



Strategy and Forward Work Programme for 2017/18

Publication date:

14 June 2017



About this document

This document sets out the UK Regulators Network (UKRN) work programme for 2017/18.

About the UK Regulators Network

The UKRN is a network formed by 12 of the UK's sectoral regulators:

- The Civil Aviation Authority (CAA)
- The Financial Conduct Authority (FCA)
- Financial Reporting Council (FRC)
- The Payment Systems Regulator (PSR)
- Office of Communications (Ofcom)
- Office of Gas and Electricity Markets (Ofgem)
- Water Services Regulation Authority (Ofwat)
- Office of Rail and Road (ORR)
- Single Source Regulations Office (SSRO)
- Northern Ireland Authority for Utility Regulation (Utility Regulator)
- Water Industry Commission for Scotland (WICS)
- Legal Services Board (LSB)

Contributors to this document

This document has been produced by the UKRN office in consultation with all UKRN members.

Please contact the UKRN Office with any queries:

[Rachel Wright](#), UKRN Director

[Sophie Richings](#), UKRN Manager

[Barbara Perata-Smith](#), UKRN Manager

Table of contents

About the UK Regulators Network.....	I
Contributors to this document.....	I
1. Foreword	3
2. The UKRN strategy for 2017 onwards.....	4
3. Structure of the work programme.....	5
4. Engagement.....	7
5. Projects.....	10
6. About Us	13

I. Foreword

Welcome to the UKRN's forward work programme for 2017/18, in which we set out our new strategy and portfolio of projects for this financial year.

Since the UKRN's formation in March 2014 we have made significant progress in working together and taking a more collaborative approach to the challenges we face as regulators. As a network we have evolved and expanded since we were established and so it is an appropriate time to take stock of how we are working to inform our focus going forward. In developing this forward programme we have carried out a review to identify the biggest benefits of the network and considered how we can continue to develop to support independent economic regulation in the UK.

We found that the biggest benefits of the UKRN to its members have been in building relationships, which have allowed:

- Knowledge and expertise sharing to support best practice in economic regulation; and,
- Collaborative work on issues where we can make the most impact by working together to identify cross-sector challenges and solutions.

We have also discussed the role of the UKRN with our stakeholders. We recognise the wider benefits of greater external engagement to support the delivery of our project work and to identify opportunities for regulators to work together.

Our new ways of working to deliver our objective recognise this and introduces a greater focus on the opportunity for the UKRN to inform and contribute to current and future cross-sector issues and policy debates. We are aligning our projects and UKRN networks to underpinning our policy work with engagement. As part of this we will give a greater focus to engagement with government and building strong relationships with consumer groups and investors enabling us to extend the benefits of our work.

Our 2017/18 portfolio of projects builds on our past work, continuing to further our understanding of consumers in the sectors we regulate, and to work together to ensure we consider common challenges consistently.

We look forward to another year of successful collaboration between our members and our stakeholders.

Dermot Nolan
UKRN Chair

2. The UKRN strategy for 2017 onwards

2.1. The UKRN was established by its members in 2014, to provide the structure for regulators to consider common issues and policy projects with relevance across utility, financial and transport sectors. Since our formation, we have developed strong relationships with each other and encouraged a culture of collaboration and learning, which combines our strengths and facilitates the delivery of our statutory duties to the benefit of consumers and the economy.

The UKRN review

2.2. Recognising the third anniversary of the UKRN since its inception in 2014, over winter 2016/17 we carried out an internal review of the network. We evaluated our performance and delivery to understand what changes, if any, should be made to improve the outcomes for member regulators and wider stakeholders. As part of this, we also examined the UKRN's core objectives against the ongoing requirements of its members and the expectations of stakeholders.

2.3. Through interviews, roundtables and questionnaires with our members at senior and working levels, our Expert Panel and government we have explored:

- a. the extent to which the UKRN impacts upon the substantive practices of regulators;
- b. whether the UKRN structure and resources best facilitate collaboration and regulatory approaches; and,
- c. ways in which we can improve how we interact with our stakeholders to ensure we maximise the benefits of our work.

