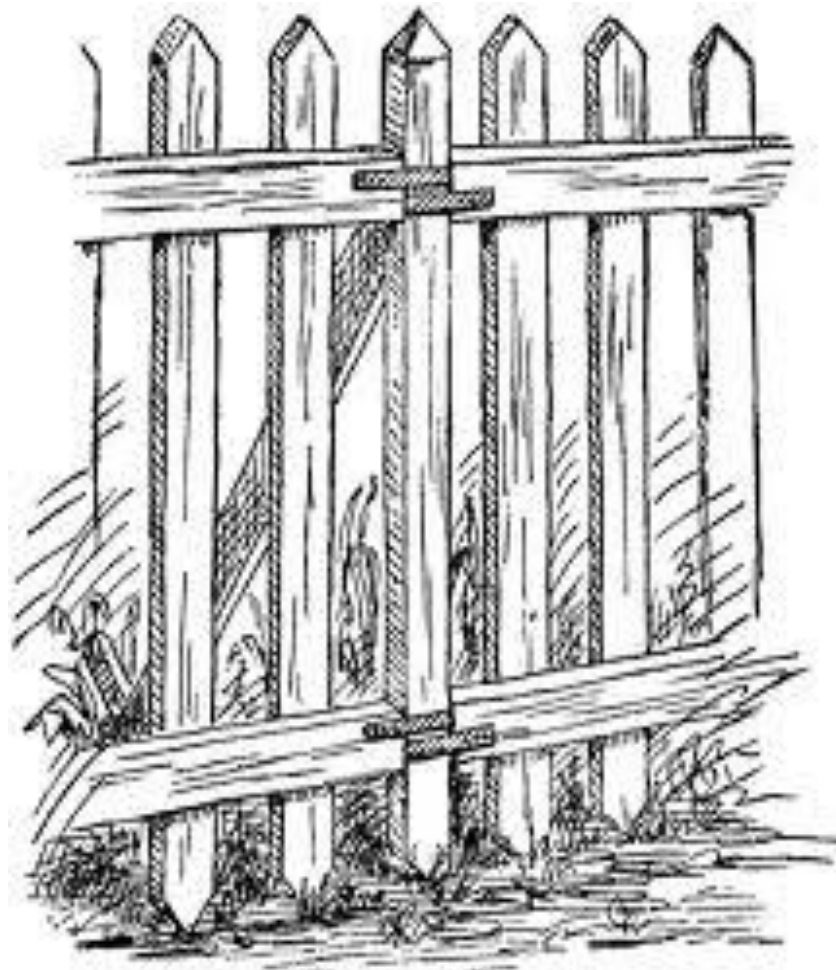




The story of a business leader learning to be a regulator
and a regulator learning to redefine regulation

Jonson Cox: Keynote speech
RPI conference
7 September 2015

Then...



...Now

THE  TIMES

“There is nothing poachers hate more than a gamekeeper who knows where the pheasants are buried”

-The Times, Robert Lee



A clear focus on customers



- Private provision of public services
- Fulfil the promises of privatisation
- Trust and confidence
- As the regulator Ofwat provides an important safeguard of the customer interest
- Customers at the heart of PR14
- Approximately 250,000 conversations between companies and with customers took place across the country

Providing effective Board leadership to the Company



- Boards need to take the lead in setting expectations for customer engagement within the business
- Company Board assurance needed for PR14 business plans
- Ofwat's work on improving the quality of Boards has led to a significant turnover of Board membership with improvements in the calibre of Non-Executive Directors
- 'Fit and proper person' test could be used when recruiting Non Executive Directors

Image © Highways Agency

Looking after the long term



- 'Franchise' is permanent
- Responsibilities to customers, the environment and society
- The regulator has a duty to further resilience for vital public services, for now and for the future
- Not inconsistent with five-yearly price reviews

Ensuring resilience in all respects



- Resilience and reliability isn't just about equipment. It's about the responsibility on companies to make sure that they are well placed to manage risk and withstand shocks
- Regulated companies are relatively low risk investments. But they are not 'zero risk' cash cows
- Companies will have to make changes to continue to ensure resilience and reliability of service for the long term in the face of changing circumstances
- Managing the risks of resilience **efficiently** is the job of companies

Respect and value the relationship with the regulator



- The importance of constructive dialogue between companies and the regulator
- Dialogue – provocative as it might need to be – than to resort to the “contract”
- But dialogue does not mean negotiation
- Companies need to be willing to engage and to debate subjects that might be difficult and involve change
- Effective dialogue between the sector and regulator helps to ensure political independence

Looking forward



The regulator will not take responsibility for responsibilities that rightly sit with companies

The 'old' world	The 'new' world
Non alignment of customer dividends and investor dividends	Alignment of investor and customers
Setting service standards	Competitive frontier
Fixed efficiency frontier	Dynamic efficiency frontier
Companies all look the same	Differentiation - services, structure and functions
Integrated companies	Opportunity to diversify eg: retail

A regulator needs to be confident



- We need to be confident and to use all the tools available to us
- We need to be provoking and challenging to the sector – set the agenda and move the debate forward
- We need to shine a light on things the sector is doing well and not well
- We need to be firm but fair and brave, doing the best for customers while not undermining investor confidence
- Maintain our independence

The terms on which we provide a safety net



Conclusion

