



The Role of Ofwat

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Water today, water tomorrow

# The water industry in England and Wales



Privatisation in 1989 created 21 regional vertically integrated monopolies

## Successes

Private sector investment – close to £90 billion in real terms

Better and more stable infrastructure

Improved standards of service

Greater environmental and drinking water compliance

Consumer bills 30% lower thanks to economic regulation

## Future challenges

Climate change

Population growth

Economic

Consumer expectations

Market reform

## Who we are

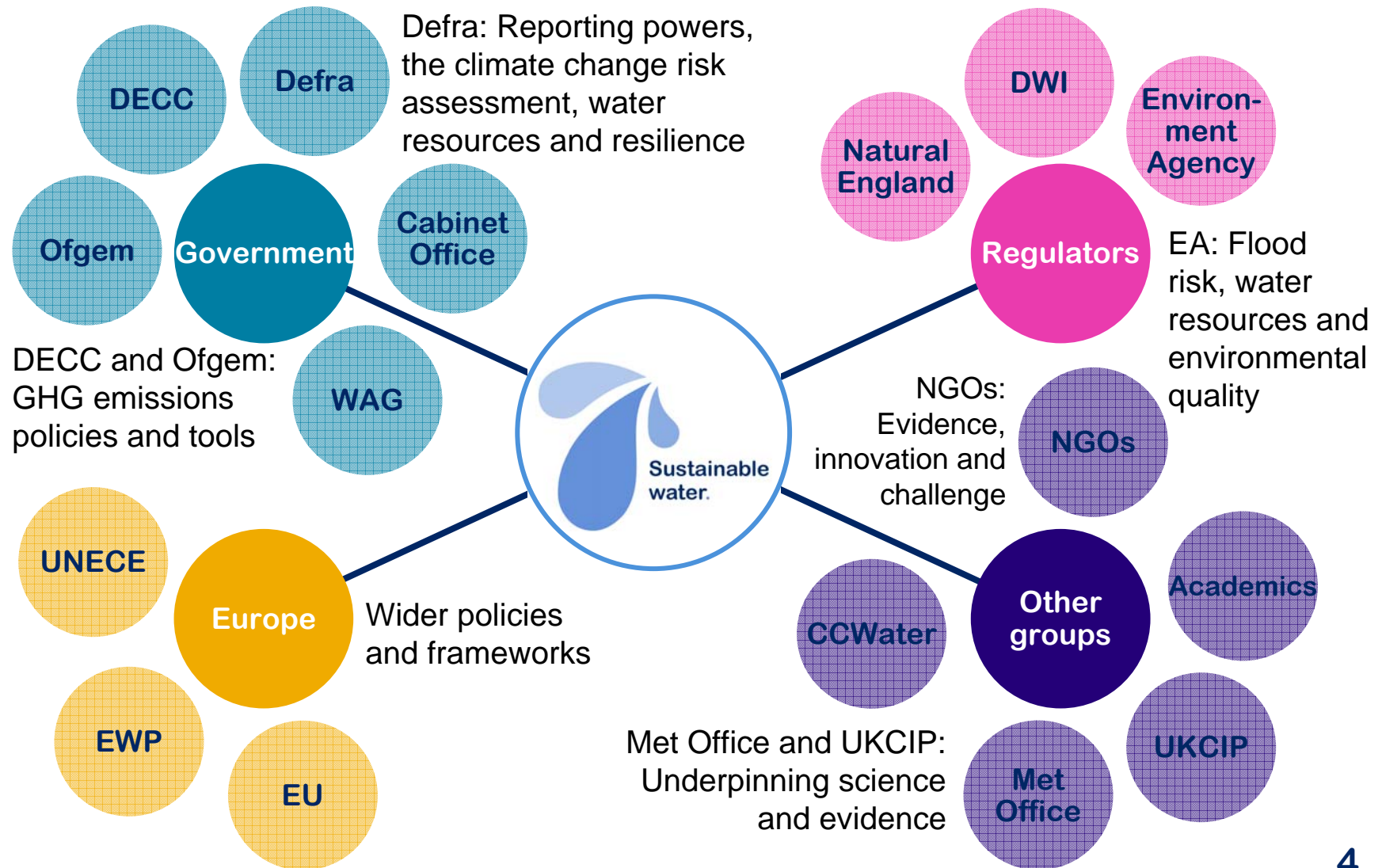


Economic regulator of the water and sewerage sectors in England and Wales

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

Independent of government and the water companies, but accountable to Parliament and the Welsh Assembly Government

# Our role within the UK



## What we do



Make sure the companies provide customers with a good quality, efficient service at a fair price

Limit the prices companies can charge and make sure that bills are kept as low as possible

Monitor the companies' performance and take action, including enforcement, to protect consumers' interests

Set the companies challenging efficiency targets

Make sure companies deliver the best for consumers and the environment in the long term

Encourage competition where it benefits consumers

## 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



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## What has been achieved so far



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



£90 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 – over 100 Blue Flag beaches and fish in the Thames again

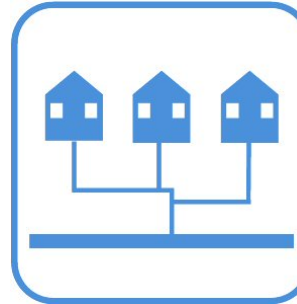


Customer service is significantly better – only 6,620 properties (0.03%) are now at risk of low water pressure, compared with 344,259 (1.6%) properties in 1990-91