2.4. This research has informed our new strategy which is focused around a single objective. We have developed six ways of working and three strategic pillars through which we will deliver our objective, as illustrated in Figure 1.

Our objective, ways of working and strategic pillars

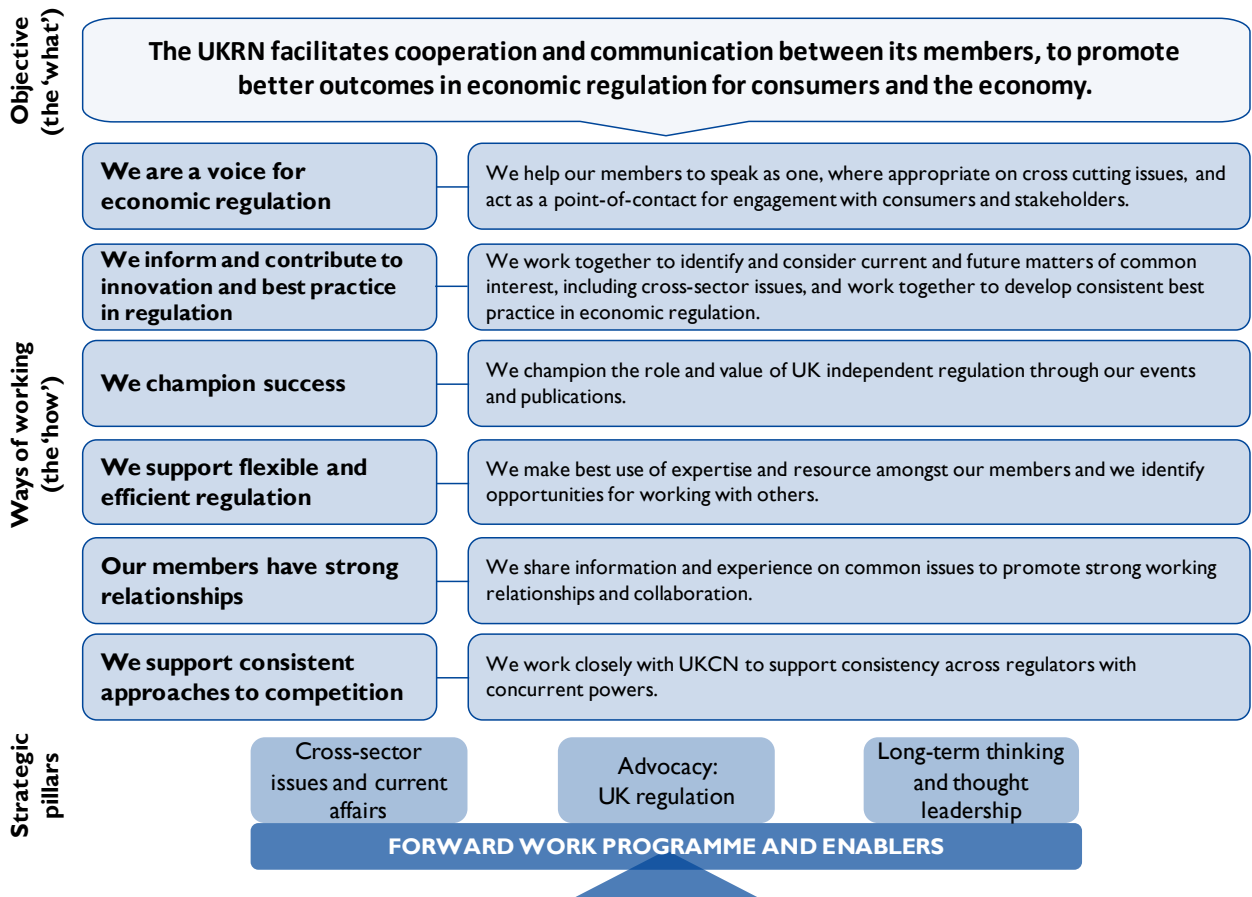
2.5. Our review of the UKRN purpose and remit offered an insight into the aspects of the network that our members most value. These include:

