

March 2024

# Ofwat's forward programme 2024-25

**Ofwat**

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## We are Ofwat

### Everyone depends on water every day.

Water is essential for life. At Ofwat, we are working to protect customers' interests by keeping water flowing, bills affordable and helping to ensure the health of our rivers and waterways in England and Wales. We are here to hold large monopoly companies to account, protect customers' interests and to ensure water companies provide the best service to customers and communities. We are also here to protect and improve the environment, and make sure our water supplies and assets are secure for future generations.

### Significant challenges threaten the water we rely on.

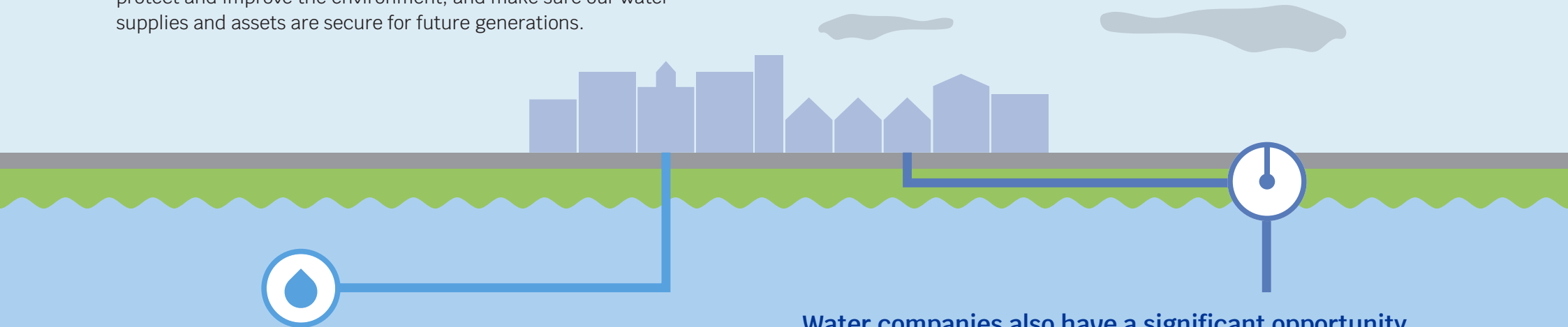
Global warming, extreme weather and flooding are putting at risk our water supplies and the health of our natural environment. At the same time, population growth, lifestyle changes and growing demand for housing increase demand for water resources and lead to more runoff and additional pressure on wastewater systems.

### Water companies have a critical role to play, and we are driving them to do more.

We are working to ensure the water sector meets these challenges and addresses the urgent concerns in relation to their environmental performance. Companies must also be resilient to longer term threats, providing sustainable, reliable and affordable water and wastewater services for everyone, both now and in the future. We hold companies to account where they fail to meet expectations.

