

# DOWNLOAD PDF REVIEW OF THE WATER INDUSTRY IN ENGLAND AND WALES

## Chapter 1 : Water Companies Vow to Cut Prices in England and Wales - Drain Brains

*Every day, over 50 million household and non-household consumers in England and Wales receive good quality water, sanitation and drainage services. These services are provided by 32 privately-owned companies in England and Wales.*

Tariff structure and cross subsidies. Metered connections are charged at a volumetric rate, while unmetered connections are charged at a flat rate based on the rateable value of the property. The rateable value system was intended as a cross subsidy from wealthier to poorer households. However, since rateable values are often outdated, the subsidy is poorly targeted. Since more and more highly rated households opt for metering, flat rates for the remaining unmetered customers are being increased to compensate for the lost revenue. As a result, the already imperfect cross-subsidy system is unwinding. An Independent Report on Charging for Household Water and Sewerage Services published in by Anna Walker recommended a package of help to ensure that "the transition to metering is not to cause real problems of affordability to those on low incomes". However, in the "review period it has allowed an average annual increase of 4. Net returns on this borrowing in were 6. This is the level at which, in the long-term, the marginal cost of leakage control is equal to the marginal benefit of the water saved. The rate of reduction in leakage has slowed for many companies because the most obvious causes of leakage have been detected and addressed, leaving only less apparent leakage problems. They are lower than in France 26 percent or Italy 29 percent , but higher than in Germany, where they are apparently only 7 percent. OFWAT does not use percentage figures when it assesses leakage levels. Also it assesses only leakage and not broader losses. Metering[ edit ] A particularity of water tariffs in England and Wales is the low share of metering. Most users are not billed on a volumetric basis and have no financial incentive for water conservation. In the Environment Agency announced it favours compulsory metering in water-scarce southern England. The measure is controversial. Consumer groups fear it will penalise poorer families with lots of children, and the disabled, who use more water. In a written ministerial statement, Mr Morley said: Many parts of the Middle East had more rain than this area, and it is getting even drier and warmer due to climate change. The report calls for water companies to be charged more for using the most environmentally vulnerable rivers and aquifers in drier parts of the country, with cheaper rates where water is more abundant. It also called for higher water charges during droughts. The CSOs, intended for use in very rare occasions, were not covered by the existing legislation for waste emissions.

# DOWNLOAD PDF REVIEW OF THE WATER INDUSTRY IN ENGLAND AND WALES

## Chapter 2 : Water supply and sanitation in England and Wales - Wikipedia

*Public water supply and sanitation in England and Wales has been characterised by universal access and generally good service quality. Salient features of the sector in the United Kingdom compared to other developed countries is the full privatisation of service provision and the pioneering of independent economic regulation in the sector in Europe.*

