

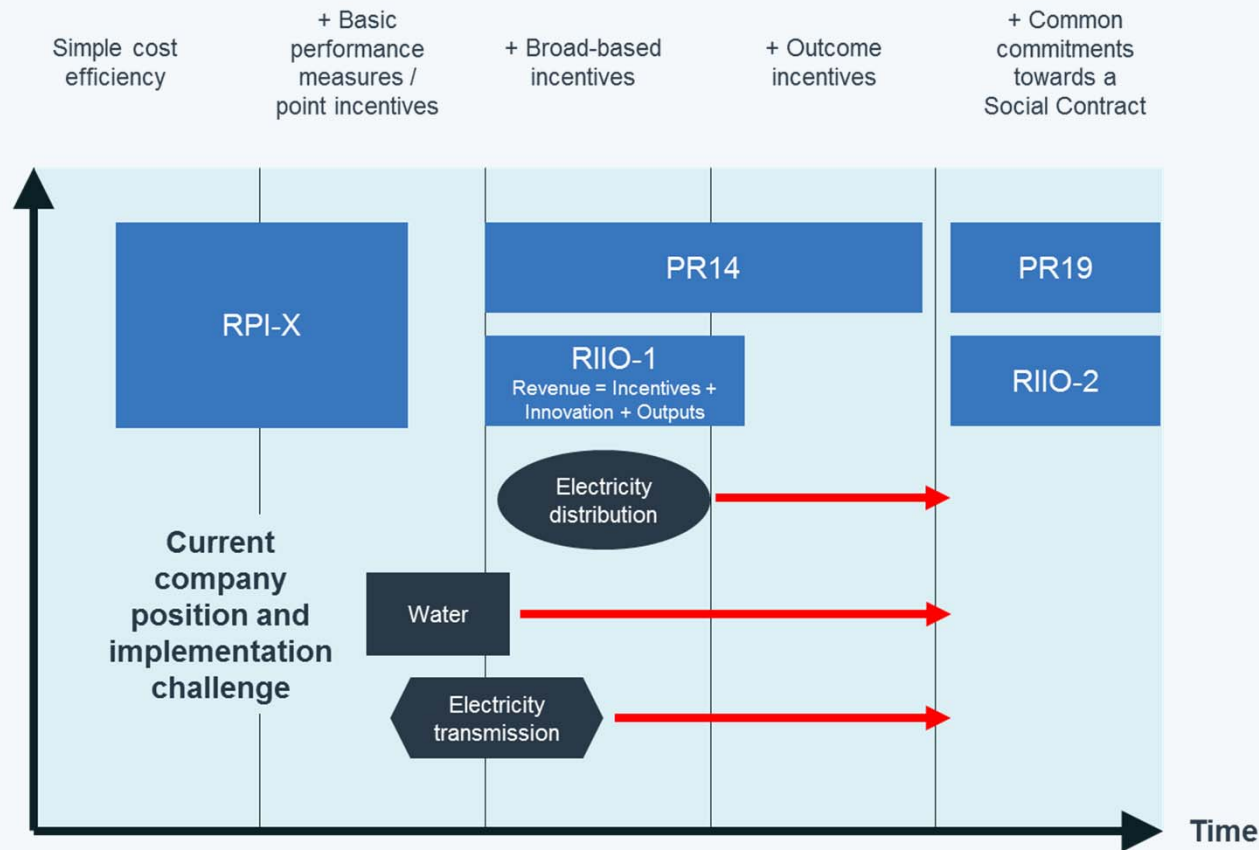
# Innovation in regulation driving change in asset management