- the ability to share information and experience throughout our organisations to make the best use of existing expertise, for example with peer reviews of price control decisions offered by the Cost of Capital Network; and,
- the opportunity to inform and contribute to policy debates and cross-sector issues affecting a number of regulators, such as the government's Business Impact Target.

2.6. We have amended our objective to better reflect the significant and strategic role of the UKRN, for its members, consumers, investors and the UK economy.

- 2.7. We will deliver this objective through our new six ‘ways of working’. These highlight how cooperation and communication are integral to achieving benefits for our members and better outcomes for our consumers and the economy.
- 2.8. The focus of our work programme is communicated across three strategic pillars, which are discussed in more details in the next chapter.

Figure I: the UKRN strategy 2017/18



Structure of the work programme

- 2.9. The new strategy sees the focus of our forward programme, and the nature of the work we do, unfold across three pillars: cross-sector issues and current affairs; advocacy; and, long-term thinking. We aim to take forward a portfolio of projects which delivers across each of these pillars, although the balance of focus may shift over time in response to external changes.
- 2.10. We are introducing a holistic approach to delivering our policy work, which will bring together our previous policy and engagement workstreams. This means that we will work more closely with our partners and stakeholders to identify and consider policy issues common across regulated sectors. We will take into account for future work

programmes. To facilitate this, our portfolio of work for 2017/18 has been designed to bring a joint approach to engagement and policy work through projects (see 2.11) and UKRN networks (see 2.13).

UKRN projects

- 2.11. Each year in our work programme we will commit to a small number of projects which consider issues common across the sectors we regulate and which are delivered through project teams made up of colleagues from our member regulators. We will determine our project through engagement with our members and stakeholders, to identify where the greatest benefits of collaborative work can be achieved.
- 2.12. We will ensure that our work within a project is supported by clear and well-thought out stakeholder engagement. In future, we will explore opportunities to collaborate with partner organisations on events to support our projects, such as consumer bodies as a more direct way to understand and consider consumer wants, needs and expectations in regulated markets. Similarly, we plan to strengthen our relationships with investors to ensure UK regulation remains world class.

UKRN networks

- 2.13. Over the past three years we have developed a number of internal networks which foster links across our members. This year we will be putting greater focus on how these networks can facilitate the delivery of our projects. We will use these networks to identify prospects for future collaboration through horizon scanning and by identifying risks and opportunities.
- 2.14. The networks exist beyond a project's life span and may carry out specific think pieces. By working in conjunction with the project teams, the networks support and boost successful delivery of the work programme across our three strategic pillars.
- 2.15. We will continue to identify opportunities to work more efficiently together through our People Development Network including where we can share resources, promote secondments and upskill our people.

3. Engagement

Strengthening relationships with external stakeholders

- 3.1. Going forward, we aim to be more outward-facing, exploiting opportunities to connect with government and external stakeholders. We recognise a continuing ongoing role for the UKRN in facilitating joint engagement both across regulators and with wider stakeholders in advocating the role of independent economic regulation.

Communicating the role and work of the UKRN to our stakeholders

- 3.2. We plan to strengthen our communications function to increase our ability to access stakeholders and increase the benefits of our work through effective and targeted engagement.
- 3.3. To support our central communications as the UKRN office and share best practice between regulators we have established two new networks which bring together internal communications and digital communications specialists from the member regulators.
- 3.4. During Q1 and Q2 we will develop a communications plan to support the effective delivery of our project work. We will strengthen the skills of the UKRN office to build relationships with external stakeholders, including through better use of digital communications, targeted campaigns around publications and regular review of our stakeholder map and matrix.

