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## **Notice – Determination of the Relevant Index for the period from 1 April 2020**

The Water Services Regulation Authority (Ofwat) has, in accordance with paragraph 3 of Condition A (Interpretation and Construction) of the appointments (licences) of the 17 largest water companies<sup>1</sup>, determined that the all items Consumer Prices Index including owner occupiers' housing costs (the Consumer Prices Index (H) or CPIH) will be the inflation measurement that will be used from 1 April 2020 to index price controls and for other purposes specified in licence conditions.

Consistent with the position set out in [May 2016](#), and the agreed licence modifications made in April 2017, Ofwat will move away from indexing price controls using the retail price index (RPI) and toward an inflation measurement that better reflects the overall inflation rate faced by customers.

Our [methodology consultation](#) set out our preference to move to CPIH, rather than the Consumer Prices Index (CPI), subject to the redesignation of CPIH as a national statistic. Our preference took into account the greater legitimacy of CPIH – that is, it better reflects the inflation rate that customers face. It is also the primary focus of the Office of National Statistics, as the most comprehensive measure of inflation. Subsequent to our consultation, the National Statistician redesignated CPIH as a national statistic on 31 July 2017. It is for those reasons that we have determined that the Relevant Index (the term used in licence conditions) will be CPIH from 1 April 2020.

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<sup>1</sup> By “water companies” we mean companies holding appointments as water and/or sewerage undertakers under the Water Industry Act 1991.