Strategy and Forward Work Programme for 2018/19

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About this document

This document sets out the UK Regulators Network (UKRN) work programme for 2018/19.

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.

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1. Foreword

Welcome to the UKRN's forward work programme for 2018/19, in which we set out our new strategy and portfolio of projects for this financial year.

2017/18 has been a successful year for UKRN, with our first coordinated policy project between two regulators: Ofwat and Ofgem.

In October 2017 we published a report: 'Making better use of data: identifying customers in vulnerable situations'. Our report highlighted positive collaboration already taking place between the two sectors and set expectations for companies to begin sharing non-financial vulnerability data across sectors. This is in step with the Utility Regulator in Northern Ireland, which has proposed that Northern Ireland Electricity Networks and Northern Ireland Water develop a data sharing agreement, to ensure customers are automatically included on care registers for both companies on the point of registration for one.

We were pleased that industry have responded by establishing a joint working group to take forward cross-sector data sharing and put data sharing arrangements in place by 2020 and we will monitor its progress through the UKRN.

We also commissioned an independent study into the way in which economic regulators set allowances for the cost of capital in price controls. We think it is an important report with significant implications for the consumers of and investors in the companies we regulate.

The report will help inform regulators when they set limits on how much regulated companies can charge their customers for services that depend on expensive investment in assets. It will relate to our water, gas and electricity networks, certain parts of our telecommunications networks and some privately-owned transport infrastructure, notably Heathrow Airport.

The report raises some challenges for us and we have a programme of work this year that the regulators will undertake jointly or share between them.

Our 2018/19 portfolio of work builds on both of these projects, but also recognises the increasing challenges and opportunities data and technology afford our sectors. We have therefore set out the cross cutting areas which we will focus on for the next year:

- Innovation friendly regulation;

- Resilient sectors;

- Consumer fairness;

- Better ways of working together.

I believe this focus will build on our past work and continue to further our understanding of consumers in the sectors we regulate, enabling us - 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. Delivering the UKRN strategy in 2018/19

Background

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 2017 UKRN review

2.2. Recognising the third anniversary of the UKRN since its inception, in 2017 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. The research we conducted informed our new triennial strategy which is focused around a single objective: to facilitate cooperation and communication between our members to promote better outcomes in economic regulation for consumers and the economy.
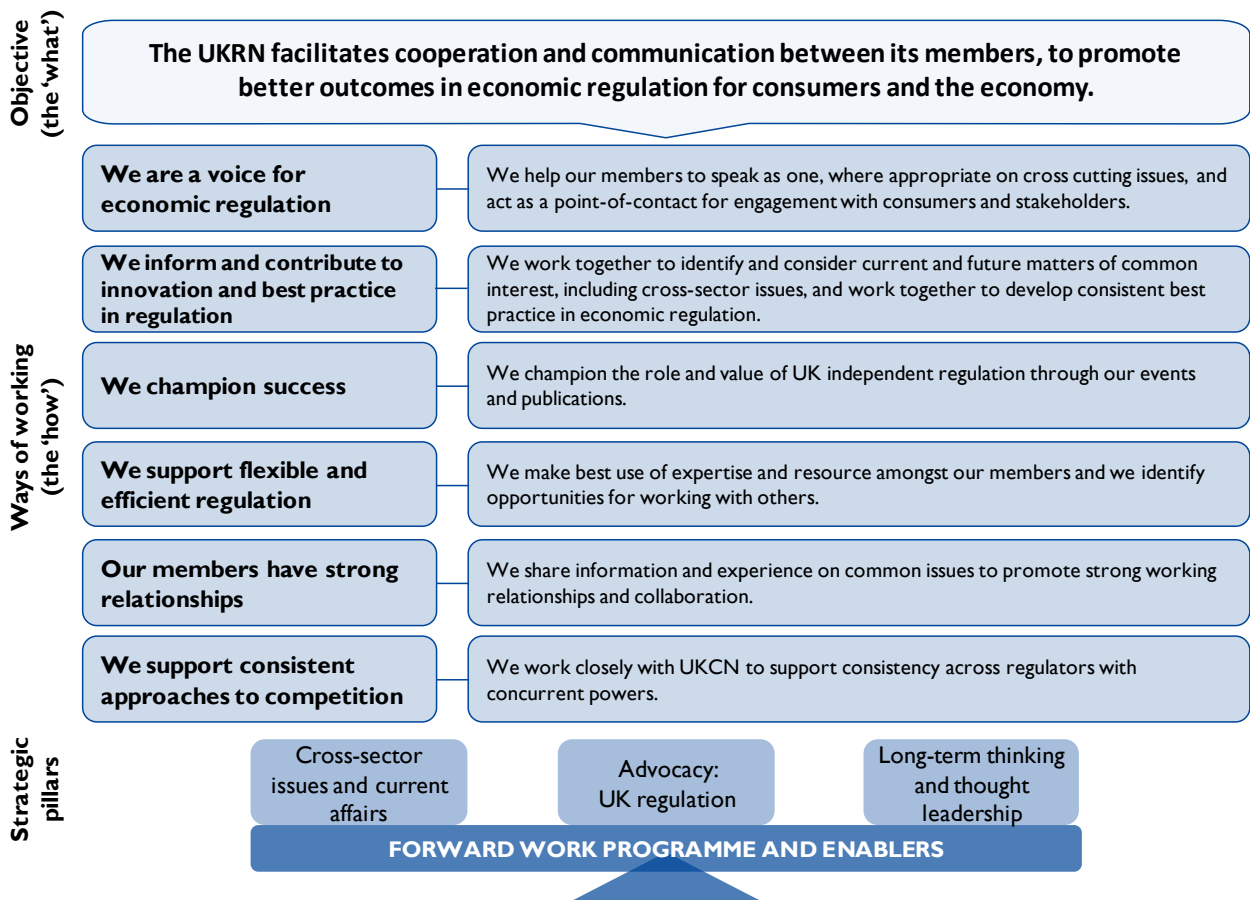
Our objective and ways of working

