

**Tuesday 12 February, Portcullis House
Thatcher Room, 5.00 – 6.00pm
Price Review 2019
(Non-Verbatim Minutes)**

The All-Party Parliamentary Group's February meeting was on the topic of Price Review 2019. The following were guest speakers:

- **David Black, Senior Director of Water 2020, Ofwat**
- **Alistair Moseley, Board Director and Chair of Future Water Association Innovation Hub**
- **David Elliott, Director of Environment and Assets, Wessex Water**

Baroness McIntosh chaired the session, welcomed attendees and introduced the panellists, inviting David Black to speak first.

David Black set out the requirements of PR19, highlighting that companies should take a long-term approach to their PR19 planning, and ground their business plans in wider company strategy. He outlined the four key themes of the review: customer service; resilience in the round, affordability and innovation. He said that Ofwat placed emphasis on innovation when analysing the business plans.

He then went on to explain the categorisation of water companies stating that three water companies have met the bar that has been set for fast-track, while the rest of the sector has an opportunity to revise their plans. The four companies that were categorised as requiring significant scrutiny have further to go in revising their plans, although he emphasised that the sector as a whole has stepped up. He was confident that by July, water companies will have met some of the objectives Ofwat sought to challenge through the PR19 process.

He expanded further on the theme of innovation, saying that it is crucial to the sector to address affordability and resilience issues. To encourage more innovation, Ofwat is setting a high expectation on performance, with a 15% targeted reduction in leakage. David Black argued that an outcomes approach removes barriers and gives water companies freedom to decide what matters to their customers.

Finally, he touched on bills and said that for the 3 fast track companies bills will reduce by up to £70 over the PR19 period. He emphasised that the three fast track companies have set out clear and ambitious plans to help people struggling to pay the bills.

Alistair Moseley welcomed Ofwat's PR19 determinations. His focus was on the impact of PR19 on the supply chain, describing it as "the forgotten voice of the industry" despite the fact that some water companies have a 70% reliance on supply chain.

He focused his comments on innovation and said that the Future Water Association tries to work with water companies to increase innovation in the supply chain. He advocated for some form of common platform to build confidence in the innovations that water companies are developing to demonstrate that technology should work. He added that developing innovation can be a big risk, so the sector requires some form of financial

assistance and improved collaboration is a key driver. He concluded by stating that the elephant in the room is procurement, questioning why much of the sector still relies on old models when it should look at enterprise models.

David Elliott set out Wessex Water's position on PR19. The business is at a turning point, transitioning from the old business model to a new model. He argued that the water sector has done well in improving standards since the sector was privatised in the 1980s – Wessex has been one of the top 3 performing companies since privatisation.

Wessex's PR19 approach has focused on the introduction of an open system that starts with societal objectives, sustainable development goals, and ties in with the Government's 25-year Environment Plan. Wessex hopes to open the sector to opportunity, moving from the current narrow model, to treating water as a system with a broad community of users. He said that Wessex is using incentive-based regulation at its best – customers benefit from this performance, and Wessex has also set up a community trust to deliver benefits directly back to the community. This is a modern business model, with markets driving price, innovation and transparency.

Finally, David Elliott questioned how the regulator will adapt to the evolution in the current model, bearing mind the price review process is nearly a decade long from commissioning to delivery.

Baroness McIntosh thanked the speakers for their contributions and then opened the floor to questions from the audience.

Natasha Wiseman from Wise on Water asked about the opportunities for women to enter the sector, when currently less than 20% of the workforce is female. Panellists agreed that improving diversity is hugely important to the future of the sector. Alistair Moseley said the will is there but the momentum is at risk of slowing.

Ray Farrow from HBF said that the housebuilding sector is seeing a great deal of non-cost reflective charges being passed through the PR19 process, which is impacting housebuilders ability to deliver. David Black said its an issue which warrants further consideration. In terms of costs, he said that the industry does not recover full costs, so the sector must maintain a balance level of charges.

Catherine Moncrieff from WWF asked about catchment plans in the draft PR19 plans, and whether Ofwat feels there has been a step change in water companies approach to catchment management? David Black didn't agree that there had been a step change and there is more to do in this space. He highlighted that Wessex Water have been doing interesting work in this area.

Mike Keel from the Consumer Council for Water said only 61% of consumers think that their bills are fair. Angela Smith MP agreed with this and said many customers are irritated by big swings in bills. Mike Keel went on to ask whether, due to PR19, the score will increase for the better? David Black said yes, highlighting that water companies had planned for a significant reduction in their bills, whilst not compromising on the quality of customer service. Angela Smith MP agreed and said many customers are irritated by big swings in bills.