

From: Paul Mullord
To: [Water2020](#)
Subject: Response to Consultation
Date: 30 August 2017 14:00:26
Attachments: [image57d99.JPG](#)
[image4284a9.JPG](#)
[image5bc413.PNG](#)
[image658121.PNG](#)
[image5e1b6f.PNG](#)
[Ofwat PR 19 CH2M response.pdf](#)
[British Water Anonymous Comments and Responses to PR19 consultation 30-08-17.pdf](#)

British Water welcomes the opportunity to respond to Ofwat's methodology for the 2019 price review. British Water has established a working group to monitor the progress of the PR19 process and to ensure the voice of the supply chain is clearly heard and accounted for. Attached are two documents that contain the responses we have received from British Water members. Two of the responses - where members have asked to remain anonymous - have been consolidated into one document. The second document is the response from CH2M. British Water would like to add that we strongly endorse the comment on section 9 made by British Water Member 2:

Q7. Do you agree with our proposals for the transition programme?

We are grateful that OFWAT responded to the challenge of cyclical in the Water Sector by enabling the transition programme. As a supply chain partner the funds referenced on pg188 did reduce the cyclical between AMP5 and AMP6. It is good that this remains available as a tool in PR19. As PR19 strives to embed the good behaviours and outcomes of PR14 while also enhancing the areas where better outcomes can be achieved, we think that cyclical is still a factor that affects skills shortage and supply chain efficiency. The reference on pg. 188 that "there should be less need for a prescribed transitional mechanism" may be more relevant to the transition to AMP8. It is our expectation that cyclical will remain between AMP6 and AMP7 and we would request that OFWAT assesses how the Water Companies propose to minimise the impact on the supply chain. Increasing stability in the supply chain will be a contributory factor to achieving the ambitious goals OFWAT is setting in this methodology.

Cyclical investment in the water sector has been evident since privatisation. Its effects have led to a stop-start cycle within the water sector supply chain with schemes typically being delivered within the middle three years of a five year cycle.

British Water has estimated the impact of the cycle leads to the loss of between 20,000 and 40,000 jobs across the sector within each five year period, with associated impacts on skills, training, health and safety performance, productivity and morale. Ofwat has assessed that this lost productivity in the investment programme results in water customers paying an additional £5 to £6.50 on their bills.

Please refer to smoothing investment cycles in the water sector, published by HM Treasury in July 2012.



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