

Investment opportunities in UK regulated infrastructure

11 February 2015

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The UK Regulators Network: initially nine, now 11 regulators working together



OFFICE OF RAIL REGULATION



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

Improving coordination across regulated sectors, increasing effectiveness and efficiency



Delivery of these will be led by the CEOs, meeting regularly, and supported by:

- A group of Senior Representatives
- A jointly funded UKRN Office
- A panel of expert advisors to review and challenge UKRN's work
- Project teams, each led by a member regulator

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

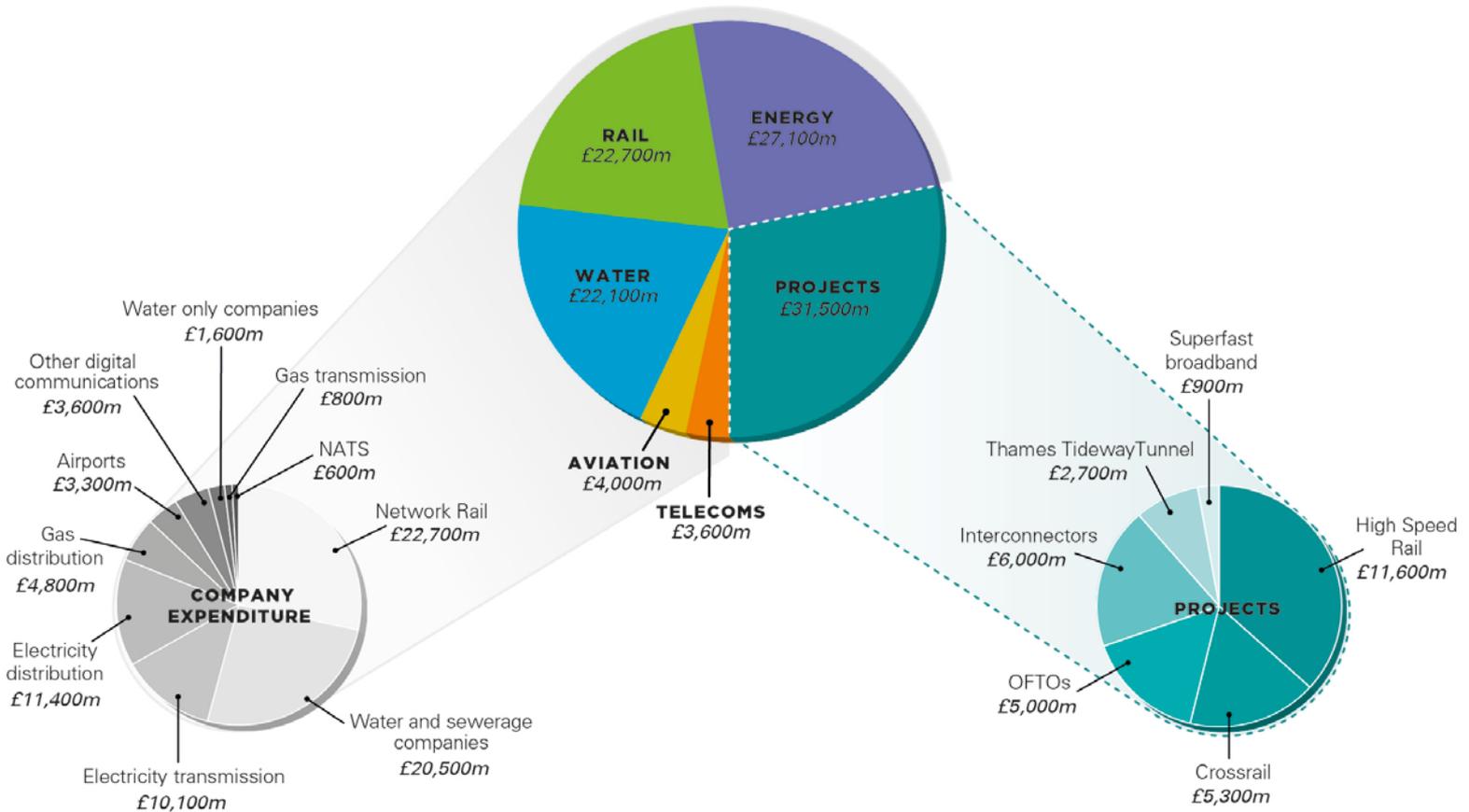
Our investor guide contributes to ensuring that all investors have the information they need to make sense of our regulated utilities and how we as regulators go about our work

