



Department for
Business, Energy
& Industrial Strategy

BUSINESS IMPACT TARGET: SUMMARY TEMPLATE

Non-qualifying Regulatory Provisions
(NQRPs) summary reporting template

Regulator: Ofwat

Business Impact Target Reporting Period Covered: 21st June 2018 – 20th June 2019

| Excluded Category* | Summary of measure(s), including any impact data where available** |
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| Measures certified as being below <i>de minimis</i> (measures with an EANDCB below +/- £5 million) | Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion |
| 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 | <p>Ofwat is required to set price controls periodically (typically every 5 years) which will ultimately determine the bills that are paid by customers for receiving water and wastewater services in England and Wales. These customers are served by (17) regional monopolies and therefore cannot choose their supplier¹. The PR19 price controls will determine the revenue allowances, service quality and incentives that will apply to water and waste water companies from 1 April 2020 to 31 March 2025.</p> <p>During the period June 2018-June 2019, the following activities have been carried out in preparation of publishing final determinations in December 2019:</p> <ul style="list-style-type: none">• Ofwat published its decision on “putting the sector back in balance” (Jul 2018);• Companies submitted their business plans to Ofwat (Sept 2018);• Ofwat conducted an initial assessment of company business plans to determine which plans could be fast tracked (i.e. subjected to less regulatory challenge and intervention) (Sept 2018 – Jan 2019);• Ofwat published early draft determinations for 3 fast tracked companies (Apr 2019);• Companies whose plans fell short of the standard to be fast tracked submitted their revised business plans to Ofwat (Apr 2019). |

¹ Domestic customers in England and both domestic and business customers in Wales cannot choose their supplier. Business customers in England can choose their retailer (but not their wholesaler). The PR19 price control does not cover the provision of retail services to business customers in England.

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| | <p>During the period June 2018-June 2019, Ofwat has also worked with the sector to pilot the use of two new customer experience measures that will apply to domestic customers (C-MeX) and developers (D-MeX), which will be run by Ofwat. This will replace the existing measure of customer satisfaction – the service incentive mechanism (SIM).</p> <p>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 (NAVs), 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. During this period Ofwat published a consultation on revised NAV policy guidelines and Ofwat also modified undertakers' licences to simplify various conditions, and to impose a new condition in relation to undue discrimination/preference and use of information in relation to certain services.</p> <p>Ofwat's regulatory accounting guidelines (RAGs) 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 March 2019 following a consultation in January 2019.</p> <p>Ofwat published a consultation on strengthening the regulatory ring fence in November 2018; the consultation closed on 8 January 2019. The objective of the consultation was to bring the ring fence licence provisions up to the same common standard and to secure a consistent level of protection for customers.</p> <p>Ofwat published a consultation on board leadership, transparency and governance in July 2018. It set out proposals for updating the existing principles in light of the need to address legitimacy concerns in the sector and developments in corporate governance. Ofwat consulted on licence modifications to impose these principles in May 2019.</p> <p>All companies published responses to Ofwat's report 'Out in the Cold' at the end of September 2018. Four companies (Thames Water, Southern Water, Severn Trent Water and South East Water), were required to submit externally assured detailed action plans. Water</p> |

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| | <p>UK, the industry body for water companies, has agreed to co-ordinate work across the industry to tackle issues raised. In addition, Ofwat published a recommendation to Defra and Welsh Government on improvements that should be made to the GSS (Guaranteed Standards Scheme). Some companies have proactively adopted Ofwat's GSS recommendations.</p> <p>Ofwat has been engaging with the sector on a refreshed vision for the sector and strategy for Ofwat. In May 2019 Ofwat published a discussion document which invites the sector to engage on the proposed vision and strategy.</p> <p>In April 2017 the business retail market for water opened. During the reporting period in question, Ofwat has made minor changes to the business retail market's non-statutory codes to support the effectiveness of the market.</p> <p>In November 2018 Ofwat consulted on new charging rules for connections charges and published revised versions of charging rules in January 2019. Ofwat consulted on new charging rules for connections charges for companies wholly or mainly in Wales in December 2018.</p> <p>In June 2019, Ofwat issued a call for information on proposals relating to the development of Bilateral markets which would allow water resource providers, other than the incumbent water company, to contract directly for the supply of water resources with retailers operating in the business market.</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 | Following consideration of the exclusion category there are no measures for the reporting period that qualify for the exclusion |

| Excluded Category* | Summary of measure(s), including any impact data where available** |
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| response to the Grenfell tragedy | |
| Casework | <p>The following data relates to the period June 2018 to June 2019. Ofwat has opened seven cases since 21 June 2018. Of those seven, five have been closed (two of which resulted in the issuing of determinations/decisions). Two remain open.</p> <p>There was one enforcement case in the reporting period in which a £1 penalty was imposed upon Thames Water alongside a package of financial and non-financial commitments worth £120m to customers, following Ofwat's finding that the company's actions in relation to leakage reduction performance and management had resulted in infringement of a statutory obligation and a licence condition.</p> <p>Water supply and/or sewerage licences granted: six water, seven sewerage (total seven applicants) Water supply and/or sewerage licences currently processing: four water, four sewerage (total four applicants) New appointment and variation licences granted: 25. New appointment and variation licences currently processing: 42. We have also dealt with a number of enquiries, complaints and other items.</p> |
| 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 | In June 2019, Ofwat published a consultation in relation to modifying Bazalgette Tunnel Limited's Infrastructure Provider licence (as part of the Thames Tideway Tunnel initiative), primarily for the purposes of simplifying the licence. |
| 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 detailed guidance on the exclusion categories, please see <https://www.gov.uk/government/publications/better-regulation-framework>

** 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.