Joint engagement with external stakeholders

- 3.5. We regularly facilitate events and discussions of topical issues with external audiences and in collaboration with partners. In the past, these topics have included consumer policy, investment, innovation, infrastructure and the role of independent regulation. On occasions, we partner with appropriate organisations and think tanks to organise joint seminars and roundtables, which boosts our ability to reach different recipients and beneficiaries.
- 3.6. As part of our aim to better align our policy and engagement work, we have a range of internal and external activities planned for this year, including our annual conference, an event exploring the needs of the consumer of tomorrow (detailed below), and further collaborative work with Policy Exchange, the Whitehall Industry Group (WIG) and the Long Term Infrastructure Investors Association (LTIIA).

‘Big data, bigger challenges: how will market serve consumers of the future’

We are organising an event in collaboration with Citizens Advice. It is aimed at senior participants, including regulator Board members, CEOs, Consumer Directors, Chairs of Consumer Panels and government officials within relevant departments, wishing to initiate a collective dialogue on future consumer challenges. It is an opportunity for regulators to hear directly from consumer groups and experts on the changing consumer landscape, analysing long-term strategic issues and future challenges, such as the implications of evolving business models on markets, developments in consumer selection practices and the effect of technology and innovation on engagement, particularly on vulnerable consumers.

Strengthening our internal network

- 3.7. We recognise that a key benefit to our members of the UKRN is the ability to build strong relationships and have dialogue with regulatory colleagues operating in different sectors. It provides a vehicle for colleagues to discuss challenges and experiences, share learning opportunities and identify innovative solutions to common issues.
- 3.8. It also offers the chance to collectively challenge and progress regulation to ensure that we continue to develop as world class regulators to the benefit of UK consumers.

UKRN Annual Conference

- 3.9. The UKRN Annual Conference brings together colleagues from across the membership of regulators. This full day event will showcase the work of the different members and the UKRN itself. It will provide an opportunity for colleagues to learn more about topical issues in regulation from regulatory experts and participate in a series of workshops exploring best practice with peers.

Other internal activities

- 3.10. We are keen to provide opportunities for learning and networking to our members, beyond the larger and more structured external activity, and we are very much driven by our members when it comes to selecting topical issues to explore. Our internal review illustrated that knowledge sharing and relationship building across our different organisations at a working level is still one of the most valued aspects of being part of the UKRN and we try to capitalise on it as much as possible. Some examples of how we do this are below.
- 3.11. We will establish a COO Network to focus primarily on up-skilling staff across our member regulators by facilitating secondments and identifying opportunities for shared learning, training and mentoring.
- 3.12. We will set up a UKRN Women’s Network, bringing together representatives from equivalent groups across our member regulators.

UKRN on Tour

- 3.13. As part of our aim to raise awareness of the UKRN in parts of the member organisations that are less connected to our work, we have started a UKRN on Tour campaign of seminars. We visit each regulator in turn and offer an informal overview of our activities, provide information on current and future projects, introduce the Principal representative for that organisation and generally promote the network, meet colleagues and discuss our work.

4. Projects

Project portfolio for 2017/18

- 4.1. The UKRN's policy projects have allowed regulators to examine cross-sectoral issues. Working on these policy projects has allowed colleagues from individual regulators practical experience of analysing issues from a breadth of perspectives and collaborating with internal and external experts from different fields. Our projects remain an important focus for the network and produce valuable insight and research into issues which are relevant to the work being considered in different sectors.
- 4.2. The portfolio for 2017/18 spans our three strategic pillars to reflect the objective of the UKRN: advocacy, cross-sector issues and long-term thinking, and build upon previous work carried out by the network.
- 4.3. We are seeking an agile approach to our forward programme to ensure we can respond to pertinent issues coming out of our networks and stakeholder engagement, and change direction when necessary. In order to be flexible in our approach, we will be open to reviewing the programme, and making changes subject to the agreement of our members.
- 4.4. Our projects for 2017/18 are set out below.

