will also remember that that vision is not something that is the unique property of Ofwat, it is something that all of us share – government, companies, NGOs, regulators, we all think that trust and confidence in the provision of these vital public services is essential.

But, as we said back in January, it isn't something anyone of us can deliver alone. We need to work together to do that. Playing different but complementary roles. Roles that will inevitably mean that we aren't always in agreement. But, where we can always have the conversation that shared vision of trust and confidence firmly in mind, so that we can move forward. Which is why I'm so pleased to see everyone here today. Representatives of companies, customer groups, NGOs, government officials, parliamentarians.

Since we launched our new strategy back in January a lot has happened.

Companies are half way through the first year of the control period. Busy delivering for customers in line with the PR14 settlement. We have already seen some companies making significant changes to their structure and how they think about their businesses, designed to align themselves better with developments in markets and in regulation. We really welcome this.

We have had an election. We have new ministers and I know officials are working hard with them on a new UK Government Strategic Policy Statement, which I think we are expecting in the New Year.

We have already had a new Wales Water Strategy – which is massively ambitious in addressing issues that relate not only to water services in the strict sense but to the systems on which their production depends.

The task and finish group we set up on resilience has been working really well, and is getting ready to issue its report and recommendations – I'm really pleased to have Jacob here to share some thinking with you on that today.

We have also seen great progress on the multi-stakeholder programme of Retail Market Opening. With a lot of work by a lot of people to get MOSL, the market operator, up and running. And lots more work on the baseline review and in getting new governance structures up and running. We now have a programme plan that we all know is tight, but is doable.

We've also been busy!

We have been thinking more about our role, as the economic regulator, and how we can best help to move towards that vision of trust and confidence. We now have a pretty clear idea of how we are going to do that – of the kind of regulator we need to be. This is what we call our 'regulatory model'.

This sees us moving away from a style of regulation that might have been characterised as heavily ex ante, one-size-fits-all, administrative and regulator focussed to one that makes more use of ex post tools, is more framework based, more proportionate and targeted, more pro-market and encourages companies to focus on their customers and not on the regulator. Our Water 2020 programme – which importantly encompassed the development of markets and our regulation of them (and in particular PR19) is very focussed on how we make that move. David Black who is leading on this for us will speak later on this.

You will have seen us working very differently on our Water2020 programme. We recognise that we don't have a monopoly on good ideas, and we have been keen to develop a marketplace for ideas here. I'm pleased to see the contributions from

companies there. We have had seen some really interesting things. Anglian and UU and Yorkshire doing some great thinking on future challenges. UU has some really interesting thoughts on access pricing – which Steve Mogford set out at an investor conference last week. Severn Trent has produced a thought provoking document looking at some of the issues in delivering a better future for customers. South East Water has produced some useful thinking on improvements to water resource management. I won't steal David's thunder any more – he will feedback to you what we have been hearing later on, and there's a chance to discuss.

I've talked about our regulatory model entailing a move from a rather ex ante, administrative, prescriptive, one size fits all regulator focussed approach to one that is more ex post, framework based, pro-market, proportionate and targeted. But there's more to it than that. We cannot step back, give the companies we regulate more flexibility, enable markets to work better, if we don't keep an eye on what this is delivering, how it is working. Partly this is because we need that information in order to step in where we are needed, to provide that safety net, to protect customers. But also because if that information is out there, others can see it too. Customers, investors, NGOs. And they will react to it. They will use it to ask questions, to prompt and challenge the sector, to help hold the sector to account. And that in itself will help the sector to better identify, understand and manage risk. Which in turn will better equip it to step us, and us to step back. What we are calling the 'regulatory reporting, market intelligence and assurance' pillar of our regulatory model is critical to stepping on that virtuous circle.

And that is the first part, the bulk, of what we are here to talk about today.

As part of this we are really keen to see better information out there in particular so the sector can demonstrate to its key stakeholders, especially its customers whether it is getting closer to or further away from that vision of trust and confidence.