Overview of the construction and projects sector 1. What are the main trends in the local construction and projects market? What are the most significant deals? Main trends Infrastructure projects, particularly energy and transport, continue to be a focus for the UK. The National Infrastructure Delivery Plan to and recent establishment of the National Infrastructure Commission is seen to give reason for confidence in the buoyancy of these markets for the coming years and some certainty as to deal flow. It is commonly thought that Brexit has and will continue to cause a slowdown in certain projects, particularly where private investment is required. However, it is also generally thought that the case behind the commitment by the UK Government in this area is reinforced by the general threat to the UK economy by the vote to leave the EU. Devolution to Scotland and Wales, as well as regional devolution within England for example, the so-called Northern Powerhouse, continues to be a key factor in the market, particularly for regeneration and transport infrastructure projects. A significant challenge, recognised by the government, is how the ambitious plans for infrastructure are to be funded. Commercial development was busy before the Brexit referendum. However, there have been winners and losers since the fall in the UK currency and as uncertainty took effect. Housing still remains firmly on the political agenda but is similarly affected. There is increasing consolidation and change among many of the UK large contractor and consultant organisations. The European contractors continue to have a large presence in particular, but Brexit may cause hiatus in investment by this group. Frameworks and alliancing are fairly well-established across the infrastructure sector and it is thought these are likely to spread into the commercial property and regeneration markets. Major projects Crossrail is seen as a successful project and is coming up to completion. Crossrail 2 feasibility has commenced. Highways England successor to the Highways Agency is progressing with a major investment programme and also appears unaffected. The renewable energy market has seen the significant withdrawal of incentives for green energy. This was inevitable in what is now a fairly sophisticated market in all but the emerging technologies. However, the market still remains reasonably buoyant. The water utilities continue with significant investment and contracts have been let for the Thames Tideway Tunnel. A decision as to whether Heathrow or Gatwick airport will be expanded is still yet to be made but it is expected that one of the expansions will be approved in the near future. Which are the most common procurement arrangements if the main parties are local? Are these arrangements different if some or all of the main parties are international contractors or consultants? The main parties involved in a typical construction project are: The party for whose benefit the works are carried out, for example a developer or landowner. The party appointed by the client to construct the works. More than one contractor may be appointed, each for separate works packages. There is often extensive subcontracting. The designers such as an architect or engineer, as well as the project manager, cost consultant and other professional advisors. The party providing finance for the project to the client. The most common methods of procurement are: Responsibility for the design and construction of the project are kept distinct. The client appoints the design team to carry out the design and, separately, the contractor constructs the works to the required design. The contractor may appoint or have novated to them specialist designers to carry out the design, but it will still be liable to the client for the design. This approach gives single point responsibility and sometimes greater price certainty. In the context of a development involving process plant, the design and build contract is often referred to as an "EPC" engineer, procure and construct contract. This may also incorporate ongoing operation and maintenance services referred to as an EPCM contract. Examples of this are construction management where the construction manager sources and arranges works contractors for the client to directly contract with and management contracting where the management contractor enters into

separate works contracts but does not take total delivery responsibility. Similar structures are adopted where the main parties are international contractors or consultants. What transaction structures and corporate vehicles are most commonly used in both local and international projects? Local projects In the largest projects, two or more contractors may join together as a joint venture JV. This may be contractual or a corporate JV structured as a company limited by shares or a limited liability partnership. Larger projects, for example major rail infrastructure or large energy projects, are likely to have more complex arrangements. The public body enters into a contract with the SPV to purchase services on a long-term basis and the SPV in turn engages separate subcontractors for the construction, operation and maintenance of the facility. International projects Similar transaction structures are adopted for both local and international projects see above, Local projects. How are projects financed? How do arrangements differ for major international projects? The funding structure for projects depends on the nature of the client and the type of project. In a straightforward project, for example, the funding may come from a combination of equity investment or debt finance including in some cases, mezzanine finance through a single lender or multiple lenders and on a non- or limited recourse basis. There are a number of private equity funds providing additional funding ranking senior to pure equity, which can be contributed at a senior or mezzanine level depending on the particular project. Increasingly other sources of funding have been available for specific projects, especially in areas where unproven technology means traditional PF funding is difficult to obtain. In relation to Private Finance Initiative PFI projects recently replaced by PF2, a form of PPP model, the funding has commonly been provided by equity investment and debt finance typically multiple lender. Over the last two years or so, the contraction in liquidity seen during the financial crisis has eased and more capital is available for longer tenors and at better rates than there has been for some time. Security and contractual protections 5. What forms of security and contractual protections do funders typically require to protect their investments? Security Depending on the nature of the development and the client, the funder may take a charge over the assets, shares and undertakings of the borrower. The funder may also require the benefit of all the construction documentation including performance bonds and parent company guarantees in relation to the project be assigned to it. Contractual The funder usually requires rights to step-in to the place of the borrower so that the funder can complete the project in the event of, for example, insolvency of the borrower. Depending on the nature of the project and the funding structure, this may include a direct agreement or a collateral warranty in favour of the funder. Standard forms of contracts 6. What standard forms of contracts are used for both local and international projects? Which organisations publish them? Local projects There are a large number of standard form contracts in use within the UK. The most common forms are: These latest suite of contracts were released in and were supplemented in April to reflect the changes implemented in the Construction Design and Management Regulations At the time of writing, the JCT is in the process of releasing an updated edition of its suite of contracts. JCT forms of contract tend to be used for standard building and development projects. The use of the NEC suite of contracts has become more widespread in recent years, having been endorsed by the government and were used for the Olympics and can be used for a range of project types, including general building and process plant. The most common form is the Red Book, which provides for a lump sum contract. International projects Construction contracts for international projects tend to be based on similar forms to those relating to local projects, particularly FIDIC see above, Local projects. The use of NEC-based forms of contract in international projects is also increasingly popular. What risks are typically allocated to the contractor? How are these risks offset or managed? Risks that are typically allocated to the contractor include: Contractors will usually maintain professional indemnity insurance to cover any claims relating to negligent design see Question The client will usually attempt to pass all risk for ground conditions and any contamination to the contractor. These risks can often be managed by carrying out proper due diligence on the site for example, ground investigation surveys. The contractor may not be able to claim time and money for adverse weather conditions. In such circumstances, the contractor may need to allow for the risk of delays within its programme and the risk of additional cost within its price. This risk is carried by the contractor and it is therefore important for the

