

Ofgem consultation on strategy development 2005-8: Water UK response

Introduction

Water UK is the representative body of the UK water industry. The water service industry consumes annually 2-3% of UK electricity demand through a network of several thousand nationally distributed supply points. The industry equally has a network of supply points connected to provide renewable & thermal generation. Therefore we welcome the opportunity to respond to this consultation.

The UK water industry is regulated to provide water & wastewater services to increased environmental standards and need account for the associated increase in energy consumption together with the impact of climate change.

The water industry welcomes Ofgem's commitment to independent regulation and its approach to long-term planning to allow coherence and predictability in policy implementation. Furthermore we regard the need to consult with a targeted approach to protect consumers by promoting competition wherever appropriate and act effectively to introduce policy or to enforce it.

Key Points

- The water industry has several million customers relying on efficient and effective water services, which in turn are dependent upon efficient and effective energy services. We therefore welcome a positive dialogue with Ofgem that ensures the effective communication of policies that will directly affect our operations.
- Ofgem's consideration of consumers must also include the impact of policy on regulated businesses.
- Environmental legislation impacts significantly on the costs of providing improved water and wastewater services and therefore there is a need for predictable and efficient implementation of environmental legislation by Ofgem that considers the impact of change and protects the consumer.
- Affordability and security of water supply is essential, this is dependent on energy supply. Therefore effective energy markets where there is genuine competition and a continuous commitment to act decisively when the structure or balance favours supply over demand is essential. Significant changes to the market should be communicated to the water industry to facilitate strategic long-term planning.
- Competitive markets need effective application of information flows that facilitate efficient change of supply, and efficient connection and billing processes that ensure transparent cost structures.
- Security of supply whether related to capacity or infrastructure requires an holistic approach for consumers. The water industry is dependent on secure, resilient and consistent energy supplies particularly in rural areas; this is fundamental for the provision of water services. The threat of capacity reduction requires the effective application and development of regulatory control to ensure that business consumers are not exposed to unnecessary risk which impacts on their own effectiveness & efficiency.

Summary

Water UK understands that Ofgem is committed to a competitive market, aims to protect the consumer, and is prepared to listen and act decisively. The water industry relies cost effective and secure supplies of energy in order to fulfil its own statutory supply duties. Therefore we wish to be consulted and considered in the development of Ofgem policy.

Water UK believes that future strategy should consider the communication and development of policy, in relation to regulated businesses. There is a need to focus on an open competitive market and security of supply that considers the true cost to consumers of a secure supply and quality of provision.