Switching demographics

- 4.5. This project will seek to understand the demographics of switchers in markets. It will consider evidence available across regulators and more broadly, including related analytical models connected to experiences of switching within and across telecoms, energy and financial services. The audit will highlight if and where gaps are present across the data sets, culminating in new research focusing on where information is required, to support future regulatory decisions.

Data sharing to better identify vulnerable consumers

- 4.6. Continuing from last year's work programme, this project is exploring how the sharing of information - in a targeted, proportionate and appropriate manner - could enable energy and water companies to better identify and thus support consumers in vulnerable circumstances. The project has explored existing research, and engaged with energy and water companies, as well as wider stakeholders. We plan to publish a report in the late summer / early autumn on the benefits, challenges and opportunities we have identified, including shining a light on existing examples and positive cross-sector work, for industry to consider and build upon.

Accessibility leaflet

- 4.7. We intend to launch a Northern Ireland version of our accessibility leaflet, a follow on to the accessibility leaflet we published in December 2015. This will outline the free support services offered to vulnerable customers by transport, telecoms and utility

companies, with input from the Utility Regulator, the Consumer Council for Northern Ireland and the Northern Ireland Executive.

Academic review of cost of equity finance

- 4.8. The Cost of Capital project team has proposed to commission an academic review of the cost of equity finance, testing the conventional approach in the current low returns environment. The study will be carried out by a team of academic experts and will benefit regulators, regulated companies and stakeholders alike, resulting in a brief report.

UKRN communications strategy

- 4.9. We plan to build on the existing skills of the UKRN office by recruiting dedicated UKRN communications capability. The role would provide the required expertise to develop a communication strategy, including a set of key messages, a narrative and a stakeholder management plan to inform future engagement opportunities and identify and build strong relationships with stakeholders.

Review of the UKRN, phase II

- 4.10. This short project taking place in the summer months follows on from the first phase of the UKRN review, which assessed its core objectives to provide clarity on the UKRN's role and remit. Phase II of the review will examine the operational aspects of the UKRN, such as its governance arrangements, membership and structure, to ensure it is fit for purpose and equipped for the successful delivery of its strategy and portfolio of work.