### Water companies also have a significant opportunity to improve lives and the natural world.

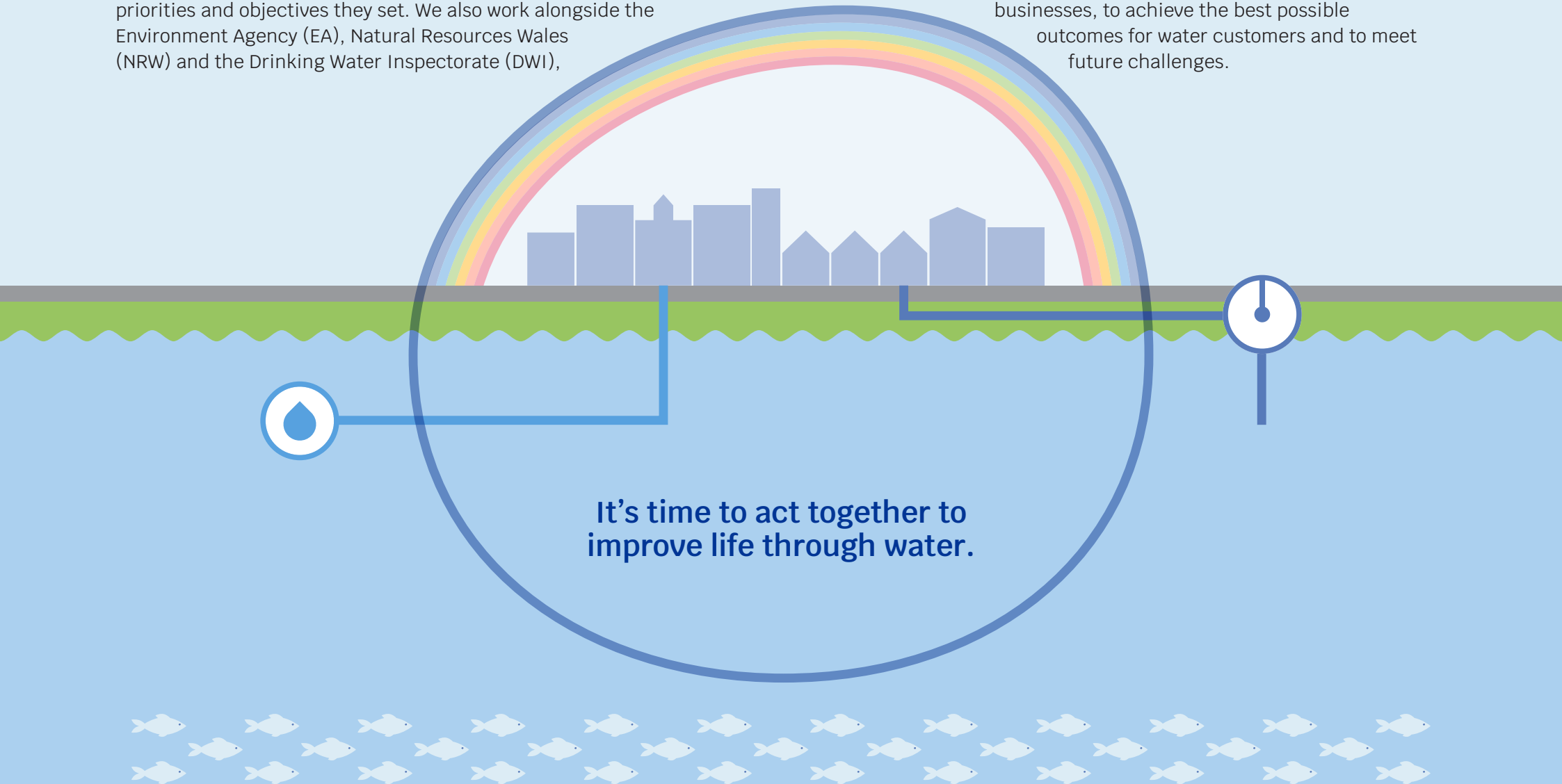
With these challenges also come opportunities for water companies to provide best value for customers, communities and the environment, both now and in the longer term. We are driving companies to do more through our price review process and other regulatory tools, including through our competition and markets work. We are encouraging ambitious approaches to new water resources and wastewater services through RAPID (Regulators' Alliance for Progressing Infrastructure Development) alongside our partner regulators, and through our major projects work, notably in relation to the Thames Tideway Tunnel. We also expect companies to be proactive in their provision of support to customers, particularly those who are vulnerable.



## We can't and don't do this alone.

We are a non-ministerial government department, accountable directly to Parliament for the outcomes we are expected to achieve. We work within the overarching policy context set by the UK and Welsh Governments and we must act in accordance with the strategic priorities and objectives they set. We also work alongside the Environment Agency (EA), Natural Resources Wales (NRW) and the Drinking Water Inspectorate (DWI),

with their own responsibilities for stewardship of the environment and drinking water quality respectively, and with the voice for water consumers, CCW. Both we and water companies need to work with others, including local authorities, communities and businesses, to achieve the best possible outcomes for water customers and to meet future challenges.



**It's time to act together to  
improve life through water.**

## Chief Executive's foreword



The water sector is essential for all of us, but faces profound challenges associated with climate change, population growth and increasingly, public distrust. This distrust results from operational and corporate governance shortcomings, and high-profile concerns about the sector's environmental impact.

Companies need to show their customers and the communities they serve that they are listening and taking effective action. Companies need to modernise, to open up, and be focused on delivery of what they have promised to do. They must embrace the possibilities from AI, big data and digital, and make greater use of nature-based and catchment-based approaches.

And we recognise that our regulation will also need to modernise if we are to hold companies to account effectively. We will also have to continue to be transparent, open and accessible and strive to improve our own efficacy and efficiency.

