

## 1. REGULATORY UPDATE

The purpose of this paper is to update the Water Forum on the latest regulatory developments in terms of messages from Ofwat and legislation relating to drinking water quality and environmental management and associated guidance. This summary highlights guidance from Ofwat and signposts the level of engagement that NWG achieves with the Drinking Water Inspectorate (DWI) and the Environment Agency (EA) as part of our regulatory approach. It provides insight into areas that need to be addressed within our business plan for PR19.

## 2. OFWAT

### 2.1 11 March 2018: Ofwat announced they will review the recent significant water supply issues customers experienced in England and Wales during the recent freeze and thaw.

<https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Terms-of-reference-of-review-of-freeze-thaw-incidents.pdf>

The aim of the review is to:

- Establish what happened and set out clear lessons learned for improvement. The review will draw out good and bad performance so good practice can be shared and built on and customers get a better service and less disruption in the future.
- Consider whether customers affected have received appropriate compensation from water companies.

They will publish their conclusions by 15 June 2018.

### 2.2 9 April 2018: Letter from Jonson Cox to Secretary of State, relating to the behaviour of water companies

<https://www.ofwat.gov.uk/wp-content/uploads/2018/04/Letter-from-Jonson-Cox-to-Secretary-of-State.pdf>

The letter sets out a response to Michael Gove's letter to Jonson Cox on 31 January and to the speech at the Water UK City Conference. The letter sets out the key steps Ofwat intends to take in this regard.

### 2.3 13 April 2018: Implementation letter sent to water company CEOs from Rachel Fletcher

<https://www.ofwat.gov.uk/wp-content/uploads/2018/04/Implementation-letter-sent-to-water-company-CEOs-from-Rachel-Fletcher-13-April-2018.pdf>

The letter to water companies sets out the steps that Ofwat intends to take to improve the regulatory regime and the timetable to do so.

### 2.4 26 April 2018: Consultation on 'Putting the sector back in balance: Proposals for PR19 business plans'

<https://www.ofwat.gov.uk/wp-content/uploads/2018/04/Putting-the-sector-back-in-balance-consultation-on-proposals-for-PR19-business-plans.pdf>

Ofwat have issued a consultation on proposals to make targeted amendments to, and clarifications of, the methodology for the PR19 price setting process, which companies will need to take into account in preparing their business plans.

The consultation covers:

- Sharing financial outperformance.
- Company performance, dividends and the performance related elements of executive pay.

- Assessing benefit sharing, dividend policies and performance related executive pay in the Initial Assessment of Business Plans.
- Financial resilience.

There are seven consultation questions.

Responses are due by 17 May 2018.

### **3. DRINKING WATER INSPECTORATE**

The proposed EU Drinking Water Directive, which is due for implementation in 2020/21, has been disseminated to understand the impact on water quality monitoring. For NW, the number of samples taken per year would increase by around 48% to meet the new Directive and in ESW, an uplift of 74% will likely be seen. If the revisions to the Directive go through, there will be no transitional period for implementation and hence changes will occur outside of the periodic review process. As such, the increased sampling and analytical capability required to meet this legislation will not be reflected in the business plan.

### **4. ENVIRONMENT AGENCY**

There have been no updates to regulation or guidance since the last Water Forum update. However, the EA has confirmed the impact to NW as a result of the Strategic Review of Charges consultation which took place in late 2017. Implementation of the revised charging strategy will see NW see permit and subsistence costs increase by 35% per annum, which equates to approximately £1m operational expenditure.

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