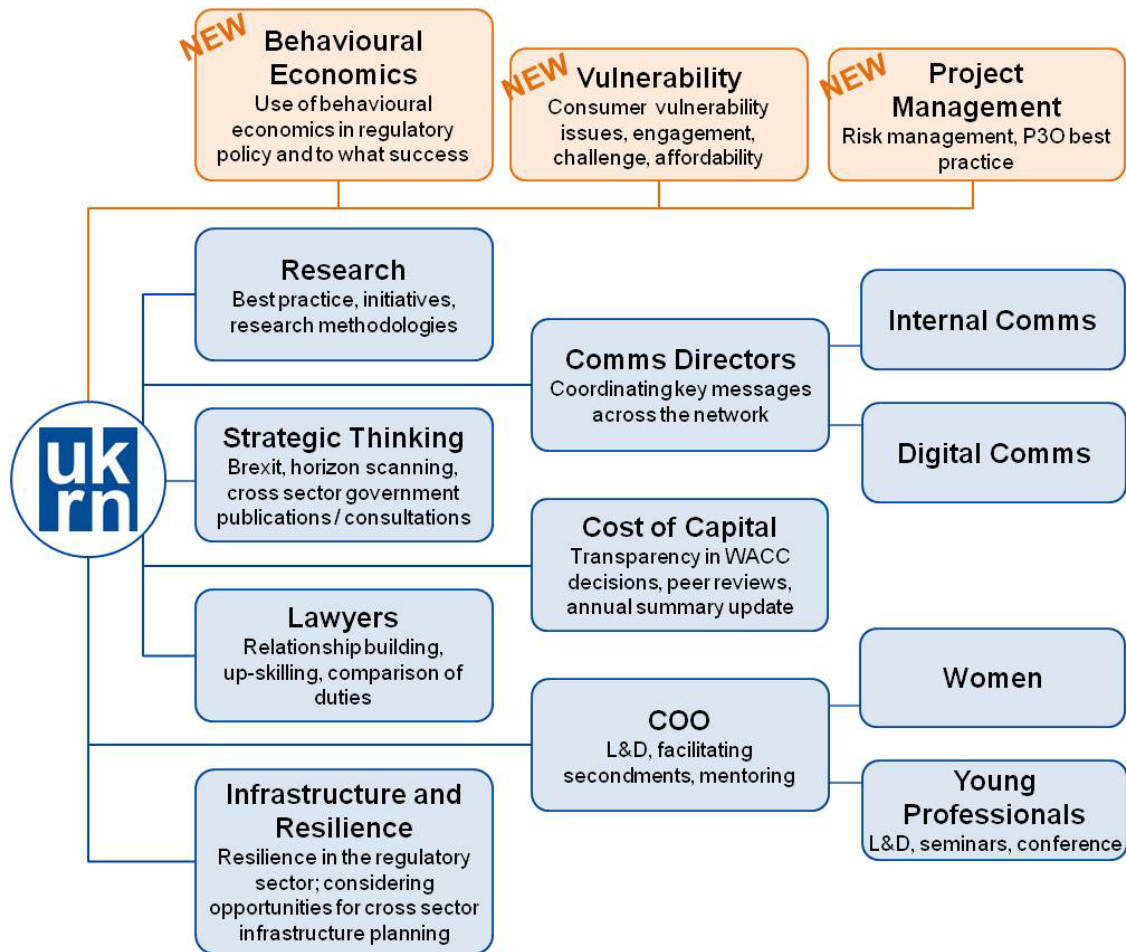
Ongoing work by networks

- 4.11. **Behavioural economics** – this is a new network that has been formed to share experiences and learning across the UKRN on the opportunities and risks associated with the application of behavioural economics in regulatory policy-making. One of the aims of the network is to identify any areas deemed suitable for cross-regulatory trials, working collaboratively with external organisations, and presenting the findings with an internal seminar and a follow-up note setting out the methodology and outcomes of the work for future reference.
- 4.12. **Weighted Average Cost of Capital (WACC)** – the Cost of Capital Network continues its ongoing work to improve the transparency of regulators' WACC calculations. This involves supporting fellow regulators with a bilateral or multi-lateral peer review process for relevant cost of capital decisions, seeking opportunities for commissioning joint external research, where the benefits can be shared and producing an annual update that outlines and compares key price control decisions from the previous year.
- 4.13. **Infrastructure and resilience** – the network continue to engage with the Climate Change Committee's Adaptation Sub-Committee to feed into its report to Parliament

in June 2017. The network is in the process of gathering information outlining the initiatives that regulators implement and promote across the sectors to address resilience and climate change. These include periodic reviews to monitor resilience of assets to climate or related impacts and the mitigation measures or KPIs in place.