2.4. The UKRN's strategic objective was designed to better reflect the significant and strategic role for the UKRN, capitalising on the benefits that our members value the most from being a part of the network.

2.5. The UKRN provides a unique opportunity for regulators to inform and contribute to policy debates and cross-sector regulatory issues as well as sharing information and experience. The network facilitates a learning culture, sharing best practice in order to push the frontier in regulation for the benefit of consumers, investors and the UK economy.

2.6. To deliver our strategic objective, we defined 6 principles which we call our '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.

Figure 1: the UKRN strategy

Objective (the 'what')

The UKRN facilitates cooperation and communication between its members, to promote better outcomes in economic regulation for consumers and the economy.

Ways of working (the 'how')

We are a voice for economic regulation	We help our members to speak as one, where appropriate on cross cutting issues, and act as a point-of-contact for engagement with consumers and stakeholders.
We inform and contribute to innovation and best practice in regulation	We work together to identify and consider current and future matters of common interest, including cross-sector issues, and work together to develop consistent best practice in economic regulation.
We champion success	We champion the role and value of UK independent regulation through our events and publications.
We support flexible and efficient regulation	We make best use of expertise and resource amongst our members and we identify opportunities for working with others.
Our members have strong relationships	We share information and experience on common issues to promote strong working relationships and collaboration.
We support consistent approaches to competition	We work closely with UKCN to support consistency across regulators with concurrent powers.

Strategic pillars

Cross-sector issues and current affairs

Advocacy: UK regulation

Long-term thinking and thought leadership

FORWARD WORK PROGRAMME AND ENABLERS

The strategic pillars and the structure of our work programme

2.7.   Our strategy sets out three strategic pillars. These are the areas which guide our work: cross-sectoral issues and current affairs; advocacy; and long-term thinking. Each year, we aim to take forward a select portfolio of projects which deliver across each of these pillars, recognising that the balance of focus may shift in response to external developments.

2.8.   As part of our strategy, we decided to take a holistic approach to delivering our policy work by bringing together our previously separate policy and engagement work. This is in recognition of how important our internal and external stakeholders are in helping us to learn and evolve in the face of fresh challenges. We aim to work closely with our strategic partners and stakeholders to identify and consider policy issues common across regulated sectors and deliver those with a range of outputs, including reports, infographics, seminars and conference events.

2.9.   We take an agile approach to delivering our forward programme so that we can respond to a fast paced, changing environment. In order to be flexible in our approach, we are open to reviewing the programme and making changes as the year progresses, subject to the agreement of our members.

3. Themes

3.1. This year we have structured our programme of work under four themes, which we have identified as common areas of focus for our members.

