

OFWAT Future Ideas Lab Submission
Andrew Beardon, December 2020

Having worked in the water sector and in a commercial sector (aerospace and defence) I found the key hindrance to progress in the water sector was the **guaranteed income**, which is an incentive towards unduly safe options, and investment in ideas which have limited demonstrable benefit.

The presence of **market forces re-positions incentive**. While the water industry is inevitably constrained by assets and geography, market forces could be used more effectively.

An example is below, which reflects the world in which fully commercial enterprises work. It isn't always fair, because customers' opinions are not always informed, but that's part of the market forces that focus minds. The point is to introduce a consequence for failure to please the source of revenue.

- 1) Introduce **key performance indicators (KPIs)** to measure the companies by. These will cover all areas of interest from environment to shareholders.
- 2) **Survey customers quarterly on each KPI**. All customers are asked every quarter, and score their service provider on a scale of 1-4 on each KPI.
- 3) **Adjust prices every year** according to key performance indicators (KPIs): based on both absolute score and relative to other companies' performances.
- 4) Make the results of all surveys (and their consequences) **visible to all customers** of all companies.
- 5) Maintain the focus on **enforceable outcomes** required for every AMP cycle.

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