4.14. A full depiction of all our networks is featured in the diagram below.

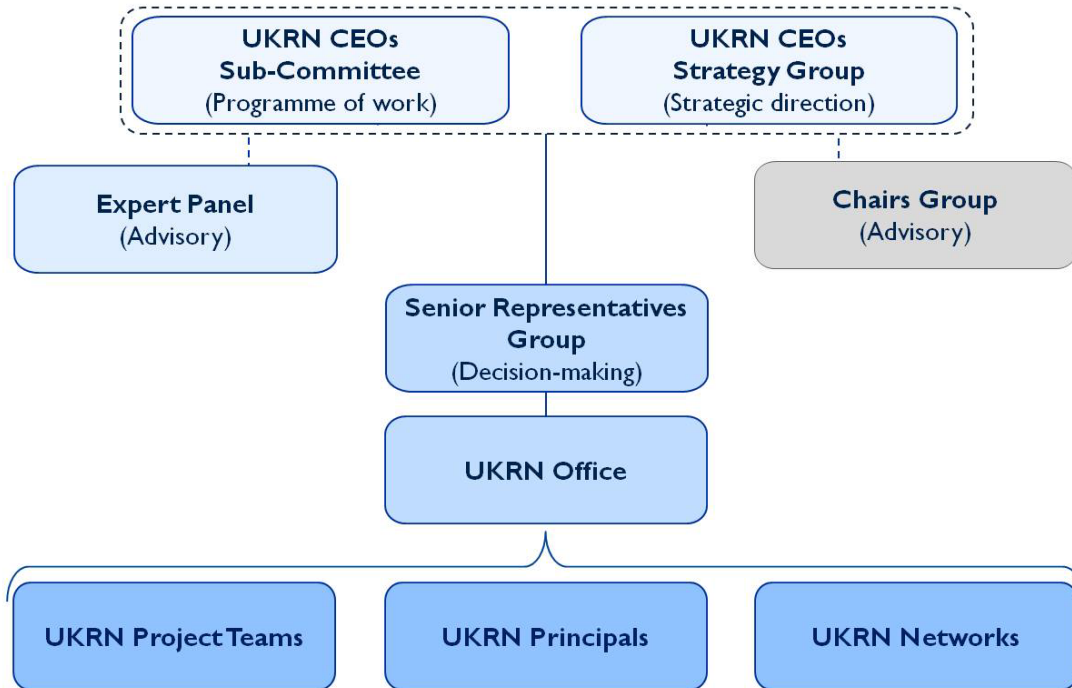
Figure 2: the UKRN networks



5. About Us

- 5.1. The UKRN is a member organisation. The strategy and forward programme is determined in consultation with all the members and signed off by the CEOs who meet on a quarterly basis. The Chair of the CEO group rotates on an annual basis, however, the nature of the Chair and frequency of the rotation will be re-assessed as part of the second phase of the UKRN internal review, which will commence in June 2017.
- 5.2. The CEOs are advised by the UKRN Expert Panel which consists of four independent advisors who hold expertise in different fields. The Expert Panel also provides feedback and challenge to our work programme. They are:
 - Chris Bolt (former Chairman of ORR);
 - James Wardlaw (Head of Infrastructure Investment Practice at Campbell Lutyens);
 - Sharon Darcy (Associate, Sustainability First and council member at Which?);
 - Catherine Waddams (Director, Centre for Competition Policy at University of East Anglia).
- 5.3. The Senior Representatives Group (SRG) consists of Director level staff at each member regulator and is the UKRN's main steering group. It monitors delivery of the engagement and policy workstreams as well as the operation of the UKRN Central Office.
- 5.4. The UKRN Principals act as the point of contact for all UKRN matters within each member organisation. As well as managing matters related to the policy projects, Principals also help with any general enquiries from other regulators regarding their organisation.
- 5.5. The day to day work is managed by the UKRN office. The UKRN office undertakes secretariat duties for all the groups and the panel, manages the progress of the work programme and has oversight of all of the UKRN's activities.

Figure 3: the UKRN governance structure



6. Appendix: what have we achieved in 2016/17?

- 6.1. In order to build on past successes, last year we set our intention to focus on a smaller number of individual projects than the previous year, with a greater emphasis on engagement.
- 6.2. Over 2016/17 we have made significant strides in building relationships with stakeholders, including collaborating on seminars and events, and seeking input and challenge on our projects. We also delivered in line with our project commitments (see below), focusing on issues relevant to consumers and to investors. In the final quarter we carried out an internal review to understand the effectiveness of the network. This has informed our focus going forward.

