



Price Review 2014 (PR14) background

What is a water price review?

Prices for water and sewerage services in the UK are set through price reviews led by independent economic regulators. The reviews tend to take around two years and set prices in future periods, typically around five years.

As well as the economic regulators and the water companies, the reviews involve governments, customers, quality regulators, consumer groups and a wide range of other stakeholders.

Under UK law, the regulators have to balance protecting customers, by keeping bills as low as they can be, with ensuring that companies can carry out and finance all their functions. These include meeting stringent customer service standards and the many health and environmental rules set nationally and in Europe, for example on drinking water quality and the cleanliness of our rivers and beaches.

This requires sustained investment to maintain and improve our water and sewerage services – in England and Wales over £116 billion has been invested over the past 25 years.

The relevant government provides guidance to the regulator on their key policy objectives for the water industry, but when they set price limits, the economic regulator acts independently from government.

Why review prices in this way?

Price reviews take account of the long-term nature of the water industry – water supply and sewerage services require long-term planning and investment, to ensure that customers can rely on their water and sewerage services now and into the future. Also, by reviewing and setting price limits in five-year periods, customers benefit as they know what's going to happen to their water bills for five years in advance.

Having independent economic regulators to lead the price review process, under specific duties and a well established legal framework, gives confidence to

customers that their water bills are no higher than they need to be, and gives confidence to investors that the water industry is a good place to invest for the long term.

| | Economic regulators for water |
|-----------------|--|
| England & Wales | <u>Ofwat (Water Services Regulatory Authority)</u> |
| Scotland | <u>Water Industry Commission for Scotland</u> |
| N. Ireland | <u>Northern Ireland Authority for Utility Regulation</u> |

The PR14 price review in England and Wales

In England and Wales water and sewerage prices for 2015-2020 will be set by Ofwat through the [PR14 price review](#). The final decision on these prices will be made by Ofwat in late 2014 and come into effect from April 2015.

Price reviews in Scotland and Northern Ireland

Price reviews are also underway in Scotland and Northern Ireland.

In Scotland, the [strategic review](#) of charges for prices for 2015-2021.

In Northern Ireland, the [review for prices](#) for 2015-2021.

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