

25 May 2016

Trust in water

# Water resources working group

## Terms of reference

[www.ofwat.gov.uk](http://www.ofwat.gov.uk)

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## Terms of reference

### 1. Background

On 25 May 2016 Ofwat published [Water 2020: Our regulatory approach for water and wastewater services in England and Wales](#). In this document we set out our decisions to enable our preferred design option for promoting greater use of markets for water resources.

### 2. Our May decisions

- We will use our regulatory framework to **promote markets in water resources**.
- We will require incumbent companies to **make key data available on supply-demand deficits and water resource costs in a consistent format**. This should be available on company websites with Ofwat providing a webpage that signposts where that information is held.
- We will require each incumbent company to **publish a bid assessment framework** setting out its policies and processes for assessing bids from third party providers of water resources and leakage/demand management services.
- We will **develop a new access-pricing framework** for England to help third parties enter the market if they can provide new water resources as efficiently as incumbents. This will be implemented with a combination of cost-based charges for network plus services and a compensation payment that reflects the incumbent's forward-looking incremental water resource costs.
- We will **introduce separate binding price controls** for water resources and network plus.
- We will **provide regulatory capital value (RCV) protection** for efficient expenditure up to 31 March 2020.
- We will **require incumbent companies to bear some under-utilisation risk** for investment in new water resource capacity from 1 April 2020, and are consulting further on how this will work in practice.
- We will **require RCV allocation** to enable the separate water resources price control. We will use an unfocused approach, but each company will propose its own allocation to the water resources control to Ofwat for review.
- **System operator functions will be carried out by incumbent companies** and other market participants, with a broader role to be played by markets.

### 3. Role of the Ofwat water resources working group

The primary role of the Ofwat water resources working group is to engage on the design and implementation of our May decisions for water resources to set out above. Its remit will be to discuss the implementation of the main design features and to support their implementation into the 2019 price review methodology.

The group will draw on its collective knowledge to assist with the implementation of Ofwat's decisions and identify solutions that are in line with Ofwat's statutory duties. **It is not a decision-making body.** The working group is intended to be an open forum to enable constructive discussion. It is expected that the group will conclude its meetings in Spring 2016.

### 4. Membership

Membership is open to all relevant parties, including but not limited to, existing water companies, new entrants, regulators and other relevant stakeholders. Set out below is the provisional list of key contacts from member organisations. Members may nominate other people to attend any meeting as a replacement to themselves. Where possible however, members should notify Ofwat prior to a meeting of any changes in attendance, including non-attendance. In addition to the regular members of the group, additional expertise may be invited to inform discussions on aspects of the design features.

**Table 1: List of Members (key contacts)**

Member	Organisation
Tim Charlesworth	Affinity Water
Jean Spencer	Anglian Water
Crawford Winton	Northumbrian Water
Frank Grimshaw	United Utilities
Steve Morley	Portsmouth Water
Leonie Mackenzie	South West Water
Lester Sonden	Sutton and East Surrey Water
David Hinton	South East Water
Meyrick Gough	Southern Water
Nagi Suzuki	South Staffs Water
William MacKveley	Severn Trent Water
Phillip Dixon	Thames Water
Luke Devial	Wessex Water

Wendy Kempton	Yorkshire Water
Sean Larkin	Dŵr Cymru
Malcolm Jeffrey	Albion Water
Paul Bulmer	Bristol Water
Liz Franks	Dee Valley Water
Polly Chancellor	The Environment Agency
Darren Leftley	Canal and River Trust
Anna Wetherell	Natural England
Caroline Harris	Natural Resources Wales
Paul Harrison	Welsh Government
Colin Green	Ofwat
Peter Hetherington	Ofwat
Mat Stalker	Ofwat

## 5. Meeting details

Ofwat shall consider the best method for conducting a meeting, whether it be remotely (e.g. via telephone conference) or in person. When meetings are held in person, they can be held at Ofwat offices in **Birmingham** or **London** and no more frequently than on a **monthly basis**. We are open to other members hosting the meetings provided the proposed location is fairly central and easily accessible by public transport. Our aim is to have longer and less frequent meetings covering more material.

Ofwat will provide secretariat support including preparation of agenda, brief notes of meetings and monitor actions arising from the meetings.

## 6. Theme of meetings

Each meeting will cover different elements of our water resources decisions and an agenda will be circulated will be available in advance of each meeting. This is to allow member organisations to identify the right delegate from their organisation to attend each meeting.

## 7. Communication

Communication to stakeholders will be facilitated through the dissemination of meeting minutes, reports and other relevant information to members.

The minutes of all meetings will be prepared by Ofwat and circulated to group members before finalising. Minutes will include:

- a list of the members in attendance, and
- a brief account of the proceedings under each agenda item, including the key points raised, as well as any actions and resolutions.

Meeting minutes and records of all correspondence and reports will be kept by Ofwat.

In the interest of transparency, Ofwat will publish material from the working groups on its website. This will include minutes of the meeting (having regard to comments from members) and any other material, as Ofwat considers appropriate, that is produced as part of the Ofwat water resources working group, for example PowerPoint slides.