

Commission meeting with Richard Beaver, Director of Strategy, Ofwat

11 July 2013

Commissioners Present:

Paul Silk

Nick Bourne

Jane Davidson

Eurfyl ap Gwilym

Trefor Jones

Helen Molyneux

Asked whether there was potential for Wales to earn more from water, it was noted that there was a disappointing level of water being traded (only around 4-5%) across England and Wales, despite some areas having had droughts. There was a need to invest in infrastructure to allow water to be more easily transferred between networks, with some clear opportunities for exploration, eg, an interconnector to Severn Trent for onward transfer to the south east of England. That said, water was a heavy, cheap commodity that is difficult to transport, and therefore unlikely to generate significant levels of income. Some work was underway to determine whether there could be a better way of valuing water, noting that water conservation is greater when there is a price, hence Ofwat's interest in upstream reform.

On its improving relationship with Wales, Ofwat participated in a number of fora, such as the Welsh Water Forum and Water Industry Forum, held a number of meetings with Natural Resources Wales, held biannual meetings between the Chair and Chief Executive of Ofwat and the Welsh Minister for the Environment, and [hosted](#) an annual stakeholder dinner. Ofwat sought to reflect policy concerns of both governments, for example, in getting different social and environmental guidance from the UK and Welsh Governments, and being under a statutory obligation 'to pay heed' to the Welsh guidance. This would entail some trade-offs to ensure investment was not deterred, noting that of £22bn invested every five years, £7bn is in Wales, and that long-term investment decisions would be vulnerable to a perception that more restrictive regulation may be in place in the future. International investors preferred the model of an independent regulator taking account of Government guidance, which could be rather broad. It was noted that the Water Bill (following recommendations by Prof David Grey's review of Ofwat commissioned by the UK and Welsh Governments), will require Ofwat to 'act in accordance to' Welsh guidance. The Water Bill would also place a new duty of ensuring resilience on Ofwat.

Ofwat did not have a Wales-focussed team, but instead operated with a matrix-structure – it also therefore did not have separate teams for water and for sewerage. While this meant that there was not a specific contact for Wales, it was not felt that there were sufficient levels of contact (for example, from the public or from local authorities) from Wales to necessitate this.

Asked about the different regimes in parts of Wales following the increased competition in the Water Bill, it was noted that there had not been a great [number](#) of customers changing suppliers in the current regime, and that Ofwat had not given thought to consequences of responsibility for water following the administrative boundary. [RB offered to come back in writing]

On the intervention powers of the Secretary of State in relation to water (in the Government of Wales Act 2006), it was thought there could be exceptional circumstances in which they may be used, but this would be rare. Ofwat would only be affected if cost implications were passed on to customers.

Asked if they were aware why sewerage was no longer a devolved responsibility (a difference between 1998 and 2006), no regulatory reason could be thought of, and it was noted that sewerage would have its own price limit following passage of the Water Bill.