3.2. As illustrated in figure 2 these themes are not independent of one another. There are synergies across all of them.

Figure 2: the themes for 2018/19

3.3. We will explore the rise of the data-centric economy and the role of innovation to unlock its value. Big data and its implications are a cross-sector development and collaboration can help to achieve wider benefits. This includes considering the challenges and opportunities it brings to improve consumer outcomes in regulated sectors. Ensuring that data is transparent and accessible can unlock its value and regulators are already leading work individually in this area. We will work together to promote debate and facilitate work that can bring positive benefits across sectors.

3.4. We will also collaborate to ensure we promote the resilience of our sectors, working with stakeholders to understand the infrastructure needs of the UK, and how our regulatory practices can facilitate efficient planning and delivery of large scale, long term investment.

3.5. We have made great strides in sharing knowledge and understanding the needs of consumers in vulnerable circumstances across our markets. We will continue to look for opportunities to improve services for these customers, including by showcasing best practice across sectors. We also recognise that improving services for customers in greatest need can encourage better customer service across for all customers. We will explore where approaches can be expanded in order to create fairer markets for consumers.

3.6. Underpinning all this work is ensuring we have appropriate systems, processes and people in place to work together effectively. We are therefore ambitious in developing our people together and exploring approaches to continue to work better together.

Theme: Innovation-friendly regulation

3.7. Our aims for this theme are as follows.

- To explore how regulators can promote innovation to deliver better consumer outcomes, whilst considering cross sector implications of our policies.

- To position UKRN as a vehicle of collaboration between regulators of essential services by encouraging data sharing, to the benefit of consumers in vulnerable circumstances, in line with the National Audit Office's recommendation in their 2017 report Vulnerable consumers in regulated industries.

- To identify where regulators can share data with each other to inform better policy development and decision making.

- To explore how data quality and metrics can improve consumer engagement and decision making when using digital comparison tools.

3.8. We will do this by:

- Working together to prevent barriers to innovation across sectors, through our Digital Comparison Tools Network, where we recognise boundaries are increasingly blurred.

- Challenging water and energy companies to better use data and share it across sectors, to both identify and provide consistent support to consumers in vulnerable circumstances, sharing lessons learnt with other sectors (see section 4.7).

- Working with our stakeholders and through our Data Network to explore how regulators can promote innovation whilst protecting consumers to support future markets and to increase productivity, including changing business models, changing consumer skills and lifestyles.

- Exploring the implications of GDPR for regulated sectors, companies and for regulatory approaches.

> **Activities**
> - Project: Autumn follow up report to our Making better use of data: identifying customers in vulnerable situations published October 2017 (see Section 4).
> - Project: March 2019 project conclusion report on Digital Comparison Tools and how we have implemented the CMA recommendations (see Section 4).

Theme: Promoting resilient sectors

3.9. Our aims for this theme are as follows.

- To increase understanding amongst our stakeholders, including investors, Government and independent bodies, of the role and value of independent regulation in delivering positive long term resilient sectors for consumers.

- To position UKRN as a vehicle of collaboration between regulators of essential services, including by continuing to work together to advance regulatory understanding of how best to set the allowed cost of capital and the impact this has on the long-term resilience of our sectors.

- To build relationships with other independent bodies e.g. National Infrastructure Commission (NIC), Infrastructure and Projects Authority (IPA), Greater London Authority (GLA), Future Cities Catapult) to inform and influence future long term investment and infrastructure planning and to ensure stakeholders understand the regulatory model.

3.10. We will do this by:

- Working across our members, through our Infrastructure and Resilience Network, to identify where we can work together to deliver long term resilient sectors, including in understanding different definitions and approaches to resilience.

- Sharing learning and approaches to considering Brexit and implications for regulated sectors, consumers and regulators through our Strategy and Brexit Networks.

- Working together to develop best practice in determining the Cost of Capital for infrastructure sectors.

- Engaging with investors to communicate and promote transparency in key regulatory decisions, in partnership with the Long Term Infrastructure Investors Association and the Global Infrastructure Investors Association, including an annual conference.

- Working with the Digital Framework Task Group in the development of the roadmap to the Digital Framework for infrastructure data as recommended in the National Infrastructure Commission's 'Data for the Public Good'.

Activities
- Spring 2018 position paper on the use of inflation indices.
- Annual summer conference with Long Term Infrastructure Investors Association.
- Membership on the Digital Framework Task Group.
- Autumn update report to our 2015 Cross Sector Infrastructure Interactions.
- March 2019 Cost of Capital annual report on Cost of Capital decisions.
- Project: Cost of Capital (see Section 4)

Theme: Promoting fairness for all consumers

3.11. Our aims for this theme are as follows:

- To explore how regulators can promote innovation to encourage fair consumer outcomes whilst considering cross sector implications of our policies.

