

OHCHR consultation on private sector participation in the provision of water and sanitation services

1. We welcome the opportunity to inform the OHCHR about our experience of regulating privatised water and sewerage services as part of its consideration of private sector participation in the provision of water and sanitation services.

Who we are and what we do

2. [Ofwat](#) (the Water Services Regulation Authority) is the economic regulator of the water and sewerage sectors in England and Wales. The sectors comprise 21 regional and local monopoly private companies, four newly-appointed water or sewerage companies and six water supply licensees. Ofwat has been in existence since 1989. It became a corporate body with a Board structure from 1 April 2006.
3. Our main duties are to:
 - protect the interests of consumers, wherever appropriate by promoting effective competition; and
 - enable efficient water and sewerage companies to carry out and finance their functions.
4. The price limits we set every five years allow well-managed and efficient companies to finance the services they deliver. They allow the companies to meet the needs of their customers and of the environment while continuing to deliver a safe and reliable service.
5. We work with the quality regulators in England and Wales – the Drinking Water Inspectorate and the Environment Agency – who ensure, respectively, that drinking water and environmental standards are met by the companies.
6. We also work with the Department for Environment, Food and Rural Affairs and the Welsh Assembly Government, who are the government bodies for England and Wales respectively and who set the policy framework for the water and sewerage sectors.

What the private companies do

7. The companies are required under the [Water Industry Act 1991](#) (as amended) to maintain the water supply system, to supply wholesome water and to provide a sewerage system. They must also meet EU drinking water and environmental standards.

8. As part of setting price limits, we set the companies outputs to deliver. We monitor compliance with these through annual returns provided to us by the companies.
9. The companies are also required to deliver minimum levels of customer service are set out in the Water Supply and Sewerage Services ([Customer Service Standards](#)) Regulations 2008. If a company fails to meet these standards, it must automatically pay the customer compensation.

What regulation has delivered

10. The water and sewerage sectors in England and Wales have come a long way since privatisation in 1989. Then, a neglected infrastructure, along with polluted beaches and rivers, meant we were seen as the 'dirty man of Europe'.
11. In the past 20 years, the regulatory regime has allowed the companies to finance £85 billion of investment in maintaining and improving water and sewerage assets and services. That amounts to more than £3,500 for each household in England and Wales, delivering real improvements at no additional cost to the taxpayer.
12. Today, our independent regulation combined with the efforts of the companies has delivered a lot:
 - Leakage levels have reduced by 35% since its peak in the mid-1990s;
 - Compliance with environmental standards is higher. In 1998, fewer than 80% of bathing waters in England and Wales met the required EU standards. Today, the figure is 98.6%. There are also 120 species of fish in the Thames and more than 100 Blue Flag beaches (compared with 12 when the scheme was launched in 1987).
 - Consumers have access to excellent drinking water, with 99.96% compliance with tough EU standards.
13. Against this background, we have continually pushed the companies to become more efficient, keeping bills for customers more than a third lower than they would have been without our independent approach to regulation.
14. Using both incentives and tough targets, we have made sure that consumers' interests have been protected. Our comparisons on levels of service, for example, have encouraged the companies to rise to the highest industry standards.

Protecting consumers

15. By setting price limits every five year, we ensure customers receive efficient, safe, reliable water and sewerage services.
16. The main safeguard for household customers is that they cannot be legally disconnected from their water supply even if they fail to pay their bills.
17. Low-income groups, who may have difficulties paying their bills, are also protected under the [Watersure](#) scheme. Their metered bill is capped at the average company level.
18. The Government has recently included proposals in the Flood and Water Management Bill on social tariffs for water. This is draft legislation that is currently being scrutinised by Parliament.
19. We also have enforcement powers to take action against companies that have fallen short. For example, we have imposed penalties of almost £75 million on companies that failed their customers, as well as securing redress for those customers.

Conclusion

20. Over the past 20 years, our regulatory experience has shown that participation of the private sector has positively contributed to the provision of safe, reliable water and sewerage services to all customers.
21. We believe that the England and Wales regime of regulating private water and sewerage companies has and continues to ensure that customers receive the safe and reliable services they expect at a price that is fair and that this is a wholly appropriate mechanism for water and sewerage provision.
22. We have recently published our strategy '[Delivering sustainable water](#)', where we set out how the regulatory regime will support the provision of sustainable water and sewerage services now and in the future.

Ofwat
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