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

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

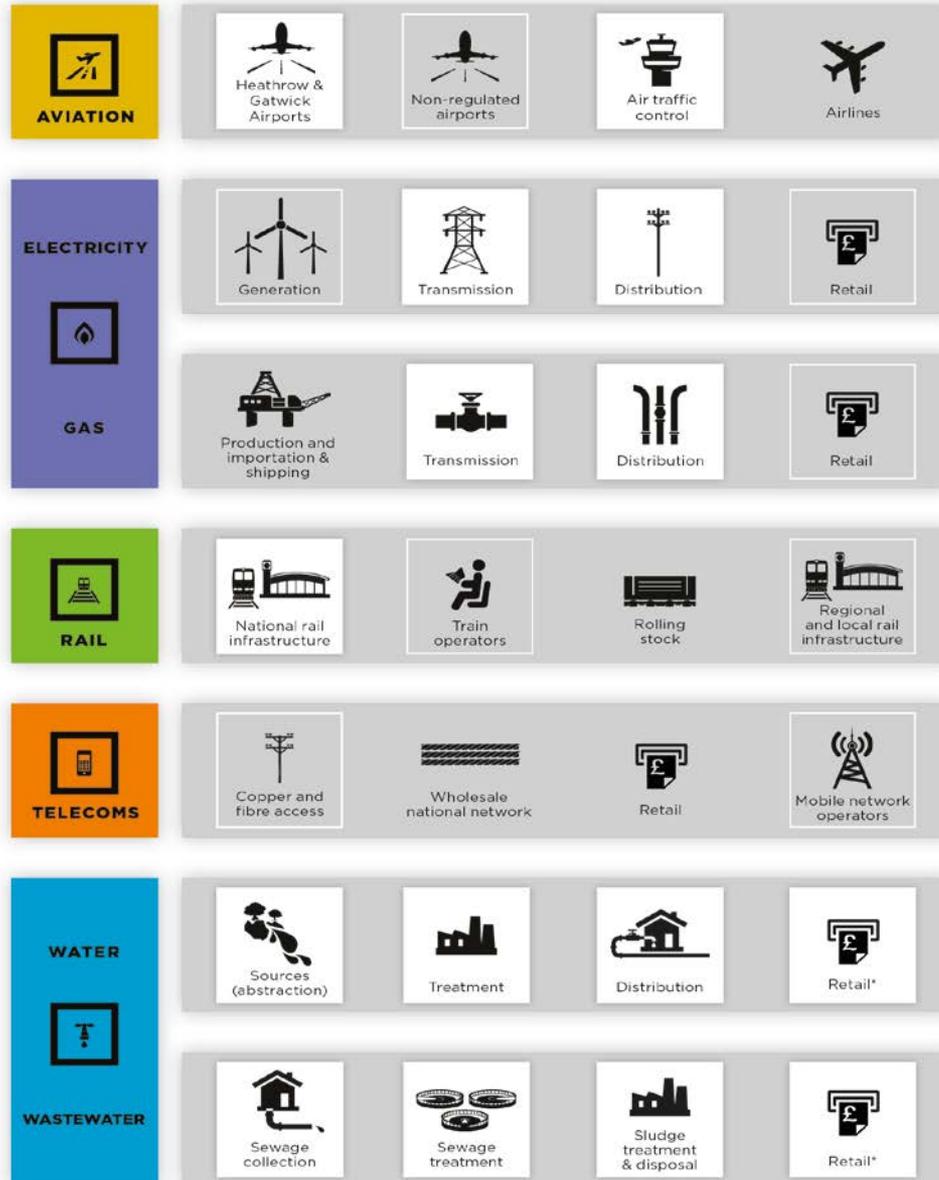
Planned capital expenditure in regulated infrastructure sectors (2015-2020)

COMPANY SPENDING VS. NEW PROJECTS



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

Which sectors are subject to economic regulation?