This forward plan is a further step towards that. We will set ambitious expectations for companies around delivery and performance. We will back significant investment, and be quicker and more forceful in our interventions where we see shortcomings. And we will encourage where we see positive developments too.

We will promote new models of delivery for significant programmes, with a focus on the long term, as well as addressing current issues.

We know we cannot drive the change we want alone and our role in regulating the sector continues to evolve. We will continue to work closely in partnership with the UK and Welsh Governments, other regulators, and stakeholders who can help us secure better outcomes for customers and the environment.

The positive change we want for water customers, the environment, and the future of water will be achieved by the great work of our people and those working hard within water companies for their customers. For our part, we aim to continue to be forward-thinking, creative, innovative and ambitious. We will continue to push the boundaries and embrace new ways of working and we encourage water companies and their people to do likewise for the benefit of the environment and our communities.

We all want a water sector that delivers, that is trusted, that looks ahead and is well-prepared for a future that we cannot yet know, and a sector that is a source of pride. It is only through this collective effort, with each of us responsible for both delivery and oversight adapting rapidly to meet a changing and challenging world, that we will start to see the change we need. To get there will not be easy and it will take focus, resilience and determination. But it can – and it must – be done.

**David Black**  
Chief Executive

## Our priorities for 2024-25

We published our strategy '[Time to act, together](#)' in October 2019 and refreshed this in January 2024. We set out our commitment to regulate the water industry to provide more resilient, affordable, high-quality services now and into the future.

### Specifically we established three core objectives:



**To transform water companies' performance**



**To drive water companies to meet long-term challenges through increased collaboration and partnerships**



**For water companies to provide best value and outcomes for customers, communities and the environment, now and in the future**

As the sector faced increasingly acute challenges, we recognised that we needed to take steps to ensure we had the resources and capabilities to meet them. We have secured additional budget allowance to expand our activities in a number of critical areas. We have made significant progress in mobilising these resources in 2023-24 and this ramp-up is anticipated to conclude in the first half of this new financial year.

Our work last year and into 2024-25 reflects our renewed commitment to deliver the outcomes government and wider society expects as soon as practicable. We want to play a key part in shaping the strategic direction of the sector in the areas we can contribute to most effectively.

## Our priorities are centred on the following:

### Improving and protecting the environment

Through this price review period and the next, meeting stakeholders' expectations that water companies deliver tangible improvements to biodiversity and the health of our rivers, and address unacceptable levels of sewage discharges

### Sector performance

Increasing our oversight of wider sector performance and holding companies to account for compliance

### Climate change

The sector's ability to adapt to and mitigate the impact of climate change on water supplies and wastewater discharges and transitioning to net zero

### Infrastructure

Addressing population growth and improving drought resilience will require significant improvement in water efficiency and major new infrastructure such as reservoirs and interconnectors. We will be increasing our capacity to support a significant increase in the programme of major infrastructure projects

### Affordability

We recognise that addressing climate change, environmental and resilience issues will require sustained investment at a time when customers are facing significant pressures on the cost of living and the sector needs to do more to tackle these twin issues.

We set out the areas of focus for the coming year under each of the key goals in our strategy, with principal milestones in Appendix 1, but leading with an overarching programme of work, the 2024 price review (PR24), which will shape the delivery of critical infrastructure and investment for 2025-30 and beyond.

## Price review

The public want and expect better service and more done for the environment. Water companies must also adapt to the impact of climate change and reduce carbon emissions. At the same time, we will need to ensure that everything possible has been done to keep bills affordable.

Companies submitted their business plans in October 2023, setting out the investment plans and the service improvements that they intend to deliver over the next five years. We challenged companies to set out how they had reflected their customers' and stakeholders' views and importantly, how their plans would deliver long-term improvements for customers and the environment.

During the summer of 2024, we expect the assessment by Defra, the EA and NRW of companies' final plans for managing the balance between water supply and demand to be concluded. We expect a ministerial decision on these plans to follow. These long-term water resource plans will sit alongside companies' plans to manage drainage and wastewater. Together, these two groups of plans set the direction for companies' delivery up to and beyond 2030.

Our ambition through PR24 is also to see companies' five-year business plans in the context of the 25-year long-term delivery strategies which they have submitted alongside their business plans. This will ensure that companies are in a better position to deliver in future, for example, by using

adaptive planning to improve resilience to the impacts of climate change.