- To champion success where innovative approaches are taken to delivering positive experiences for consumers, including those in vulnerable circumstances.

- To explore the use of behavioural economics to improve consumer engagement in markets.

- Working together to understand the consumer implications of Brexit.

3.12. We will do this by:

- Collaborating with others to better understand and improve the services provided to customers in vulnerable circumstances through our Vulnerability Network. (e.g. mental health problems), including working with Government following the publication of the 2018 Consumer Green Paper.

- Working with others (third parties) to explore approaches to effective consumer information, enforcement and redress including working with Government following the publication of the 2018 Consumer Green Paper

- Working together to ensure consumers are protected, through our Digital Comparison Tools Network, where we recognise boundaries are increasingly blurred.

- Working together to understand the implication of Brexit from the consumer perspective and whether there are actions for us to take together.

Activities
- Engagement with UK Competition Network (UKCN) following the publication of their Consumer Remedies Lessons Learnt Report (to be published Q3 2018/19).
- Regulator membership on BEIS Consumer Forum.
- Event and report showcasing cross sector best practice by companies to improve services for vulnerable customers, including mental health, and exploring minimum standards for improving service.
- Working with the Office for Public Guardian to improve service provision of Power of Attorney by regulated companies.

Theme: Better ways of working

3.13. Our aims for this theme are as follows:

- Promote positive cultures, diversity and flexible working within and across UKRN members

- Identify resource challenges posed by changing regulatory approaches, including how regulators use data, and the implications for IT, skills and people.

- Explore opportunities for efficiencies in the way we work through sharing resources across our members.

- Build relationships with other networks to ensure there is no duplication between what we do as UKRN and other similar networks, and where it is beneficial work with these networks, as part of a desire for continuous improvement in how we work.

3.14. We will do this by

- Developing common principles for secondments and shared training to ensure we are effective and efficient in developing and sharing our people, working through our HR Directors Network.

- Developing our people and promoting a diverse workforce through our Young Professionals Network and our Diversity Network.

- Sharing long term strategic resource plans to identify opportunities and working together in the delivery of high value procurement through with our Chief Operating Officers Network.

- Share approaches to managing data, including IT systems and structures through our Chief Operating Officers Network and our Data Network.

- Explore, identify and promote good practice in portfolio, programme and project management to enable effective project application within regulators, with our Project Management Network.

> **Activities**
> - Shared training scheme
> - Diversity in Economics event
> - Shared secondment principles
> - Shared strategic operational plans
> - UKRN conference, April 2018
> - Regular engagement and participation with Government and Government networks

4. The way we work: UKRN projects, networks and engagement

UKRN projects

4.1. Each year in our work programme we commit to a select number of projects which consider common issues across the sectors we regulate. Projects are delivered through teams of colleagues from our member. We determine our projects through engagement with our members and stakeholders, to identify where the greatest benefits of collaborative work can be achieved.

4.2. We ensure that our work within a project is supported by stakeholder engagement. We 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 continue to strengthen our relationships with investors to ensure UK regulation remains world class.

4.3. The UKRN's policy projects have enabled 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.

4.4. The portfolio for 2018/19 spans our three strategic pillars to reflect the objective of the UKRN: advocacy, cross-sector issues and long-term thinking, and builds upon previous work carried out by the network.

4.5. Our projects for 2018/19 are set out below.

4.6. **Cost of Capital: Investor motivations and behaviours programme**

- We plan to undertake a programme of work that will build on the recently published UKRN Cost of Capital (CoC) Study to help give insights to regulators into investor motivations and behaviours. The objective is to inform the development of policy that best meets the needs of consumers and improves the attractiveness of investing in UK regulated infrastructure.

- The programme will consider the main motivations and drivers of investor behaviour covering operational and strategic risk, financing and tax structures, corporate governance and regulation.

- Ofwat has already engaged consultants to deliver a foundation stage for this programme. Although the Ofwat-commissioned project is framed in the context of the water sector, we expect its conclusions will in large part read across to other

sectors. The Ofwat project is focused on the influence of equity investment, given the potentially diverse range of equity investors and capital structures, on management behaviours and business resilience.

- The regulators will consider how to build on the outcome of the Ofwat project to meet the overall objective of the investor motivations and behaviours programme.

