



Terms of reference Charging working group

Purpose

The purpose of the group is to provide members with an opportunity to inform Ofwat's policy development on charging reforms – with regard to charging rules as defined by the Water Bill (sections 66, 117, and 143). That is in relation to access pricing and companies' charges schemes.

The initial focus of the working group will be on charges schemes. A different working group will be formed to focus on charging for new connections.

The group will

Inform Ofwat's policy development on future charging reforms by:

- discussing the issues associated with making the transition from a vertically integrated tariff structure, to a separate wholesale charge for water and sewerage;
- reviewing the range of possible objectives that could be used to guide the development of new charging rules;
- examining the merits of various approaches to setting the initial wholesale charges;
- examining the merits of various approaches to setting future access prices;
- providing advice, challenge, and supporting analysis; and
- advising on practical implementation issues.

The group will not

Take final decisions on any of the issues discussed; the objective will be to allow Ofwat to appraise the relative merits of different options.

Specifically the group will not:

- seek to define the gross retail margin or margins for different services;
- seek to define the default levels of service;

- seek to define the scope of the retail business;
- seek to address issues associated with cost recovery in relation to resource entry; or
- discuss any issues specific to the price review, beyond making reference to documentation that is already in the public domain.

Group membership and arrangements

This will be a working level group chaired by Ofwat.

Membership will be by invitation only. Ofwat will invite those we expect will contribute effectively to achieving the aims of the group through positive participation and constructive input eg preparing papers, conducting analysis, gathering evidence

All papers are to be sent to Ofwat at least a week prior to the next meeting to allow us to make any changes to maintain anonymity. Ofwat will then collate the notes and circulate to attendees one week before the next meeting.

If for any reason parties are unable to meet this deadline then they will notify us in advance so that meetings can be rescheduled.

Methods of participation

Each member of the group will be permitted to send one person to attend each meeting. If a member of the group wishes to bring another person to the meeting (member or non-member), permission should be obtained in advance.

Ofwat will provide the secretariat for the group and circulate an agenda for each meeting to each member of the group in advance. Members will be encouraged to attend those meetings that are of particular relevance to their circumstances.

Ofwat encourages members of the group to propose items for inclusion on a meeting agenda at any time. Ofwat is looking for participants to prepare papers/analysis for circulation and discussion.

Ofwat will prepare minutes of each meeting and circulate these in advance of the next meeting, where they will be put for agreement to the group. Ofwat will also publish the terms of reference and the minutes of each meeting on our website.