

## **The 2004 Electricity Distribution and Water Periodic Reviews: Issues and Implications**

In November/December 2004, Ofgem and Ofwat published final conclusions in their respective reviews of the prices that the UK's electricity distribution and water companies are allowed to charge customers.

This new report from First Economics examines the main decisions that the regulators set out in their determinations, comparing the consistency of the two approaches and assessing how far there are differences in relation to each of the price control building blocks. It is written specifically for individuals who want to understand fully both the decisions that Ofgem and Ofwat have reached, but who require only a concise overview of the key points in the regulators' documents and expert analysis of the implications.

The report has four main parts:

- section 1 provides a comprehensive two-page executive summary of the key decisions appearing in the regulators' final conclusions;
- section 2 focuses on efficiency and incentives, examining how Ofgem and Ofwat have assessed the scope for future cost savings, the conclusions they have reached and the incentives they have put in place to encourage further savings over time;
- section 3 looks at financial issues, focusing on the techniques used by the regulators, the principles they have adopted and the allowances they have made in order to ensure that regulated companies are able to finance their activities; and
- section 4 concludes with First Economics' analysis of the consistency between the two regulators' decisions and the extent to which there are any major divergences in approach.

The report is available from First Economics at a price of £75 plus VAT. To obtain your copy, please fill out the order form on the reverse of this page and return it to us by fax or by post using the details overleaf.

### Topics covered:

- efficiency targets
- incentive design
- cost of capital
- financeability
- RAB and depreciation
- treatment of pension costs

### Questions answered:

- on what assumptions have the new price limits been based?
- what changes have been made to the wider regulatory framework?
- how consistent are the Ofwat and Ofgem price-setting methodologies?

### Who should read this report:

- all regulated companies
- customer groups
- industry regulators
- government
- investors, lenders and rating agencies

### You will benefit from:

- a clear and concise summary of the main conclusions
- an in-depth comparison of the two regulators' approaches
- comprehensive analysis of the all key issues affecting price limits

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