



The role of effective regulation in delivering good-value water services – a UK case study

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26 October 2011

# Overview

Introduction

Before and after – UK since privatisation

Effective independent regulation

Accountability

The future



Economic regulator of the water and sewerage sectors in England and Wales

Small non-ministerial government department set up when the companies were privatised in 1989

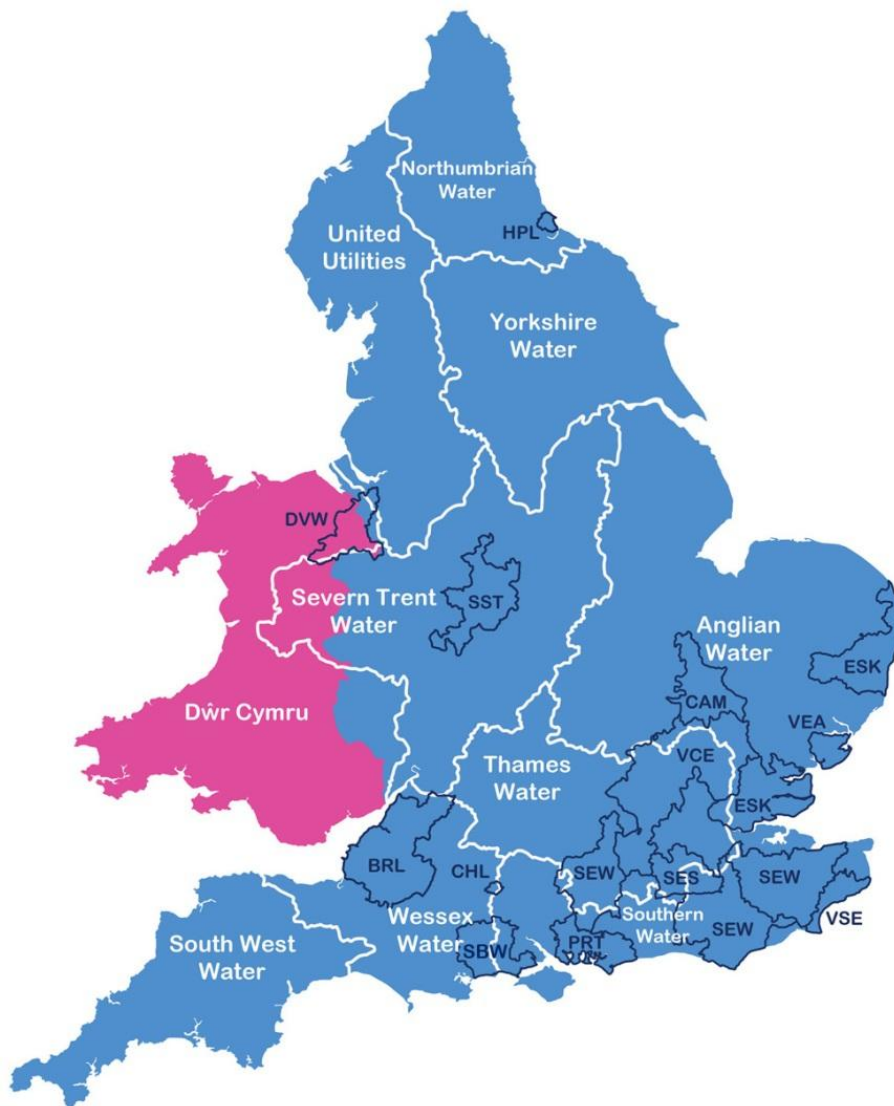
There are 21 regional monopoly companies

10 companies provide both water and sewerage services and 11 are water only companies

335,000 km network and 24 million+ connections

Annual turnover is £10 billion (1% of GDP) – £94.5 million is invested every week

# Water and sewerage companies in England and Wales



## Before privatisation

- Neglected infrastructure
- Increasing leakage
- Lack of investment
- High industry debt
- Less efficient companies
- Taxpayers unwilling to spend more
- Little incentive to improve service
- Drinking and river water failing quality tests
- Lower compliance with environmental standards
- Political interference



## 1989 – privatisation

- Water Industry Act 1991 defined roles and responsibilities of water companies
- Created regulators (Ofwat, DWI and EA)
- Introduced medium-term incentive-based price cap regulation

# What has been achieved so far



Leakage has fallen by 35% since peak in 1994-95



£98 billion has been invested. Companies are more efficient – bills are 30% lower than they would have been



Network is functioning better – more companies have stable serviceability than ever before



Water and environmental quality has improved – 119 Blue Flag beaches and fish in the Thames again



Customer service is significantly better than 21 years ago – only 4,825 properties (0.02%) are now at risk of low water pressure, compared with 344,259 (1.6%) properties in 1990-91



UK Parliament, Welsh Government and EU make decisions on legal standards

UK and Welsh Government set policy framework

Ofwat makes sure companies are able to finance their functions and deliver what is required within the price limits we set

The Drinking Water Inspectorate implements and enforces water quality regulations

The Environment Agency implements and enforces water abstraction and environmental quality

The Consumer Council for Water (CCWater) represents customers





We must comply with statutory duties as set out in the Water Industry Act 1991, as amended by the Water Act 2003

We regulate only appointed companies, not their holding companies

Core water and sewerage activities are ring fenced

We make sure the companies can finance their functions and we promote economy and efficiency

We are financed by licence fees recovered from the companies – budget £18 million

We are accountable to Parliament for the money we spend



# Future challenges

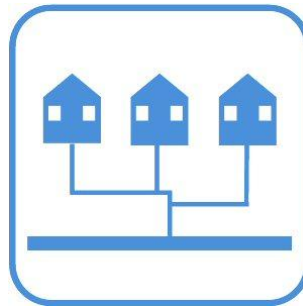


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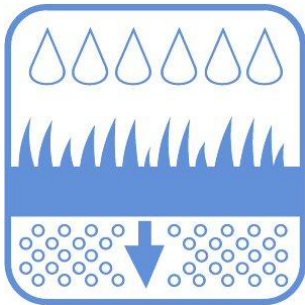
# Future challenges



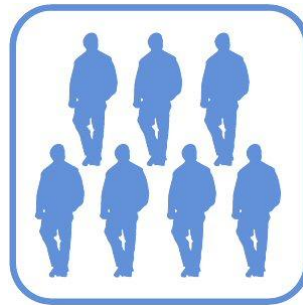
Changing climate could bring more droughts and floods



Need resilient infrastructure – network is 335,000 km long, much of which is ageing



Building on flood plains increases burden on drainage systems



Growing UK population – predicted to reach 71 million by 2031



Rise in single households, which use more water. Need to be more water efficient

Water is the new oil  
– Goldman Sachs



# Valuing our water – the River Kennet at Marlborough



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# Valuing our water – the River Itchen

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