We will also set our determinations to drive companies to deliver better environmental outcomes and to enable greater use of innovative, nature-based and catchment-based solutions.

We will set our determinations to ensure that current and future customers do not pay more than they need to for the services they receive. Our PR24 methodology sets clear expectations for water company business plans in this respect. Given the challenges facing the sector, companies will need to transform their performance. We will reward companies that produce high-quality ambitious plans with the greatest rewards for companies that reveal where and how our final determinations should push the frontier.

Through the first half of 2024 we will continue with our assessment of companies' five-year plans. We will publish our draft determinations based on that assessment for consultation in June. Following this we will hold two 'Your water, your say' events – one for England and one for Wales – to publicly discuss the key elements of our provisional views. Following receipt of representations by the end of August, we will publish our final determinations during December. There have been, and will continue to be, opportunities for all stakeholders to contribute to these final determinations.



## To transform water companies' performance

The need to transform company performance has never been greater, reflecting the significant challenges facing the sector: stepping up environmental performance and improving resilience and asset health, all at a time when customers are facing significant cost of living pressures.

We set companies stretching performance commitments at the 2019 price review. Now we are into the final year of this period, we see some areas where companies are responding to the challenge, but in many areas progress is not being made at the pace required. For example, while encouragingly the number of internal sewer flooding incidents in customers' homes has reduced by 27% since 2019-20, only four companies met their performance commitment levels for water supply interruptions in 2022-23.

In our 2022-23 water company performance report we highlighted that there were no companies in our 'leading' category and that some companies remained in the 'lagging behind' category for the third consecutive year. As a result of this poor performance, over £110 million is to be returned to customers via a reduction in future allowed revenue which will result in lower charges. We have set out a clear plan in our latest report focusing on the actions we and companies are taking to drive performance improvement.



## Performance monitoring

We intend to further develop our approach to monitoring company performance in 2024-25, to generate deeper insight into where there are performance issues for specific companies or at a sector level. We intend to target our regulatory action to address these issues, including through enforcement action where there is a breach of legal obligations, and we have the power to enforce.

Effective collaboration with our partner regulators is vital and we will continue our work with the EA, NRW and DWI to ensure we work together effectively, sharing insight on environmental and drinking water quality trends and concerns. Through funding from BEIS' Regulators' Pioneer Fund we will be working closely with the EA and DWI to improve data sharing and explore more opportunities for open data to increase transparency and accountability.

We undertook a targeted review of the freeze-thaw event in December 2022. This review identified improvements that some companies needed to make, including South East Water and Southern Water, to improve their response to such events. We have since opened an enforcement case into South East Water to investigate whether it has failed to develop and maintain an efficient water supply system, which we aim to conclude this year.

We will carry out further targeted reviews across the sector where we identify a particular need to do so, to drive company performance to deliver for customers. We will also highlight good practice and encourage companies to share innovative approaches to drive improvements.

We required all companies categorised as 'lagging behind' in the 2022-23 water company performance report to prepare service commitment plans and to report to us regularly on their delivery progress. The plans should outline when and how customers will receive the service they expect. We required companies to make sure these plans were accessible, realistic, targeted and would deliver meaningful impact. We also required companies to update these plans on a quarterly basis ensuring all stakeholders can monitor the progress companies are making in delivering performance improvements. We will continue to engage with each company to challenge them to deliver progress against these plans next year.

We intend to continue developing our monitoring activities to complement the outcomes regime under our price review determinations and provide a richer picture of asset health and operational resilience. We will work with the sector to develop measures that can help us to gain further insights into the operational resilience of the sector and expand our understanding and monitoring of environmental performance.

The water sector's first open data roadmap was published in December 2023. The roadmap outlines the activities needed to ensure greater open data maturity across the sector and to develop an open data ecosystem. We will continue to work alongside companies to realise the aims and objectives within the roadmap. We will also be developing and consulting on a licence condition to reinforce our expectations in this area.



## Customer protection

We will ask English and Welsh companies to explain how they are complying with the new customer-focused licence condition, aimed at establishing high standards of customer service and support for the full diversity of customer needs. This condition, which we put in place in 2023-24, sets out the principles that companies are required to meet and gives us the power to take action against companies where they fall short. We will set out our approach to monitoring compliance with the licence condition, how we will work with CCW in doing so, and annual reporting requirements.