Source: KPMG analysis

* Retail competition is being introduced for water and wastewater

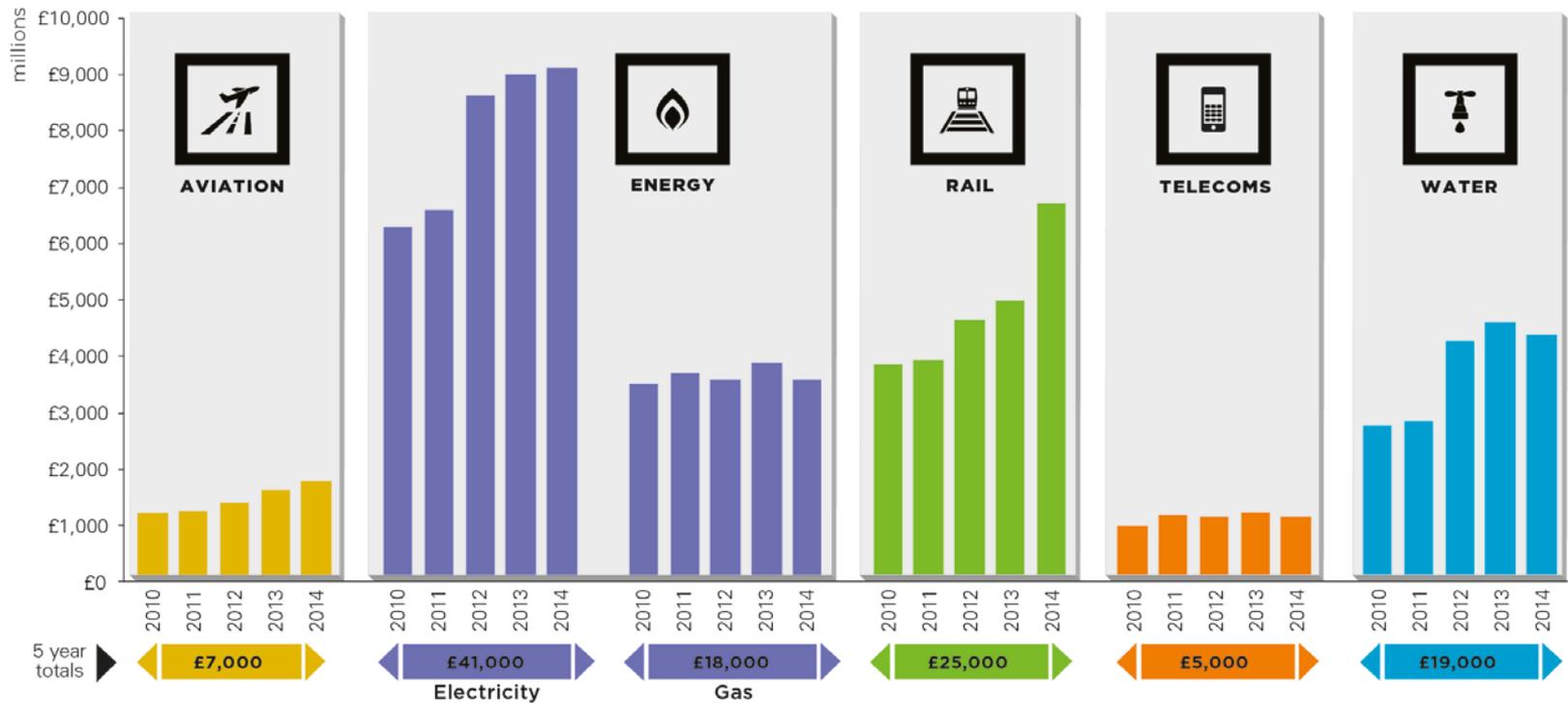
Working closely with Government, having strong relationships and sharing common aims does not prevent us as regulators from being independent in our actions

- Independence is set out in statute, defining our objectives in a way that is kept separate from the day-to-day pressures of politics
- We consider the long-term needs of consumers in our sectors, and by extension the investment is needed to deliver good-value, high-quality services
- Regulatory independence gives predictability to investors by providing a framework which also has sufficient flexibility for operational decisions to be made without political intervention

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

Capital expenditure in GB on infrastructure subject to economic regulation (2010-14)



Source: Company regulatory accounts and financial statements. Estimates used where data was unavailable.