



Department for  
Business, Energy  
& Industrial Strategy

# BUSINESS IMPACT TARGET: SUMMARY TEMPLATE

Non-qualifying Regulatory Provisions  
(NQRP) summary reporting template



**Regulator:** Ofwat

**Business Impact Target Reporting Period Covered:** 9 June 2017 to 20 June 2018

Excluded Category*	Summary of measure(s), including any impact data where available**
Measures certified as being below de minimis (measures with an EANDCB below +/- £5 million)	<p>The <b>Thames Tideway Tunnel</b> is the main tunnel component in Thames Water’s preferred solution to reduce overflows of untreated combined sewage into the River Thames, in order to achieve compliance with the Urban Waste Water Treatment Directive. Ofwat’s role in the project is to ensure the licence obligations and the Water Industry Act 1991, as applied by the special infrastructure projects regulations, are being complied with.</p> <p>In October 2017, Ofwat published a report to encourage the water and energy sectors to pool their efforts to ensure that <b>vulnerable customers</b> are better able to access the extra help they may need.</p> <p>In September 2017, Ofwat published a report highlighting the importance of <b>resilience</b> both for the forthcoming price review and as a general principle for companies.</p>
EU Regulations, Decisions and Directives and other international obligations, including the implementation of the EU Withdrawal Bill and EU Withdrawal Agreement	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Measures certified as concerning EU Withdrawal Bill operability measures	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Pro-competition (regulatory provisions that are intended to deliver – or to replicate – better competition-based outcomes in markets characterised by market power)	<p>Ofwat has to set <b>price controls</b> periodically (typically every 5 years) which will ultimately determine the bills that are paid by customers for receiving water and wastewater services. In the June 2017-June 2018 period we have carried out a number of preparatory activities for PR19, such as consulting on our draft and then final methodology, which will not be effective until April 2020.</p> <p>As part of its financial <b>monitoring framework</b>, Ofwat sets out annual information requirements for monopoly companies to publish in their annual performance reports. This helps to ensure robust and accurate published information for customers. We operate a variable assurance framework in respect of companies’ assurance more widely – so where companies show that they have strong assurance and engage with their customers and stakeholders well, we reduce the burden of specific assurance requirements.</p>

Excluded Category*	Summary of measure(s), including any impact data where available**
	<p>In October 2017 Ofwat published a review into how the <b>market for NAVs</b> is working. The main focus of the review was to identify any barriers to competition. Ofwat has also published changes to its <b>water supply and sewerage licence (WSSL) application process</b>, separating self-supply applications from standard WSSL applications and streamlining the process for self-supply WSSL applications.</p> <p>Ofwat's <b>regulatory accounting guidelines (RAGs)</b> set out the information that companies must publish to allow Ofwat (and others) to assess company performance against their commitments (including in price controls) and compliance with their obligations within their licences and legislation. The RAGs were amended in autumn 2017 and further changes were consulted on from 31 May 2018.</p> <p>As part of its <b>market monitoring framework</b> for the new business retail market, Ofwat introduced a requirement for retailers to provide it with an annual data return covering information on their tariffs and other services. Retailers have an obligation in their licence to provide such information to the Authority as we require to carry out our statutory functions. This data is an essential part of Ofwat's framework to ensure competition is working for customers.</p> <p><b>The Retail Exit Code</b> sets out the principles that licensees must apply when they develop and make known the terms and conditions which apply when customers switch to receive their retail services from the licensee instead of the incumbent supplier as before. Ofwat launched a review of the Retail Exit Code to establish what protections are likely to be appropriate after March 2020 when the existing retail exit code protections expire.</p> <p>On 13 November 2017, Ofwat published its <b>Code for Adoption Agreements</b>. The Code relates to how undertakers make agreements with third party providers allowing infrastructure constructed by third parties to become part of the undertakers' networks, and one of its aims is to promote effective competition in this market. Without the Code, a more rigorous regulatory regime would be required.</p> <p>In April 2017 the business retail market for water opened. Since then, Ofwat has made minor changes to the <b>business retail market's non-statutory codes</b> to support the effectiveness of the market.</p> <p>On 8 May 2018 Ofwat published guidance setting out the approach it will take when <b>determining disputes about the</b></p>

Excluded Category*	Summary of measure(s), including any impact data where available**
	<p><b>price of bulk supply agreements</b>, which are used when NAVs (companies appointed as undertakers for a new area) purchase bulk supplies of water and/or sewerage services from incumbent undertakers.</p> <p>From 1 April 2018 <b>new charging rules for connections charges</b> for companies based wholly or mainly in England were introduced in accordance with the requirements of the Water Industry Act 91 to better enable effective competition in the new connections market for household premises. These new rules include requirements for water and wastewater companies to provide upfront charges for connections services to household premises and make the charges for related offsite reinforcement works more transparent and cost reflective. The new rules should ensure a level playing field between incumbent water companies, NAVs and SLPs in respect of these services, enabling more effective competition.</p>
Systemic Financial Risk	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Civil Emergencies	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Fines and Penalties	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Misuse of Drugs	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Measures certified as relating to the safety of tenants, residents and occupants in response to the Grenfell tragedy	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Casework	The water and sewerage companies and sector that Ofwat regulates are subject to a series of obligations set out in legislation and/or in water and waste water companies' licences. Ofwat has specific legal responsibilities with respect to implementing and/or enforcing these obligations and is also responsible for assessing licence applications under the New Appointments and Variations regime (NAV's), where Ofwat appoint new companies as undertakers for new developments or otherwise vary undertakers appointed areas, and the Water Supply and Sewerage Licence (WSSL) regime. These activities are managed through Ofwat's <b>casework function</b> .
Education, communications and promotion	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.
Activity related to policy development	Since the business retail market opened in April 2017 Ofwat has been undertaking a number of inter-related <b>policy projects to ensure that the business retail market works effectively</b> and that customers are able to share in the benefits that competition can deliver. Whilst in a number of instances, this

Excluded Category*	Summary of measure(s), including any impact data where available**
	<p>has required Ofwat to engage with stakeholders and seek their views on policy issues, Ofwat has not yet required companies to implement any new measures as a result of our policy work.</p> <p>In Ofwat’s <b>review of the significant water supply issues customers experienced</b> in England and Wales during the freeze and thaw of February and March 2018, monopoly providers have been asked to provide information to help establish the causes of the problems, their preparedness for such occurrences, the support given to customers and communication with them during and after the incident and whether the compensation offered to those affected was fair and speedy.</p> <p>In its work <b>in putting the sector back in balance</b>, policy development activity has been undertaken to consider whether Ofwat’s regulatory framework, and the package of tools and mechanisms with which we seek to incentivise companies to act in ways which benefit customers continue to be both effective in their operation (i.e. the incentives work as intended) and acceptable to customers. In addition, it focusses on the actions of companies that have a substantial and direct bearing on the perceived legitimacy of the sector, including executive pay, dividend policies and payments, leadership and culture and financial resilience.</p>
Changes to management of regulator	Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.

\* For full, legal definitions of these exclusion categories, please see <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2018-06-20/HCWS776/>

\*\* Complete the summary box as ‘Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion.’ where this is appropriate.