Richard Khaldi  
Director, PA Consulting

**Bringing Ingenuity to Life**  
[paconsulting.com](http://paconsulting.com)

# WHERE HAVE WE COME FROM AND WHERE ARE WE NOW?

## Evolution of Electricity and Water Regulation

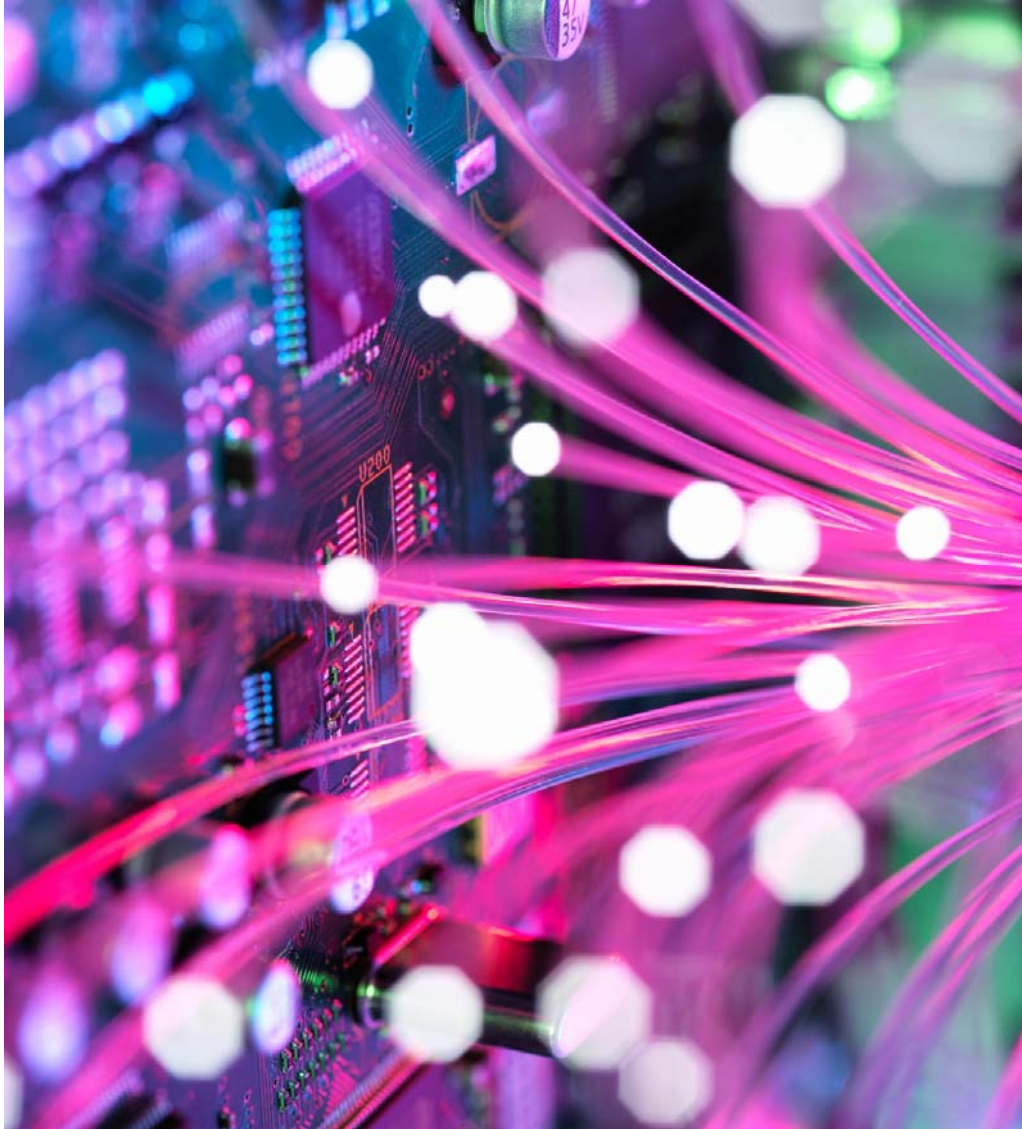


***“Although PR14 was a more forward-looking regime, and has stimulated some efficiency gains, the scale of change required to position the companies for the demands of PR19 is that much greater...”***



## REGULATION IS ALL ABOUT INFLUENCING AND CHALLENGING DECISION MAKING

- **Lower WACC**
- **Comparative assessment of companies' business plans**
- **National Strategy for Water**



