

Ofwat forward programme 2019-20: reducing regulatory burdens

We are committed to holding companies to account and will use our full regulatory toolkit to achieve the outcomes we expect to see. Within this context, we are mindful of the need to ensure that the burden our activities place on companies is appropriate and necessary, and the requirement at section 2(4) of the Water Industry Act 1991 that we have regard to the principles of best regulatory practice¹.

The UK Government introduced the Regulatory Enforcement and Sanctions Act 2008 to deliver better regulation. The Act placed a duty on us to:

- review the regulatory burdens we impose;
- reduce any that are unnecessary and unjustifiable; and
- report on progress each year.

We set out below what we intend to do over the coming 12 months. Our [annual report and accounts](#) sets out what we have done in the previous 12 months.

Programme	Review of exercise of regulatory functions and, if applicable, how we intend to reduce regulatory burdens
Business Improvement	<p>BIP is largely an internally focussed programme but is a key foundation for our success – designing an organisation that has the right people, skills, systems, processes, culture and governance to deliver our strategy. We can only achieve our regulatory objectives if as an organisation we are operating at the leading edge. The aim is to ensure that we deliver best value from licence fees and help reduce the financial burden on companies. The programme encourages full transparency and adopting governance approaches which are streamlined.</p> <p>This programme will also deliver Ofwat’s annual response to the Government’s Business Impact Target, which is about our contribution</p>

¹ Including the principles under which regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases where action is needed.

	as a regulator to the government's commitment to reducing the cost of complying with regulation.
Finance and Governance	The programme uses a risk-based approach to question and challenge companies on their corporate, financial and operational resilience. We will further develop an early warning system to gather and manage intelligence so that we target our interventions in a way that is proportionate to the risks that customers face. We have revised our regulatory approach to Board leadership, transparency and governance and are replacing a detailed set of rules with four overarching objectives that companies must meet (and be accountable for through a licence condition).
Market outcomes and enforcement	We regulate competitive and non-competitive elements of the water sector. We are targeted, risk-based and proportionate in our approach, taking action only where there is evidence of a problem or risk. We carefully assess the costs and benefits of different options before taking a decision, including the impact on water companies. We review the impact of our decisions and actions, once taken, as part of our ongoing monitoring of the markets and companies we regulate.
Price Review 2019	<p>Our PR19 final methodology includes measures to encourage markets, where appropriate, in water resources and bioresources. Over time, this could allow the reduction in prescriptive price and service regulation in these parts of water and wastewater service delivery. The PR19 methodology also places greater emphasis on risk based assurance-focused regulation rather than prescriptive regulatory interventions.</p> <p>The three companies awarded fast-track status in the initial assessment of business plans (IAP) will benefit from a reduced regulatory burden. As these companies submitted plans that set a new standard for the sector, we have given these companies the green light, so they can get started on delivering their plans for customers - they will benefit from early draft determinations, with a relatively minimal level of interventions from Ofwat.</p>
Thames Tideway	We have adapted our regulatory approach to suit the Thames Tideway Tunnel. We will ensure that in those limited cases where we need to be prescriptive, requirements are proportionate. For example, the Infrastructure Provider – Bazalgette Tunnel Limited (also known as 'Tideway') – submitting its Annual Revenue Statement is proportionate in that the expectations are tailored to the fact that it is recently appointed and its reporting requirements must reflect this without compromising the quality and transparency of the data provided.
Strategy Hub	The hub will continue to review our strategy, and support our portfolio of programmes to maximise the benefits they deliver. This will help improve our value for money and reduce the financial burden on companies.
Communications Hub	The hub will use communications and engagement as a regulatory tool in order to achieve better outcomes for customers. This can provide an alternative to imposing direct regulatory requirements and so has the potential to reduce the regulatory burden.

In the table above we list, by programme, the activities we will be doing in 2019-20 which are relevant to the review and reduction of regulatory burdens. All our programme activities, including the impact on regulatory burdens, are managed at a

strategic level to ensure a consistent approach to policy decision-making that affects companies.