



Investing in UK Regulated Infrastructure

Richard Price

Chief Executive, Office of Rail and Road, UK

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Key messages

The UK's regulated utilities must deliver a substantial programme of investment to meet the needs of consumers today and tomorrow

Sector economic regulators are well aware of the **central role of investors**

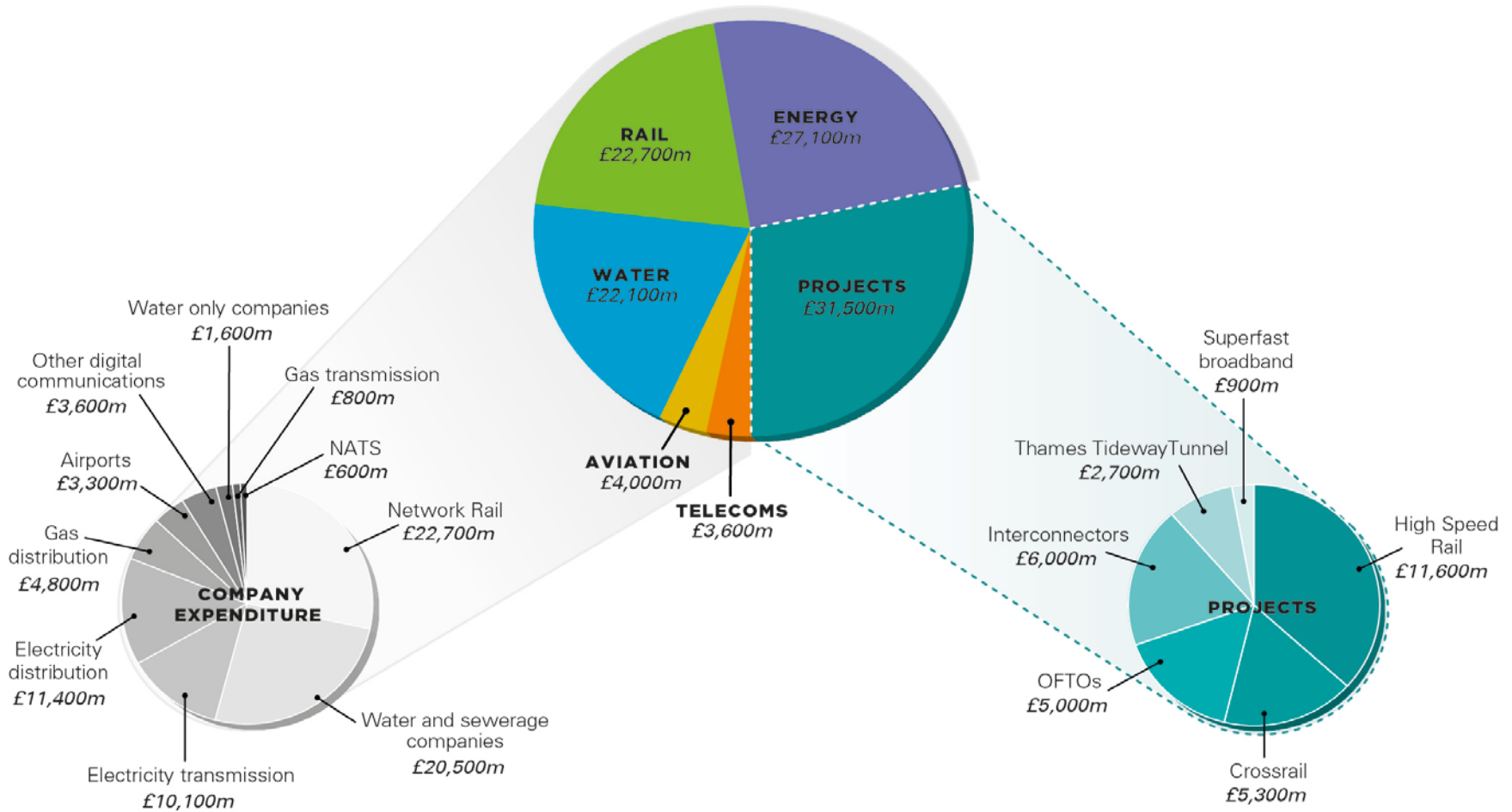
The UK's framework of independent regulation provides the **stable, transparent and accountable** basis that supports investment over the long term, whilst **ensuring consumers' needs are met**