contractor to carry out appropriate financial due diligence on its supply chain. There will usually be a specified period of time following completion during which the contract provides an express obligation on the contractor to correct defects often called the "Defects Notification Period". The length of this period usually depends on the type of project and the nature of the works. To manage this risk, contractors should ensure that they have effective quality controls in place, and that works are properly supervised and resourced. How can liability be excluded or restricted under local law? However, the contractor cannot exclude or limit its liability for death or personal injury under statute or for fraud or fraudulent misrepresentation as a matter of public policy. In most contracts, any restrictions on liability must satisfy a statutory test of reasonableness, otherwise they will not be enforceable. Whether a limitation or exclusion of liability is reasonable will depend on the facts and context of a transaction for example, the relative bargaining power of the contracting parties. Reasonableness in a business-to-business contract differs to reasonableness in a business-to-consumer contract where the test is stricter. Caps on liability 9. Do the parties usually agree to a cap on liability? If yes, how is this usually fixed? What liabilities, if any, are typically not capped? Caps on liability were not common in UK construction projects but are seen increasingly, particularly in the process plant and energy sectors, given that contractors are increasingly reluctant to accept unlimited liability. Caps on liability are often expressed as a total aggregate liability at the contract price or a percentage of the contract price. Whether such limits will be agreed often depends upon the relative bargaining position of the parties. Where a cap on liability is agreed, it is common for liability for certain matters to be excluded from the cap. What these excluded matters are will again depend on the relative bargaining position of the parties.

## Chapter 3 : Water sector overview - Ofwat

*The Water Industry in Wales April Introduction The water and sewerage industry in Wales is one of the most complicated areas within the devolution.*