We have been referring to this as a 'strategic assessment framework'. I know there is probably a better term for it! But the point is to distinguish it from various other planks of the regulatory reporting, market intelligence and assurance tool kit that we are working on – notably the performance assessment framework and the financial monitoring framework.

We see this 'strategic assessment framework' as something that is best - indeed something that can only be – developed in partnership. It is not something that Ofwat is going to develop and impose on the sector. It is something that to fulfil its potential requires co-creation and in fact represents a great opportunity for the sector to step up and work not only with us, but with other regulators, customers and NGOs.

And this is why we have invited everyone here today. Given that what I think we all want is something that is genuinely useful and user-friendly, we have focussed the sessions today on who might make use of such a dashboard, and how they might use it. Because with clarity on that, we should, together, be able to think about how it might be developed and what it might look like.

When we started looking at this idea, it is fair to say that we met quite a bit of resistance. I'm honestly not sure why, but we did. So we started to look at all the data and information that is out there publicly already. And I have to say there's a lot of it! So, just to see what it looked like when you put it together, that's what we've done. And I want to thank colleagues from CCW, and the EA in particular for helping us to do this. This is what we sent round yesterday. I want to stress that this is all it is. And we sent it round to be helpful – to prompt your thoughts and provoke a discussion. Because we all know how difficult it is to do that when you are just starting from a blank sheet of paper. Put it another way – if, like me, you think that the dashboard could be, should be, so much more than this – we need your help, your thoughts, your creativity, your input to get it there.

And if any of you – and I guess I'm talking to the company representatives in the room – are sat there thinking that there's no point engaging in the debate because Ofwat has already produced its own version and is just waiting for an opportunity to impose it, you're wrong. And worse than that, you haven't been listening to what we've been saying for the last year or so at least. And you haven't been watching what we've been doing either – through our use of self-regulatory approaches (through WATRS, through the code on board leadership, through the code on developer services), through the marketplace for ideas.

I'm hopeful, however, that most of you aren't in that place. And I hope that all of you will be converted by the end of the morning. And I have to say I was genuinely delighted when I heard from Pamela a couple of weeks ago that the Water UK council had decided that Water UK should work with us on this. And I was really pleased to see the sort of principles they had suggested following to develop the thinking. I know Rob will speak more about this in his slot later on.

So... without further ado let me introduce for you our guest speakers.

We thought we would start off with four distinguished guest speakers – the idea being they can get our discussion going by saying a little about how transparency and information can be helpful in building trust and confidence.

First we have Jo Causon who is Chief Executive of the Institute of Customer Service. Many of you I know are members of the ICS, which does great work to push the

frontier on great customer service and help its members develop in that direction. We have a great relationship with ICS.

Second we have Stephanie Hilborne who is Chief Executive of the Wildlife Trusts. Stephanie brings an environmental perspective, including the experience of the Blueprint for Water coalition, whose scorecards I know were really influential in the PR14 process.

And third we have Jacob Tompkins, Chief Executive of Waterwise. And also chair of the independent task and finish group which has been working really hard since January to give us answers to the questions: what is resilience? What should the sector think about when it thinks about resilience? And what should Ofwat think about when it thinks about resilience? Jacob is here today to bring that crucial resilience perspective to this debate – and I think he will also take the opportunity to update you on the group's work.

Fourth, and finally, we have Rob Wesley, Head of Policy for Water UK. Who I hope is going to talk about how the sector is going to work, with us and with others, to take forward this idea.

After that we have time for breakout discussions on your tables. And after a brief dash for some caffeine (11.25, just so you know) Ellen Bennet, Editor of Utility Week, will share her thoughts with us, and chair a session of quick fire feedback and discussion – including those of our speakers who are able to stay.

We will then change gear to discuss – more briefly but I hope still helpfully – our Water 2020 programme with David.