Projects

- 6.3. **Price Comparison Websites report:** - we published our [final report on price comparison websites \(PCWs\)](#), on 27 September 2016. The report is the second phase of our Consumer Engagement and Switching project, following on our December 2014 report. Our 2016 report explores how consumers use PCWs, looking at benefits, risks and regulatory challenges brought by innovation. Dermot was invited for an interview with BBC R4 Moneybox to discuss the report. We shared areas for further study highlighted in the report with the CMA in an open [letter](#). We continue to work with the CMA as they conduct a market study into Digital Comparisons Tools, considering our recommendations.
- 6.4. **Consumer engagement in regulatory decisions:** this project explored the ways in which regulators involve consumers, hear their views and take their interests into account. We published our [guide](#) on 20 April 2017, designed as a reference tool for regulators, government, consumer groups and regulated companies. Through infographics it provides a visual overview of the different roles of UK regulators, and how UK regulators and regulated companies engage with consumers in regulatory decisions.
- 6.5. **Future tools in cost of capital decisions:** we carried out extensive engagement with the wider financial community to investigate how the mechanism for forecasting the cost of debt used by these organisations compared with regulators' tools. We are planning to publish our Cost of Capital Annual Update Report in May 2017, as a summary of key price control decisions in the past year.
- 6.6. **Data sharing:** this continues our collaborative work on consumers in vulnerable circumstances, building on UKRN's leaflet on free support services available to consumers across regulated sectors. In 2016/17 we worked with Ofgem and Ofwat to explore the benefits, dis-benefits, opportunities and barriers to the sharing of data on consumer vulnerability across the energy and water sectors. We published an [open letter](#) in December 2016 publicising the project, and engaged with a range of water

and energy companies as well as data and consumer experts, updating stakeholders in our April 2017 [blog](#). The findings will feed into a report to be published later in 2017, to ‘myth’ bust and drive industry action in this area.

Engagement

- 6.7. **6 July 2016 – Indepen + UKRN Forum on Independent Regulation:** the Indepen Forum brought together regulators, companies and investors to discuss the state of independent economic regulation in the UK. The debate was chaired by David Gray, chairman of Ofgem, with Andrew Haines, chief executive of the Civil Aviation Authority and James Wardlaw, partner at Campbell Luytens contributing as speakers. A note of the event can be accessed [here](#).
- 6.8. **8 September 2016 – Long Term Infrastructure Investors Association + UKRN Conference:** this event focused on ‘UK infrastructure regulation: opportunities to align the interests of investors and consumers’. The programme and presentations can be accessed [here](#).
- 6.9. **21 November 2016 – Office for National Statistics + UKRN lunchtime seminar:** ‘Inflation indices in price control decisions’. Some of the UKRN’s engagement activity is organised to showcase particularly valuable and interesting work which wouldn’t otherwise be known across the network. The session featured a keynote presentation from the ONS, exploring developments, improvements and timescale on CPI and CPIH, as well as the latest trends and analysis on PPI. Speakers also included Ofwat, Ofgem and the SSRO who shared their views on the journey from RPI to CPI so far in water regulation; a comparison of RPI, CPI and other indices in energy; and an overview of price control in the regulation of single source MOD contracts. The agenda and presentations can be accessed [here](#).
- 6.10. **30 November – Whitehall & Industry Group + UKRN workshop** – the event explored how to deliver the best outcomes for consumers through regulatory enforcement. It was of interest to regulators, regulated industries, lawyers and other interested parties.
- 6.11. **16 January 2017 – Policy Exchange + UKRN and Citizens Advice roundtable:** ‘Switched On: Are Switching Sites a Sign of Healthy or Broken Markets?’ – the event brought together speakers from BEIS, Citizens Advice and energy firms to discuss consumer switching and the role of comparison sites.
- 6.12. **13 March 2017- System operators:** the ORR arranged a workshop to look at developments relating to system operators in the utility and transport sectors. The briefing brought together participants from wide across the network who offered their views on regulatory issues and challenges and how these are addressed, with the aim of informing future thinking.