



The voice for water consumers
Llais defnyddwyr dŵr

CCW's response to:

UK Regulators Network guidance for regulators on the methodology for setting the cost of capital - consultation

1. Introduction

- 1.1 CCW is the statutory consumer organisation representing water and sewerage consumers in England and Wales. Since 2005, we have helped thousands of consumers resolve complaints against their water company, while providing free advice and support. All of our work is informed by extensive research, which we use to champion the interests of consumers and influence water companies, governments and regulators.
- 1.2 We welcome the opportunity to respond to UKRN's consultation. We have significant interest in the cost of capital as a key input to the prices that customers pay for their water and sewerage services.
- 1.3 We have long been concerned about the cost of capital being set too high thereby benefiting shareholders at customers cost. This has prompted us to commission independent assessments of the cost of capital at previous water price reviews.

2. Our response

- 2.1 We support the recommendations as outlined in the paper. We particularly welcome the intention for there to be greater transparency and consistency of approaches between sectoral regulators in their estimation of the cost of capital. However, we note that the guidance is intended to be non-binding in nature. We would welcome sectoral regulators' commitment to having regard to UKRN's guidance. We would also welcome transparency from sectoral regulators where they do not follow the recommendations particularly where regulatory judgement is applied.
- 2.2 The consultation paper seeks to enhance consistency between regulators and over time which is to be welcomed. However, it is also clear that there have been inconsistencies in how various CMA appeal panels have addressed cost of capital estimation. We would welcome the CMA signing up to these guidelines and committing to explaining where and why they have not. Customers are impacted by the decisions of the CMA so it would be disappointing if the CMA did not similarly adopt the principles that UKRN is suggesting.

Enquiries

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