## Enforcement

We aim to conclude our current enforcement cases into companies' operation of their wastewater treatment works and networks; and continue to assess whether further enforcement action is required against the other companies in our overarching investigation of all wastewater companies. This will hold companies to account for their performance and ensure that any non-compliance we identify is addressed by companies promptly. We will continue to grow our enforcement capacity, to identify and deliver more enforcement cases more quickly, helping to drive companies' performance and focus on compliance across the range of their obligations. Over time we have set ourselves a target to conclude cases within two years where possible, although more complex cases may take longer.

## Markets

In collaboration with the Market Operator, MOSL, and market participants, we will continue the drive to resolve market frictions in the business retail market, and so improve company performance. A key initiative for the non-household sector in 2024-25 will be concluding and implementing the reform of the Market Performance Framework, and the testing and refinement of incentives on wholesalers to deliver better outcomes for non-household customers and retailers. During the year, we will also reach decisions on, and implement, enhanced customer protections for non-household customers. This will include consulting on changes to the business Customer Protection Code of Practice during Quarter 1, with a final decision expected in Quarter 3. In parallel, we will be exploring whether and how obligations on retailers concerning customers' retained credit balances should be strengthened. We will also reach decisions on, and implement, measures to strengthen the business retail market's interim supply arrangements in Quarter 1. We will continue to work with the industry to help address the wider challenges of water scarcity, including maximising opportunities for water companies to collaborate with retailers in ways that help address these challenges.

We will consult on changes to how we regulate new appointees to further shift the focus of our regulation from licensing of new sites to greater ongoing monitoring and annual reporting. We will introduce changes to our new connection charging rules to complement the deregulation of developer services under PR24 and to establish a common framework to incentivise greater water efficiency in new homes.



## To drive water companies to meet long-term challenges through increased collaboration and partnerships

Through RAPID (the Regulators' Alliance for Progressing Infrastructure Development), we will sustain momentum on the development and delivery of strategic water resource solutions to enhance the underlying resilience of water supplies to protect customers and the environment. We will continue to work through a 'gated' process, with gate three assessments for several solutions taking place in 2024-25, and continue to work with the Planning Inspectorate to align gate requirements with the Development Consent Order process. We will also develop the process for potential new solutions that may join a future RAPID programme. There will be considerable focus on commercial frameworks and procurement with publication in 2024-25 of our consultation on commercial structures and our guidance on bulk supply agreements and the special infrastructure projects regime. We will develop our approach to planning in the water sector for future cycles.

We will also set out our ambitions to encourage the competitive delivery of major infrastructure projects in the future, including how we can most effectively oversee the development and delivery of major projects funded through our price review. Also, we will continue to support the delivery of the Thames Tideway Tunnel and the ongoing development, procurement and delivery of major infrastructure through our competitive Direct Procurement for Customers framework, including the procurement of United Utilities' Haweswater Aqueduct Resilience Programme.

We currently have a project underway to examine smart metering in the energy sector, and what lessons the water sector can draw from their experiences, including areas where Ofwat can assist or improve the smart meter roll-out. We will seek to understand current expected benefits of smart metering on consumption and leakage, and the scope to increase the value provided from the shift to smart metering in the water sector. We will also finalise our approach to the water efficiency fund.

We continue to see innovation as crucial to the sector's ability to meet future challenges. We will continue to build on the success of our Innovation Fund to date and continue to drive the sector's innovation capacity, and sharing of the insights gained. In 2024-25 we will consult on the design and delivery of the Innovation Fund in the next price review period (2025-30), setting out our plans to build on the success seen so far. We will also deliver the Water Breakthrough Challenge 5, the final round of innovation competitions through to 2025.



## For water companies to provide best value and outcomes for customers, communities and the environment, now and in the future

The third goal of our strategy is embedded across all of our work, including PR24 and our policy work on customer support and the environment, and it is central to our ability to deliver both the UK and Welsh governments' strategic policy objectives.

Customers are facing numerous pressures with concerns over the rising cost of living. We have introduced new obligations for water companies to provide high standards of customer care, including for customers struggling to pay, those in debt and during incidents, and will monitor companies' delivery against these expectations.