- As part of this programme, we expect to build on further work that has been commissioned by Ofgem exploring how different investor holding periods should impact on the measurement of beta risk. These insights should add another dimension to our understanding of investor motivations and behaviours.

- Also as part of, or alongside, this programme, we expect to extend analysis that has already been carried out by the working group into the main economic, regulatory and behavioural drivers of beta risk and debt default risk for regulated businesses. This should help us develop appropriate regulatory policy responses.

4.7. **Review of the recent UKRN Cost of Capital Study**, "Estimating the cost of capital for implementation of price controls by UK Regulators", March 2018. Now that the study has been published, we will carry out a review to identify:

- Issues where regulators can establish consensus position;
- Implications for UKRN peer review process.

4.8. **Data Sharing**: In 2018/19 we will be holding companies to account on progress, and championing where innovation delivers real benefits for consumers in vulnerable circumstances.

- As set out in our 2017 publication, we expect the joint water working group to report quarterly to Ofgem and Ofwat through UKRN on progress.

- In Spring 2018, we will issue an information request for individual water and energy companies to demonstrate how they are collaborating to upscale and expand on existing cross-sector work to identify customers in vulnerable circumstances.

- In Autumn 2018, we will publish an update on progress across the two sectors.

4.9. **Digital Comparison Tools:** We have formed a project team with the relevant regulators (CAA, FCA, Ofcom, Ofgem, Ofwat and the CMA as an observer) and we plan to ensure we follow a consistent approach to DCTs, having regard to the CARE principles and to the guidelines provided by CMA. These provide details on the factors that regulators should consider when assessing whether to intervene and help DCTs do more for consumers.

- We will also consider ways in which we can free more information to improve data portability, so that consumers can obtain useful comparisons of complex and data-intensive services, such as in the insurance sector. This project will explore improvements in the use of product quality metrics, both in terms of their nature

and the ways in which they are presented on DCTs, to support effective comparisons.
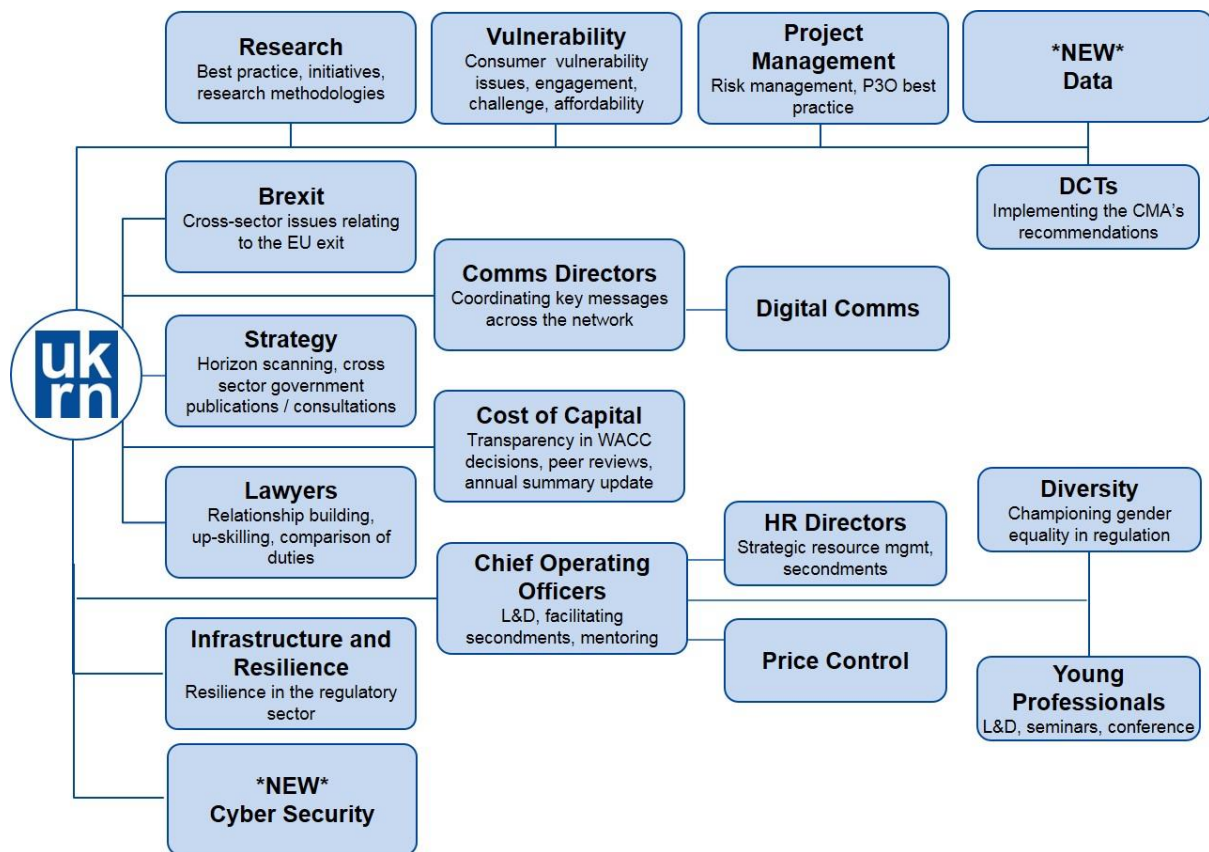
- We will consider the use of comparable data metrics and scorecards to better inform customers and policy makers of how our markets are working.