The UK's Regulators, across sectors, have come together to share experience, lessons and collaborate where this offers value to stakeholders: explaining our approach, ensuring consistency where appropriate, tackling issues of concern to asset owners and consumers.

Investors play a central role in securing the UK's infrastructure needs

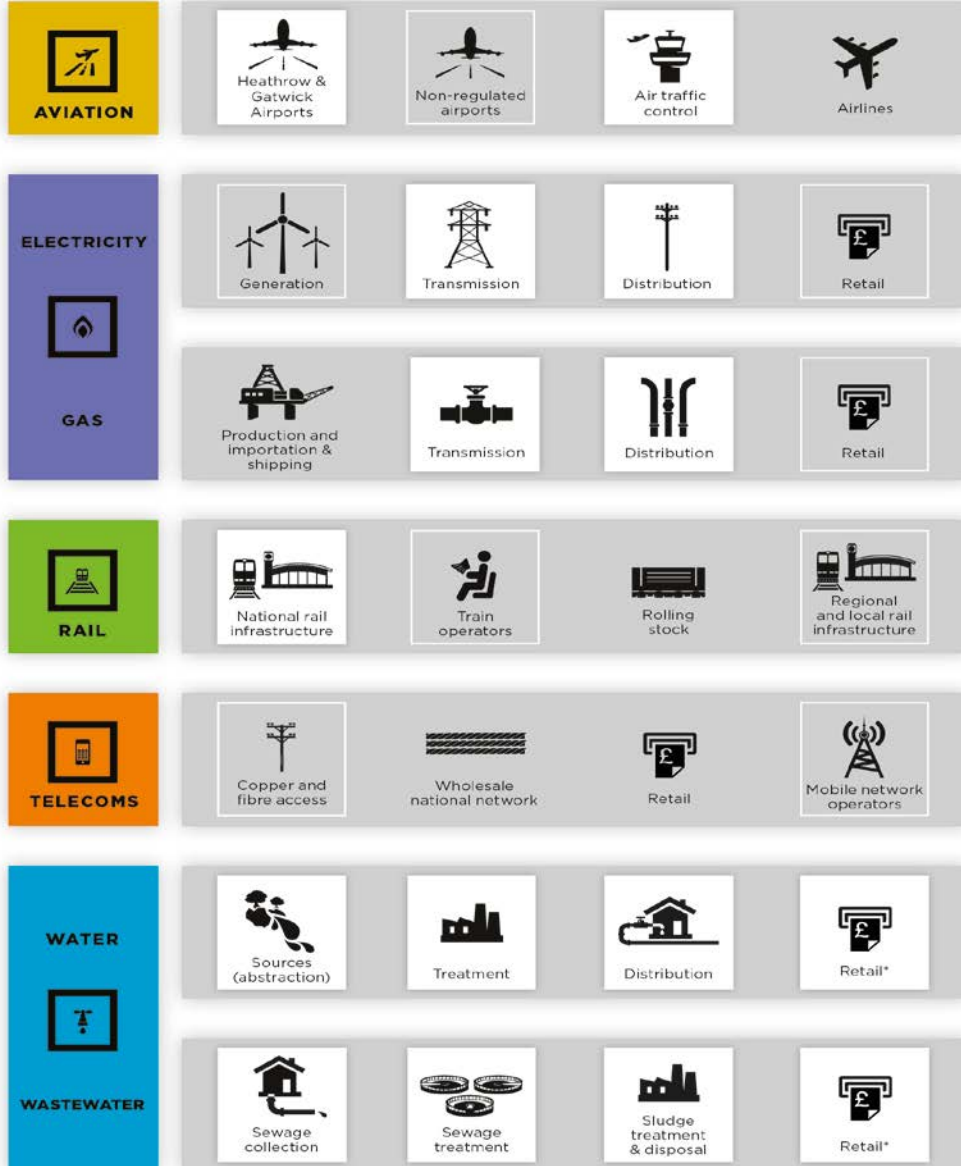
Planned capital expenditure in regulated infrastructure sectors (2015-2020)