To view this licence, visit [nationalarchives.gov.uk](https://nationalarchives.gov.uk). Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned. This publication is available at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/444444/water-industry-review-2015-16.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444444/water-industry-review-2015-16.pdf). The previous URL of this page was [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/444444/water-industry-review-2015-16.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/444444/water-industry-review-2015-16.pdf). Current policies can be found at the GOV.UK website. Issue The water industry supplies goods and services which are essential to health, wellbeing and economic stability. These services are coming under increasing pressure as a result of a growing population and a changing climate. To meet these challenges, we need to see changes in the way water is managed. Water companies will need to be more innovative, more efficient and more attentive to what their customers want. We intend to deal with the challenges facing the water industry, as well as encouraging better customer service and protection for the environment. This should stop our sources of water being over-used. Reform of the market The Water Act 2016 aims to make it easier for business to change their water suppliers. It will also open up the water and sewerage market to new companies. This has meant they can upgrade water and sewerage networks and improve customer service and environmental standards. We have to plan now to protect against challenges to our future water supplies. This means taking account of climate change, population growth and patterns of demand as well as the challenges posed by natural hazards such as drought and floods. Water and sewerage services in England and Wales are provided by private companies. These are regulated by Ofwat, to ensure that consumers receive high standards of service at a fair price. CCWater represents water and sewerage consumers in England and Wales and takes up unresolved complaints. The government wants to make sure that everyone can have a secure supply of water at a fair price, now and in the future. Price limits Every 5 years Ofwat, the independent economic regulator for the water and sewerage sector, sets limits on the prices that the water and sewerage companies can charge their customers. This is known as a price review. The next price review will take place in 2020 and will set limits for 2020 to 2025. Defra provides guidance to Ofwat setting out the policy priorities for regulation of the water industry. The Environment Agency wishes to see investment from water companies through the price review to ensure: Companies submitted their business plans for the period 2015-16 to Ofwat on 2 December. Ofwat is assessing these plans during 2015-16 in order to finalise new price controls in December. The new charges will then take effect from April 2016. Please email [pricereview@environment-agency.gov.uk](mailto:pricereview@environment-agency.gov.uk). Social Tariffs Some households can struggle to pay their water bill. These will reduce the bills of those customers who need support. WaterSure Low-income customers who need to use a lot of water or sewerage services may get financial support through the WaterSure tariff. WaterSure limits the bills of metered households at the average bill for their company. Households qualify for the cap if they claim one of a list of means-tested benefits, and: Customers in these areas will be charged for the volume of water that they use. The water company water stress designations were updated in July 2015, using up-to-date evidence for determining the level of water stress for areas in England and Wales. Concessionary schemes for surface water drainage charges We have issued guidance to water and sewerage companies on concessionary schemes for community groups. This is to protect them from unaffordable surface water drainage charges. Among these responsibilities is the regulation of water abstraction. Water abstraction is the process of removing water from natural sources like rivers, lakes and aquifers. Water abstraction is regulated through a system of licences. These are issued to anybody that wishes to abstract remove water from water-bodies sources of water. Changing weather means some areas will have less water. Others will see increased demand as the population grows. We need to reform the way we regulate abstraction. The system needs to be more adaptable and allow more effective sharing of water resources. Defra set out its plans for long-term reform of the abstraction system in the Water White Paper. We consulted on the abstraction reform proposals from December 2014 to March 2015 and published a summary of responses in July 2015. We will take account of the responses and continue to work

# DOWNLOAD PDF REVIEW OF THE WATER INDUSTRY IN ENGLAND AND WALES

closely with stakeholders as we develop the proposals further. We aim to be ready early in the next Parliament to legislate for abstraction reform. You can find out more from our latest newsletter. The Environment Agency also has catchment abstraction management strategies. These strategies are designed to help look after water resources. They include an assessment of how much water is available for abstraction in a particular catchment. A catchment is an area of land where surface water and rain run down to a single point, usually a river or other water-body. We also use River Basin Management Plans to protect and improve the water environment. In the longer term, Defra and the Welsh Government are working with the Environment Agency and Ofwat on a project to reform the water abstraction licensing system. The purpose of the act is to: Retail exits The Water Act will enable the Secretary of State to introduce regulations that will allow undertakers to exit the competitive part of the retail. We are committed to ensuring that undertakers who wish to exit the market can do so when the retail market opens in April We are currently consulting on how we plan to implement new regulations for retail exits. Regular project updates, a fact sheet and a one-page summary of the timetable for and scope of the reform have been published. Once developed, charging guidance will be issued to Ofwat to establish the framework for future market reforms. Water for life The Water White Paper, Water for Life, set a vision for a resilient and sustainable water industry, which continues to attract long-term investment. The industry also needs to be innovative and efficient, to help it meet future demands, and to put customers at the heart of what it does. The White paper supporting technical document Water for life:

## Chapter 4 : Construction and projects in UK (England and Wales): overview | Practical Law

*of 'Trust in Water' describes a shared vision for the water sector in England and Wales whereby customers and society have confidence and trust in the water and wastewater services provided in the UK.*

## Chapter 5 : English water firms vow to cut bills by up to % and tackle leaks | Money | The Guardian

*contents 1. overview 1 government policy 1 early consolidation 1 restructuring 2 privatisation 3 the industry today 3 2. initial co-ordination of water resources in england & wales 5.*