- We will publish a report on progress in March 2019.

4.10. **Cross sector infrastructure interactions – update report:** We will update our previous report (published in 2015) and as part of this consider the findings of the NIC Data for Public Good report (2017). This work, together with our engagement with the Digital Framework Taskforce Group will help to identify any regulatory barriers to ensuring effective data and information sharing where appropriate across infrastructure providers to ensure efficient infrastructure planning and delivery.

UKRN networks

4.11. Since being established we have developed a number of internal networks which foster links across our members. We use these networks to facilitate the delivery of our projects where applicable, detect risks and opportunities and identify prospects for future collaboration through horizon scanning.

4.12. The networks exist beyond and outside of the life span of an individual project 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.

4.13. We continue to identify opportunities to work more efficiently together through our Chief Operating Officers Network including where we can share resources, promote secondments and shared training and upskill our people. We will engage with and include other public bodies as appropriate through this network where best practice and learning is beneficial.

4.14. A full depiction of all our networks is featured in Figure 3.

Figure 3: the UKRN networks

UKRN engagement

Strengthening relationships with external stakeholders

4.15. We recognise the crucial ongoing role for the UKRN in facilitating joint engagement, both across regulators and with wider stakeholders, in increasing the understanding of the role of independent economic regulation and in identifying challenges and opportunities for consumers within our markets. Going forward, we maintain our intention to be more outward-facing, exploiting opportunities to connect with government and stakeholders, responding to the external environment.

Communicating the role and work of the UKRN to our stakeholders

4.16. We continue to focus on our communications function to improve our ability to access stakeholders and maximise the benefits of our work through effective and targeted engagement.

Joint engagement with external stakeholders

4.17. 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. We regularly partner with independent organisations, charities and think tanks to

organise joint seminars and roundtables to reach different audiences. We welcome new opportunities to work with others.

4.18. 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 and further collaborative work with the Whitehall Industry Group (WIG), Citizens Advice and the Long-Term Infrastructure Investors Association (LTIIA). We have also connected with a number of new strategic partners, including the Institute of Public Policy Research, the Money and Mental Health Policy Institute and the Institute of Customer Service, responding to a challenging economic climate which brings to the forefront topical issues such as consumer vulnerability.

Strengthening our internal network

4.19. 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.

4.20. 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.

Internal activities

4.21. We are keen to provide opportunities for learning and networking to our members, beyond the larger and more structured external activity, and we are 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. We continue to explore how we can strengthen internal relationships, including through seminars and workshops to share best practice.

UKRN on Tour

4.22. As part of our aim to raise awareness of the UKRN in parts of our member organisations that are less connected to our work, we started a series of seminars called 'UKRN on Tour'. We will continue this through 2018/19, where we will visit each organisation in turn to share and promote UKRN activities, provide information on current and future projects, introduce each regulator's UKRN contact and encourage involvement in the network.

UKRN Annual Conference

4.23. The UKRN Annual Conference brings together colleagues from across the membership of regulators. This full day event showcases the work of the different members and the UKRN itself. It provides 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.

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 frequency of the rotation is re-assessed on an ad-hoc basis in conversation with our members.

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:

- 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, which has oversight of all the UKRN's activities. We coordinate and build relationships across members and cross-sector stakeholders. We undertake horizon scanning to seek opportunities for collaboration and encourage strategic thinking as well as promote the work we do.

Figure 4: the UKRN governance structure