Our commitment to best value for customers, communities and the environment means that we need to consider how we can obtain greater value through innovation and nature-based and catchment-based approaches. These can enable a range of benefits such as improved water quality, biodiversity and carbon reduction and amenity benefits to communities.

We will also continue to ensure an appropriate link between performance for customers and

the environment and what investors can earn by way of dividends and company executive directors can expect to earn in terms of bonuses. This is particularly in circumstances where there have been serious breaches of companies' regulatory obligations.

The key themes across affordability, customer care, and the environment remain areas of focus for the coming year.



## Affordability

In addition to our price review work, we are using other tools to ensure companies deliver affordability and value for money for current and future customers.

Working with CCW, we will continue to scrutinise how companies are supporting customers to pay bills, get help and repay debts. We will undertake research into customers' experience of billing, and follow up with companies on their commitments to meet and exceed the standards set out in our Paying Fair guidelines. We will publish an analysis of companies' support for customers struggling to pay and customers in debt.

We expect more companies to trial innovative charging arrangements to help with the cost of living and using water

wisely. We will support charging trials that are consistent with our good practice principles, focused on careful planning and design, supporting customers and maximising learning.

Both in the context of our price review at PR24 and in our wider policy work, we will continue to drive companies to engage more with their customers on the behaviour change needed to improve demand efficiency and reduce per capita consumption throughout the sector. This is a vital element of the measures that need to be taken to ensure resilient water supplies into the future as we face the challenges of climate change and population growth. The new £100 million water efficiency fund, which we will establish through PR24, will support that, but companies need to act now.



## Customer service and support

We will consult to update standards and reporting for companies' priority services registers (PSR), and work with the water and energy sectors to enhance PSR data sharing. We will monitor company support for customers who need extra help by reference to our new 'Service for All' guidelines, and through companies' updated vulnerability strategies.

We will work collaboratively with CCW, Defra and the Welsh Government on policies to support customers, including through contributing to CCW's review of the guaranteed standards scheme (GSS).

Our customer insights research programme is a mix of periodic and new research, including in collaboration with CCW. We will build on our research of customer experience when an incident takes place through further case studies and seek to maximise company learning from these insights. We will conduct further research to monitor company compliance with the new customer-focused licence condition and will report on our biannual research into water customers' experience of the cost of living.

## Environment

The themes of environmental protection and achieving better environmental value and outcomes in the face of risks from climate change is a core part of a significant amount of our work, as reflected throughout this forward programme.

As well as our price review work, we will continue to collaborate with the EA and NRW on a joined-up approach to monitoring and managing WINEP (Water Industry National Environment Programme) and NEP (National Environment Programme in Wales) delivery in 2025-30. We will also take forward actions linked to the previously published WINEP roadmap (developed with EA and Defra), including to make the WINEP process more transparent, open and outcomes based. This is part of a wider approach we will be taking to strengthen our relationship with key partners, such as our fellow regulators and eNGOs in England and Wales. We will maintain and enhance our engagement with eNGOs through roundtables and building a more formal advisory panel, the purpose of which will be to challenge and support future policy development.

We are also exploring how we can overcome existing barriers to increase the use of nature-based and catchment-based solutions in the next asset management period (AMP8). We will continue to assess and refine our approach to environmental issues, strengthening our policies on climate change and biodiversity, as well as building our insights and data analysis capacity on environmental performance. In particular, we plan to do more work on climate change adaptation with the sector as temperatures continue to rise at a worrying rate and weather patterns are changing.

## How our work aligns with UK and Welsh Government strategic priorities

Under the Water Industry Act 1991, the UK and Welsh Governments may issue statements setting out strategic priorities and objectives for Ofwat. We are required to act in accordance with these statements when discharging relevant functions relating to companies wholly or mainly in England and Wales respectively.

We are required in the forward programme to signal how our activity for the forthcoming year aligns with the objectives and priorities in the Strategic Policy Statements. By reference to the statements, and the detail set out elsewhere in this forward programme, the diagram cross references how these are aligned to the work we plan to undertake under each of our strategic goals.