COMPANY SPENDING VS. NEW PROJECTS

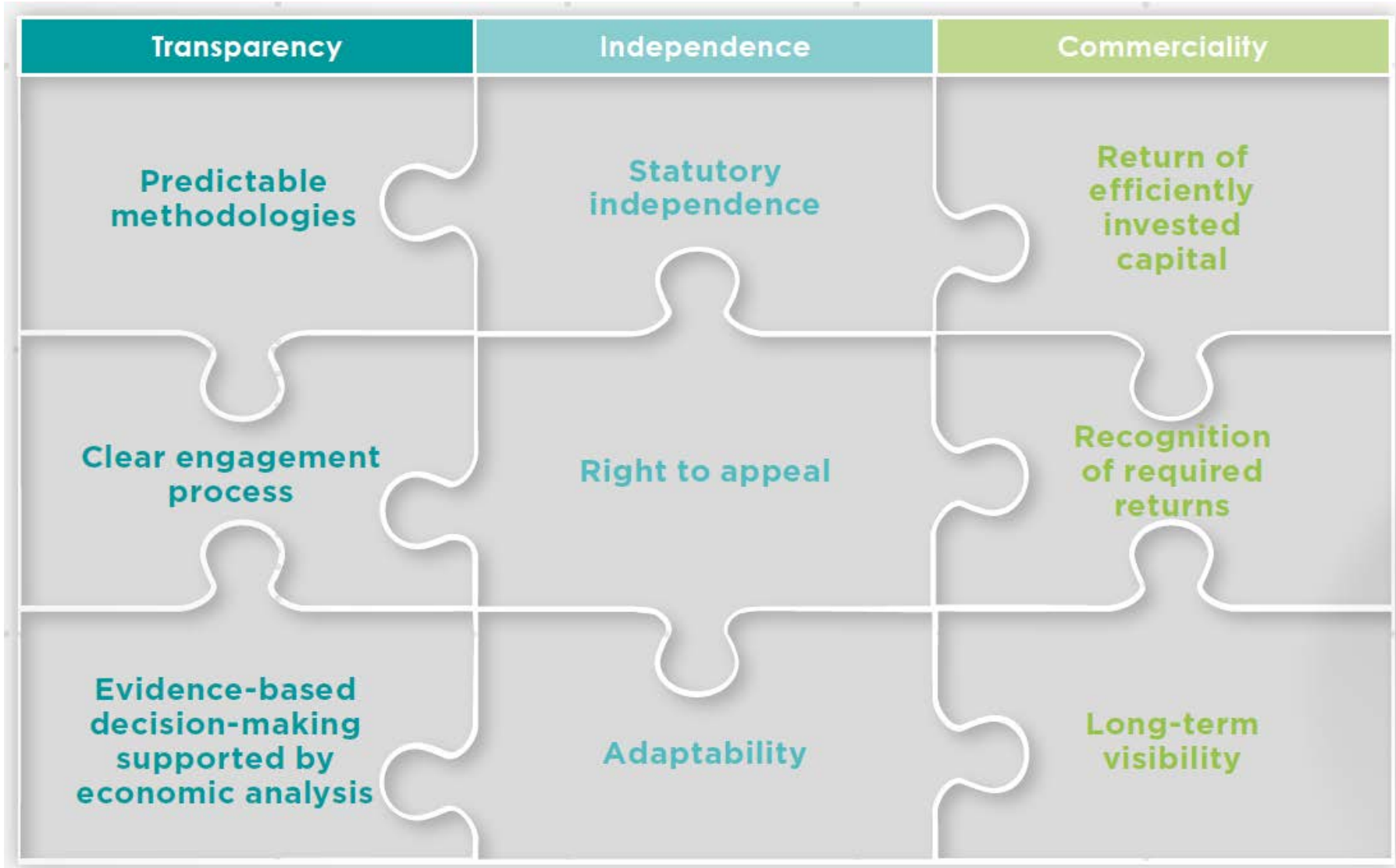


Source: National Infrastructure Pipeline, Ofgem, KPMG analysis. Note: 2012/13 prices.

Which sectors are subject to economic regulation?



- Independent economic regulation is about:
 - A set of **tried, tested and flexible ‘tools’** – not least the ‘price control’ and ‘regulated asset base’
 - A **predictable process** of regulatory governance of essential services
- Regulators take action independently of day to day political concerns
- But, reflect the needs of society through adhering to statutory duties
- Regulators must balance – transparently, and on the basis of good evidence – the needs of consumers, firms and their investors





The UK Regulators' Network: eleven regulators working together



LEGAL SERVICES
BOARD



Making the health sector
work for patients



Making a positive difference
for energy consumers



<http://www.ukrn.org.uk/>



UKRN's six objectives

1. Coherent and consistent economic regulation across sectors
2. Affordability and empowerment
- 3. A positive environment for efficient investment**
4. Efficient regulation
5. Promotion of competition in the interests of consumers
6. Better understanding of the effectiveness of economic regulation

Project title	Lead regulator
Cross-sector infrastructure investment	Ofgem
Consumer engagement and switching	FCA
Understanding affordability across sectors	Ofgem
Cross-sector resilience	Ofcom
Evolving independent regulation	ORR
Organisational development	Ofwat
Market returns and cost of capital	Ofwat
Regulating for quality	Ofcom

