
Ofwat forward programme 2017-18: How our work aligns with the UK and Welsh Governments' emerging priorities

Welsh Government

The Welsh Government has consulted on its 'Strategic Priorities and Objectives Statement to Ofwat'. Its draft priorities (among others) include:

- fair, affordable bills for current and future customers;
- water for nature, people and business and natural resource management;
- 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.

Fair, affordable bills for current and future customers / Water for nature, people and business and natural resource management

- We will be consulting on and finalising our draft methodology for setting the price limit, performance commitment and incentive framework for monopoly companies (our 2019 price review, PR19). 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 will engage with the Welsh Government and other stakeholders on our methodology and its contribution to the priorities for Wales. This includes direct meetings and attending the Wales Water Forum. This engagement will continue throughout the price review process. We also attend the Wales PR19 forum

which is run by Welsh stakeholders. And we will continue meet regularly with Natural Resources Wales where we have discuss key issues, such as how we will address uncertainty in regional companies' Water Resource Management Plans in the price review.

- 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;
 - will consider the National Audit Office report on vulnerable customers in the regulated industries;
 - 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](#).

Not extending competition

- 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](#).

Resilience, including ecosystem resilience

- 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.
- Our analysis of regional water and wastewater companies' performance will consider many aspects of resilience, including financial resilience, service resilience and board leadership, transparency and governance to hold them to account.
- The Welsh Government recently consulted on '[Draft supplementary charging guidance to Ofwat](#)'. This guidance includes charges for new connections. We aim to publish charging rules for new connections for companies based wholly or mainly in Wales in setting their charges during April to December 2017. In doing so, we will have regard to the Welsh Government's charging guidance. We will consider when to introduce other charging rules in due course.

We will continue to check our priorities and work are consistent with the strategic priorities and objectives while the Welsh Government finalises them. We will submit our annual report to Welsh Ministers summarising our progress.

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 customers; and
- making markets work.

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.

Securing long-term resilience

- 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:
 - engaging extensively with companies on the production of their long-term Water Resource Management Plans;
 - hosting a senior level cross-sector event on resilience; and

- publishing a document to bring together thinking across the community, and share learning, approaches and expectations.

Protecting customers

- We will be consulting on and finalising our draft methodology for setting the price limit, performance commitment and incentive framework for regional water and wastewater 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.
- Building on [our own work on affordability and 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; will consider the National Audit Office report on vulnerable customers in the regulated industries;
 - 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](#).

Making markets work

- 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 work with the UK Government on the evidence base to support their decision on whether to extend retail competition to households, building on our report into the cost and benefits.

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