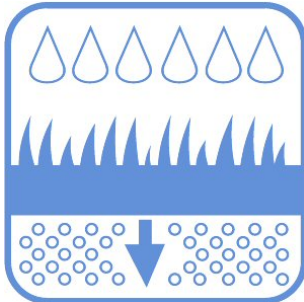
## The future challenge – sustainability



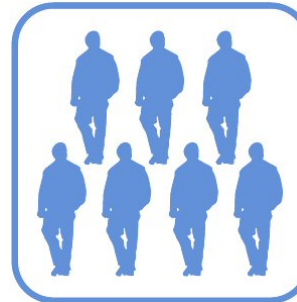
Changing climate could bring more droughts and floods



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 72 million by 2033



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

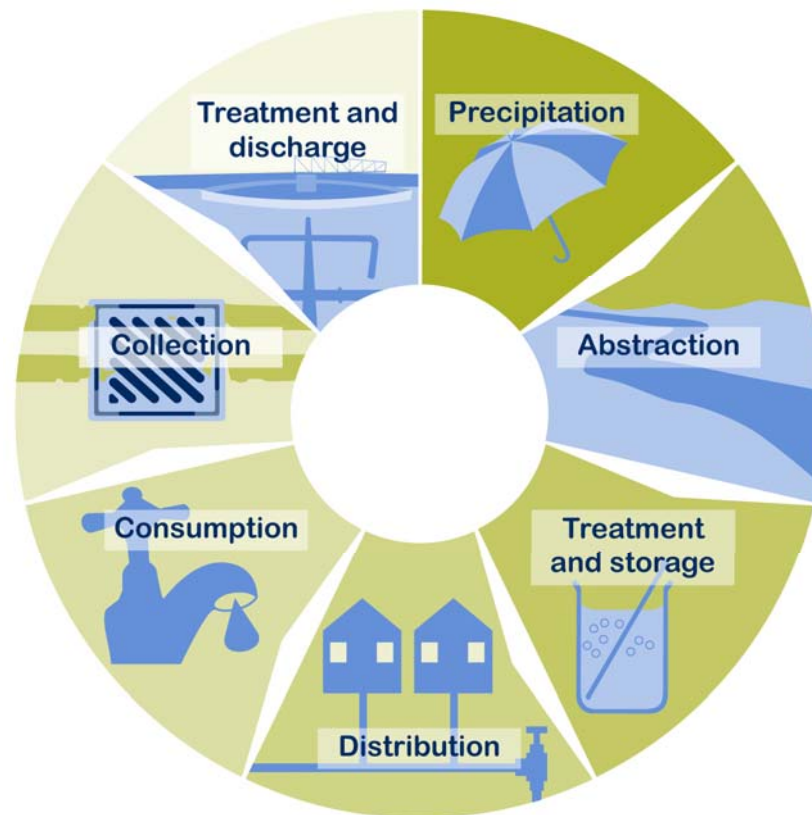
Water is the new oil  
– Goldman Sachs

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# Our strategy

**Our vision:** a sustainable water cycle in which we are able to meet our needs for water and sewerage services while enabling future generations to meet their own needs (**'Sustainable water'**)

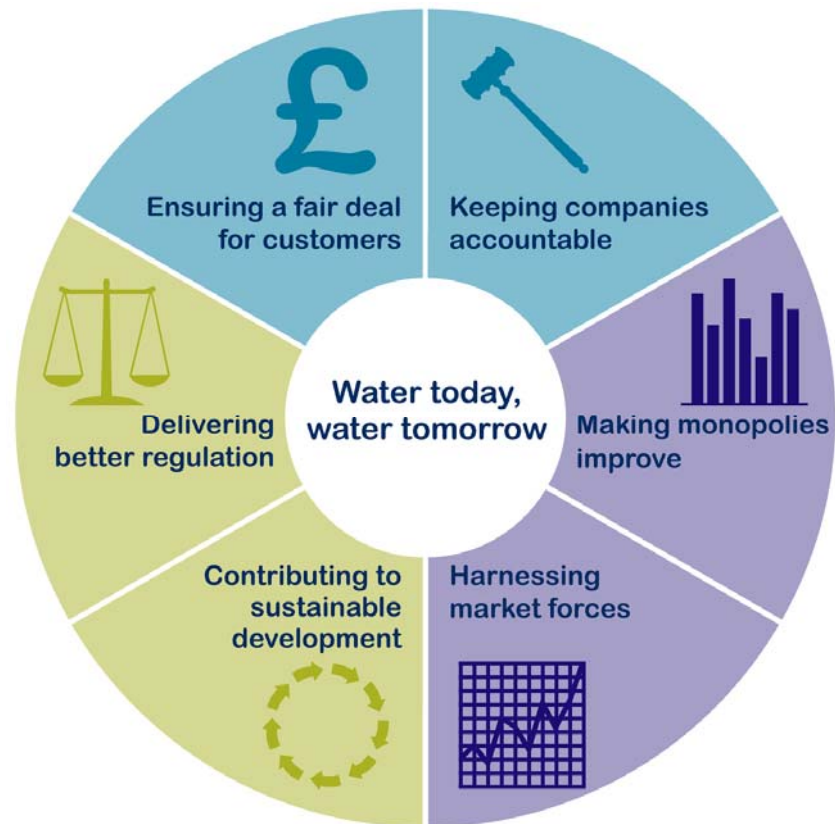


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# Our strategy

**Our mission:** Water today, water tomorrow

**Our goals:**



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