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Consumer Prices Consultation team
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Measuring consumer prices

Dear Sir/Madam

Water UK represents all major water and water and sewerage service providers in the UK, and we are pleased to have the opportunity to respond to the UK Statistics Authority's consultation on *Measuring Consumer Prices: the options for change*.

Given our role, our response relates to the particular circumstances of regulated infrastructure sectors, and more specifically the water and sewerage sectors.

These circumstances raise different issues in relation to the use of price indices from the broader economy. The use of the RPI has been a key part of the framework of economic regulation of the water and sewerage sector in England and Wales over the last 25 years, with the RPI being used both in setting prices and in the financing of the sector.

In particular, the water industry has made very extensive use of the large and liquid market for RPI-linked debt to secure efficient long term funding to the benefit of both consumers and the holders of RPI-linked debt, such as pension funds.

The question of whether any change to these arrangements would be desirable would need to be carefully considered to avoid unintended consequences for consumers and for the financing of infrastructure investment in an essential service.

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In this context, we welcome the commitment made in the consultation not to discontinue the RPI, and we also note the continuing work to develop the CPIH measure.