Our [investor guide](#) helps ensure that investors have the information they need to make sense of our regulated utilities and how we as regulators go about our work

- Communicate to investors about regulated infrastructure as a single asset class
- Put infrastructure investments in their historical context
- Clarifies investment needs for the future



UK Regulators Network

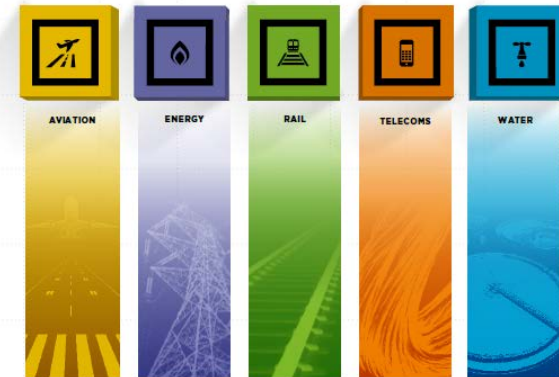
Prepared by:



UK Regulated Infrastructure

An Investor Guide

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ofgem ORR Ofcom Ofgas Utility Regulator

Over £100bn investment expected in the next five years alone to continue providing essential services for consumers

We are learning from each other, drawing on our collective expertise and experience to ensure that each regulator's assessment is as effective as it can be

- We have produced a short **factual summary of cost of capital** findings across our sectors and made these more accessible by creating **a central depository** on UKRN's website
- We are now identifying if there are any areas where we can consider great consistency across sectors, establishing a **cost of capital working group** to keep under review:
 - developments in thinking and approach when setting cost of capital;
 - Proactively work collaboratively, for example, when engaging with investors; and
 - acting as a discussion and advisory panel for any upcoming cost of capital decisions.



Contact us



UK Regulators' Network – www.ukrn.org.uk @UKRegulators

Office of Rail and Road – www.orr.gov.uk @railregulation
@highwaysmonitor

richard.price@orr.gsi.gov.uk @richardprice101