Welsh SPS priorities	Our priorities for 2024-25	UK SPS priorities
Resilience Climate and nature emergencies	<b>To drive water companies to meet long-term challenges through increased collaboration and partnerships</b>	Securing long-term resilience
Asset health	<b>To transform water companies' performance</b>	Making markets work
Customers and communities Environment	<b>For water companies to provide best value and outcomes for customers, communities and the environment, now and in the future</b>	Protecting customers Protecting and enhancing the environment





## Our finances

Our expenditure requirements are met by licence fees, which customers ultimately pay for in their water and wastewater bills. We recover these licence fees from the water companies we regulate, and any unspent budget is generally returned to companies. The cost of Ofwat in 2024-25 is estimated to be £1.84 (£1.45 in 2023-24) per household and will support the delivery of the Price Review and strategic aims and milestones set out in this document. The total estimated licence fee of £56.1 million comprises £0.5 million from Thames Tideway, £1.1 million from Water Supply and Sewerage Licensees (WSSL) and the remainder representing the core Ofwat budget.

Our Core Ofwat budget agreed as part of the Comprehensive Spending Review is subject to any increases agreed with

HM Treasury. The increase in our budget from last year reflects the additional budget allowance approved by HM Treasury last year to be funded through licence fees. This will be focused on building resources to help drive transformation in company performance, addressing long term infrastructure delivery, the significant step up in investment and major projects in PR24, as well as delivering a significant boost to Ofwat's enforcement capacity.

Ofwat may also incur additional expenditure in the course of the next financial year in undertaking additional oversight and engagement on company financial and operational resilience. We have included a broad estimate of potential expenditure in our budget of approximately £6 million. We would expect additional Ofwat costs to be offset by income and in any event that this will not ultimately be borne by customers<sup>1</sup>.

Our budget is also subject to increase in line with Civil Service pay award announcements.

We aim to fulfil our responsibilities effectively and efficiently and as part of our business improvements, we have started implementation of new systems which will continue to realise efficiency benefits and improve effectiveness.

1. [IN 19/08](#) Licence fees for water companies and WSSL licensees



## Our culture, values and ways of working

We continue to have high expectations that water companies' purpose, strategy, values and culture reflect the needs of all those they serve. For our own part, we also need to continue to innovate and be transformative in our approach if we are to deliver a regulatory framework that will drive long-term change.

### Culture

Ofwat is an organisation with a well-developed purpose, which we are sharing internally and externally through our newly developed Employer Value Proposition (EVP). We work towards achieving our aspiration of being high performing and a great place to be. We will continue to actively encourage autonomy, collaboration and innovation, and strengthen a culture of trust, flexibility and respect for our people where everyone can be themselves. We want everyone to take responsibility for their actions and work whilst considering the impact on others. As a learning organisation, we will continue to actively embrace new ways of working.

We also aim to ensure we can achieve delivery while sustaining and supporting our people's health and wellbeing, staying connected by coming together and spending regular time in person, so we can adapt to the current environment and the challenges the sector faces.

### People

Our people are the heart and soul of Ofwat. We strive to ensure they feel connected and valued, and for everyone's voice to matter. We will ensure we have the right skills, capabilities, leadership and tools to deliver our strategy, and that our people are provided with the space and support to shape their future while taking greater control of their own growth and development. All our work is underpinned by our SAILOR values, which are well established and embedded into everything we do. They set out how we strive to behave and what we aspire to be as an organisation.

We continue to champion diversity and inclusion, working towards being more representative of the communities we work in. We have made good progress in delivering on the outcomes from our EDI strategy and action plan championed by our Board and Senior Leadership Team. We have plans in place to commence work on refreshing this strategy in 2024.

Our Framework for Success supplements our Values, setting out the attributes that lead to success at Ofwat. We use this framework in our interviews, and it is a tool to help our people to assess their strengths and areas for development to support their career development.

We have made good progress in delivering on the key outcomes from our people strategy, which we will be refreshing in 2024 to reflect the changing world and challenges facing Ofwat.

Finally, we need to continue to recruit highly skilled talent if we are to achieve our strategic goals. We operate in a highly competitive, experienced recruitment market, so we will continue to invest in early career talent through our successful graduate development programme, including degree apprenticeships and internships.

### Stakeholder engagement

Our stakeholder engagement strategy is vital to ensure that we communicate effectively with all our key stakeholders. Regular dialogue helps develop and maintain the robust and mature relationships that are required to deliver our strategy and meet the expectations placed on us. We are reviewing our stakeholder engagement strategy in 2024 to ensure it meets these objectives.