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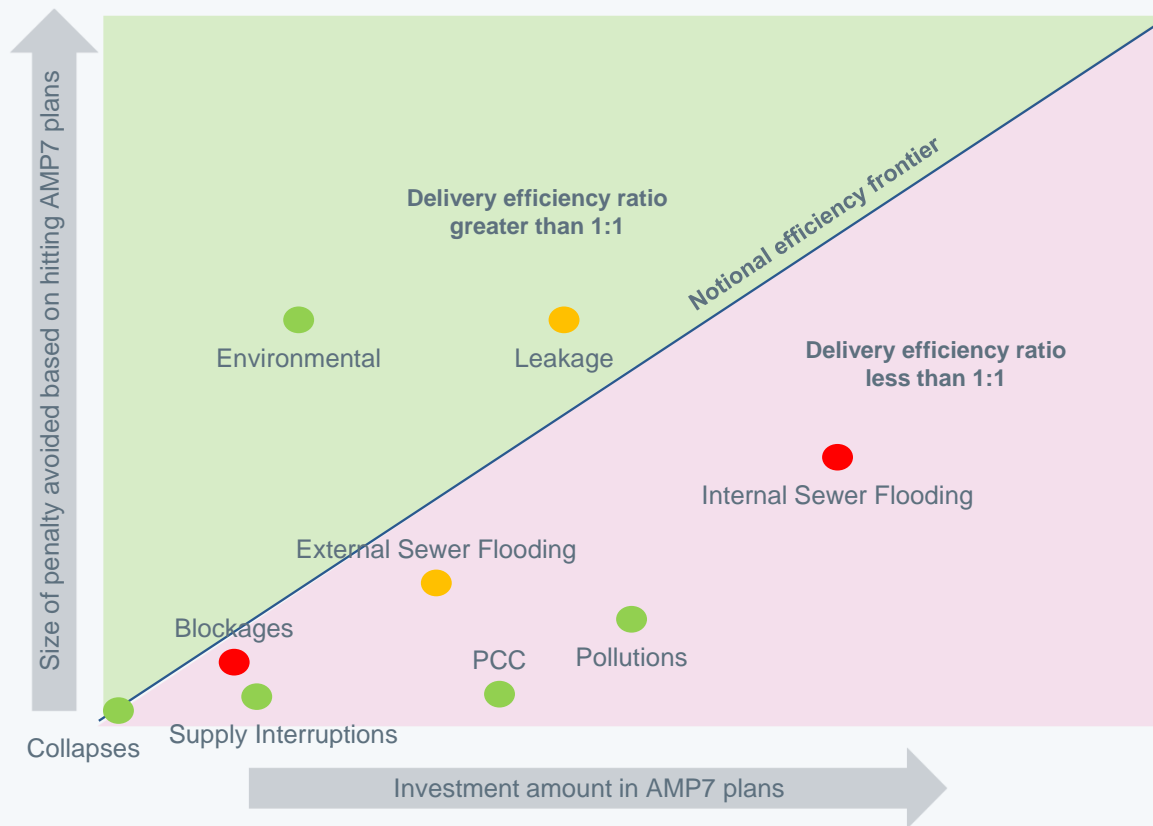
- **Lower WACC**

How can technology be used to increase efficiency?
- **Comparative assessment of business plans**

How well is technology being used when compared with other companies?
- **National Strategy for Water**

Are companies' enabling future changes with their choices today?

# DATA DRIVEN DECISION-MAKING: EFFICIENCY FRONTIER FOR PERFORMANCE COMMITMENTS



Y-axis: AMP7 penalties avoided by achieving stated levels of performance compared to doing nothing and allowing the assets to further deteriorate

X-axis: Level of investment in AMP7 by performance commitment

Colour – Where effort should be focused in AMP6 vs AMP7 based on the ratio of the annual level of performance improvement required

- **Red** – Rate of performance improvement is set to increase in AMP7 indicating more ambition than AMP6
- **Amber** – AMP7 performance improvement broadly similar to that delivered in AMP6
- **Green** – Rate of performance improvement is higher in AMP6 indicating less ambition in AMP7



## WHAT CAN YOU DO TO SUPPORT COMPANIES' CHALLENGES?

- You have to be agents for change within the sector
- The key is to create compelling narratives
- Data should be the bedrock of any narrative



# THANK YOU FOR LISTENING!

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