

## **Delivering more of what matters in PR19**

Delivering Water 2020: Consulting on  
our methodology for the 2019 price  
review – executive summary

July 2017

# I want...

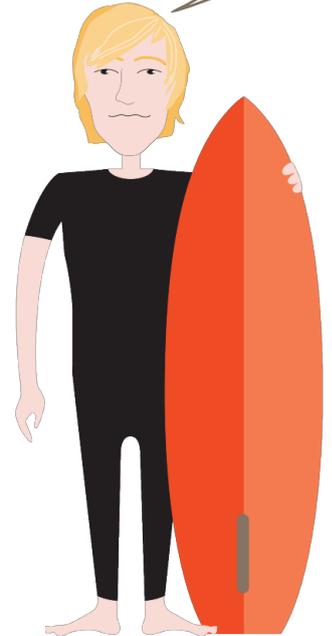
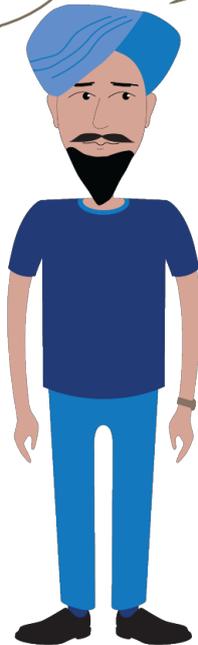
...an app for that

...lower bills, affordable for all

...help 24/7

...better customer service

...a cleaner environment



Customers in England and Wales want high quality, sustainable and resilient water and wastewater services, at a price they can afford. Trust in water means providing these services today, together with the confidence that future bills will be affordable and resilient and that the environment will be protected.

A **price review** is when water companies and their customers create plans for the future that will deliver customers' wants and needs.

Our role is to:

- set the framework and methodology;
- check and challenge the plans; and
- set out our decisions on the five-year price, service and incentive package for each company.

We are now consulting on our methodology for our next price review (PR19) and will make our final decisions in 2019.

## The role of PR19

Ofwat's price review is an important tool for delivering trust in water. PR19 provides the framework for a **resilient long-term future for water**, providing **more of what matters to customers** at a **price they can afford and are willing to pay**.

We plan to deliver PR19 in a way that is:

- customer focused;
- long-term; and
- incentivises companies to innovate and be ambitious.

We will make greater use of markets where appropriate in PR19, together with proportionate and targeted regulation to ensure that companies deliver the things that matter most to their customers.

## More benefits for customers in PR19

PR19 is focusing on four key themes to benefit customers:

The best customer service encourages customers to be active participants in water and wastewater services

### Great customer service

- Water customers should receive the same high standards of service they are used to from other sectors.
- Customers' actions can have a direct impact on how water is used and managed. The best customer service encourages customers to be active participants in water and wastewater services.
- PR19 means more dialogue with customers, encouraging innovation and greater understanding of what customers want and need.
- We expect companies to really stretch and challenge themselves to deliver more for their customers.
- We will benchmark water companies' performance against the best in other sectors.

### Resilience

- Resilience in PR19 means long-term financial, corporate and operational resilience.
- Water companies need to demonstrate resilience in all these areas.
- We will encourage companies to focus on the long term.
- Company Boards will need to provide assurance on their plans and services as well as compliance with statutory obligations.
- We will challenge companies to demonstrate they understand the risks to their resilience; to cost-effectively address these risks; and have customers' support for their proposals.
- To hold companies to account, we will require companies to have common outcome performance commitments on asset health, resilience and the outcomes that matter to customers.

### Affordable bills

- PR19 means companies delivering bills that are affordable for all, now and in the future.
- We expect companies to find better ways to identify and support customers in circumstances that make them vulnerable and those who are struggling to pay.
- We expect companies to provide value for money bills and challenge themselves to push the efficiency frontier to provide scope for price reductions if this is what customers want.
- We want companies to do more to reduce bad debt, reducing the burden of those who won't pay on those who do.

### Innovation

- Innovation can mean new technology and better services and benefits for customers and the environment.
- Innovation also can mean working smarter and delivering the services that customers want in new and better ways.
- We will enable and drive innovation in the sector through payment by results – rewarding performance that sets new standards for the sector.
- Where appropriate we will promote markets to encourage innovation through water trading, the bioresources market and greater third party involvement in large projects through direct procurement.

## Delivering more in PR19

In PR19 water companies must deliver more of what matters for customers through effective engagement, lower costs and better performance.

- PR19 builds on our approach in PR14 and our Water 2020 framework. The changes we propose now will promote the right outcomes for customers and the environment and deliver a future in line with our vision for the sector.
- We expect companies to own the relationship with customers, and actively involve those customers in the development of their business.
- Through our outcomes and totex framework, we focus companies on what matters to customers and provide companies with the flexibility to innovate, be resilient and efficient.
- We expect companies to step up efficiency in PR19 and will challenge companies that fail to do so.
- We will pass on the benefit to customers from lower financing costs in setting the cost of capital, while ensuring that efficient companies will be remunerated appropriately so they can finance their programmes.
- Ambitious and innovative companies with high quality business plans that set new standards for the sector can expect higher financial returns as well as a fast tracked process and reputational benefits from being, and being seen as, the best.
- We expect all companies to deliver high quality business plans – we will intervene to protect customers where companies do not meet the high bar we expect.

**Find out more [@ofwat](#) [#pr19](#) [#moreofwhatmatters](#)**



Water companies must deliver more of what matters for customers through effective engagement, lower costs and better performance

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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