## Appendix 1: Summary key milestones for 2024-25

### Quarter 1

Publish and lay our annual accounts 2023-24 before the UK Parliament and the Senedd to account for our work and expenditure during the year. This will also explain how we have contributed to delivering the strategic priorities and objectives set for us by the UK and Welsh Governments

Consult on what the Innovation Fund will look like in 2025-30

Publish draft price review determinations for the period 2025-30

Implement measures to strengthen the business retail market's interim supply arrangements

Consult on changes to the business retail market Customer Protection Code of Practice

### Quarter 3

Publish our assessment of companies' vulnerability strategies, and consult on new priority services register standards

Publish annual league tables on companies' service to their customers – the customer service measure of experience (C-MeX) to their residential customers, and developer services measure of experience (D-MeX) to their developer customers

Publish our Monitoring financial resilience report

Publish final determinations for the period 2025-30

Publish our final decision on changes to the Customer Protection Code of Practice

### Quarter 2

Consult on changes to our licensing process for new appointees (NAVs)

Publish our water company performance report

Launch the Water Breakthrough Challenge 5

Publish our decision on what the Innovation Fund will look like in 2025-30

Publish our updated climate change principles

### Quarter 4

Publish Ofwat's final forward programme for 2025-26

Publish final Regulatory Accounting Guidelines 2024-25 to ensure that the annual performance report is prepared consistently and in line with our overall regulatory reporting framework

Complete our Regulator's Pioneer Fund project to better share data between Ofwat, the Environment Agency and the Drinking Water Inspectorate

Implementing the reform of the business retail Market Performance Framework

Consider the full business case for the Haweswater Aqueduct Resilience Programme and publish decision

## Appendix 2: Reducing regulatory burdens

For Ofwat to make the greatest contribution possible to improving life through water requires a balance in our approach to regulation: companies need to operate within the context of an appropriate regulatory framework, which includes intervention where necessary, and also with the ownership and accountability for operating their businesses and the maximum freedom possible within necessary constraints.

In carrying out our work we have regard to the principles of best regulatory practice, including that our activities should be transparent, accountable, proportionate, consistent and targeted only at cases in which action is needed, as required by section 2(4) of the Water Industry Act 1991. The duty introduced by the Regulatory Enforcement and Sanctions Act 2008 is another part of this framework of better regulation. It requires us to:

- review the regulatory burdens we impose or maintain;
- remove any that are unnecessary and unjustifiable; and
- report each year on how we intend to fulfil this duty as we carry out our regulatory work.

Every year, we seek to ensure that regulatory burdens are kept to a minimum while ensuring companies deliver the best outcomes for customers. We continually review our regulatory approach to ensure we use the most appropriate mechanism to realise best outcomes and meet our obligations under both Acts.

Our approach to fulfilling our functions and meeting our duties also continues to evolve to reflect changing circumstances, new information, in particular with regard to companies' compliance with their obligations, and the impact that has had on public trust and confidence, and our evolving strategy.

A key aspect is our ongoing work to bring about improvements to companies' performance and a recognised need for greater monitoring of performance in year. This should be supported by greater data transparency on the part of water companies which we will take further steps to drive forward next year. We remain convinced that better quality data, coupled with greater transparency, will support delivery of the right outcomes for customers and the environment and will help Ofwat ensure that intervention is correctly targeted and companies' accountability is clear.

Other ways we will address regulatory burdens is through our continued collaboration with regulatory partners, which among other positive outcomes, seeks to deliver regulation for companies that is more consistent and streamlined, and less burdensome. An example of this is [StreamLine](#), our regulatory advice service for innovators and businesses in England and Wales, which is run jointly by the Drinking Water Inspectorate, the Environment Agency and Ofwat to support innovation. It provides advice to help innovators and businesses understand and navigate through water sector regulations.

We also intend to further develop our approach to impact assessments and evaluation, ensuring that questions on the suitability and proportionality of any burdens is reflected at the right stage in our decision making.

We will continue to monitor any wider developments or changes to requirements placed on regulators. For example, the government has [set out its intention](#) to extend the Growth Duty under Section 108 of the Deregulation Act 2015 to Ofgem, Ofwat and Ofcom. We are carefully considering the implications of this new growth duty for our work.

**Ofwat (The Water Services Regulation Authority)  
is a non-ministerial government department.  
We regulate the water sector in England and Wales.**

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**OGL**