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## **Ofwat forward programme 2017-18 – draft for consultation: How our work aligns with the UK and Welsh Governments’ emerging priorities**

### **Welsh Government**

The Welsh Government is consulting on its ‘Strategic Priorities and Objectives Statement to Ofwat’. Its draft priorities (among others) include:

- affordable bills for current and future customers;
- improving the social, economic, environmental and cultural wellbeing of Wales;
- not extending competition; and
- long-term, resilient solutions.

We consider that our priorities and draft work programme are consistent with the Welsh Government’s priorities. For example, our work over the next year includes the following.

- We will be consulting on and finalising our draft methodology for setting the price limit, performance commitment and incentive framework for monopoly companies. Based on our methodology, each company’s plan will reflect their proposed plans for meeting their customers’ expectations for services from 2020 onwards, including:
  - affordability – and in particular, those that may be in circumstances of vulnerability;
  - environmental services; and
  - resilience, including ecosystem resilience.

We are also considering how to test how companies wholly or mainly in Wales are reflecting the seven wellbeing goals set out in ‘The Well-being of Future Generations (Wales) Act 2015’ in their plans.

- Building on [our own work on vulnerability](#), we:
  - are [working with Ofgem and the UK Regulators Network \(UKRN\)](#) to identify the potential benefits, opportunities and challenges that may arise from data

- sharing across water and energy to support customers in vulnerable situations;
  - are engaging companies on how they are responding to our challenge on supporting customers in vulnerable situations and working collaboratively to help tackle bad debt; and
  - have embedded our work on vulnerability and [affordability](#) into our [Water 2020 regulatory approach for water and wastewater services in England and Wales](#).
- We are extending retail competition from April 2017 to eligible business, charity and public sector customers of companies wholly or mainly in England. We will fully recognise in our work Welsh Government policy not to extend retail competition or to introduce upstream competition in the water sector.
  - We are carrying out a [study of the existing new appointments and variations market](#) to check that it is operating efficiently and effectively. During 2017-18 we will be engaging stakeholders on the findings and potential actions to address any issues identified.
  - We have been carrying out [a range of work to support and challenge the water sector in England and Wales to improve services to developers, including the existing market for new connections](#).
  - We will be carrying out work to make sure that companies appropriately assess and incorporate resilience of water and wastewater services in their business plans for our 2019 price review. Among our wide range of activities, we will be hosting a senior level cross-sector event on resilience to:
    - bring together thinking across the community; and
    - share learning, approaches and expectations.

We will continue to check our priorities and work are consistent with the strategic priorities and objectives while the Welsh Government finalises them.

## UK Government

The UK Government is currently developing its strategic policy statement for us. Its emerging priorities (among others) include:

- securing long-term resilience;
- protecting vulnerable customers; and
- making markets work for working people.

We consider that our priorities and draft work programme are consistent with the UK Government's priorities. For example, our work over the next year includes the following.

- We will be carrying out work to make sure that companies appropriately assess and incorporate resilience of water and wastewater services in their business plans for our 2019 price review. Linked to this we will be contributing to the National Infrastructure Commission’s assessment of water and wastewater infrastructure. Among our wide range of activities, we will be hosting a senior level cross-sector event on resilience to bring together thinking across the community, and share learning, approaches and expectations.
- Building on [our own work on vulnerability](#), we:
  - are [working with Ofgem and the UK Regulators Network \(UKRN\)](#) to identify the potential benefits, opportunities and challenges that may arise from data sharing across water and energy to support customers in vulnerable situations;
  - are engaging companies on how they are responding to our challenge on supporting customers in vulnerable situations and working collaboratively to help tackle bad debt; and
  - have embedded our work on vulnerability and [affordability](#) into our [Water 2020 regulatory approach for water and wastewater services in England and Wales](#).
- We have a programme of work to ensure that the markets we regulate deliver the outcomes that customers and society expect. This includes the following.
  - We will introduce a [market monitoring framework](#) following the expansion to the competitive business retail water market. Our framework to ensure that we understand whether the market is working well and delivering benefits for customers, society and the environment, and so that we can intervene in an appropriate way should that not be the case. Even if no interventions are needed, the ability to harness and evaluate such information and, where appropriate, its transparency, will support the maintenance of trust and confidence in the market.
  - We are carrying out a [study of the existing new appointments and variations market](#) to check that it is operating efficiently and effectively. During 2017-18 we will be engaging stakeholders on the findings and potential actions to address any issues identified.
  - We have been carrying out [a range of work to support and challenge the water sector in England and Wales to improve services to developers, including the existing market for new connections](#). During 2017-18 we will be consulting on and finalising codes for the for the agreements water and sewerage companies operating wholly or mainly in England enter into in order to adopt infrastructure for new connections that has been provided by other parties (‘adoption agreements’). This is to help ensure the new connections market is working well and supports housing growth.

- Our work on the [Thames Tideway Tunnel](#) is also helping establish a form of competition – direct procurement – that could help in future deliver the outcomes that customers and society expect.

We will continue to check our priorities and work are consistent with the strategic policy statement while the UK Government finalises it.