

Independent Regulators need scrutiny

The public regard Ministers as responsible for many things, including areas where independent bodies have been given wide ranging powers. The independent Bank of England is responsible for keeping inflation to 2% but the public blame the government if inflation takes off and nothing appears to be done about it. The recent failure of U.K. monetary policy to keep inflation around 2% was entirely predictable and was the result of policy error, allied to a bad economic model of the economy and very optimistic inflation forecasts from the Bank and Treasury. I have commented often on the troubles of too much money creation. Today my case is errors by other Regulators are all too common. The government will be blamed for what they do wrong. All of them are creatures of Parliament, with management appointed by government and their costs underwritten by taxpayers.

Let 's take the case of the Water Regulator. Ofwat controls profits, prices and investment programmes. There has been recent justified criticism of too many dirty water discharges into rivers. You can blame the companies, but they would argue financial controls limit the amount of investment in additional capacity they can put in. The solution to dirty discharges is large spending on bigger pipes to handle growing volumes, which requires regulatory approval of the additional money needed to pay for it and of the physical works.

The water Regulator also helps limit the amount of additional capacity there is to treat and store clean water. Despite high levels of inward migration which argues for substantial extra capacity there has been a reliance on the stretch from old reservoirs. As a result whenever we have a dry season the industry has to dust down rationing plans . Water is the ultimate renewable resource, passing from rivers to sea and recirculating through rain. The U.K. Water Regulator has not served us well over quantity of water supply and over cleanliness of water returned to rivers.

The Electricity Regulator and grid led system keeps us very short of domestic generating capacity. It means we are stupidly dependent on an energy short EU to bail us out in times of high demand and or poor supply. The Regulator has also presided over the bankruptcy of too many electricity supply companies, landing taxpayers with a big bill for the largest that went under. Doesn't this warrant a review? We could do with more private investment in providing reliable power from domestic sources, and reassurance that there will not be future large bail out bills.

The Regulator of Offshore oil and gas has interpreted their brief as rapid rundown of the U.K. North Sea in pursuit of net zero targets. Unfortunately this just means we import more gas from abroad which costs us far more and entails the production of more CO2 than burning our own. There are now indications of a welcome change of approach. Gas is a crucial transition fuel this decade. We need to do far more to produce our own at a time of gas shortage and the use of gas as a weapon by Russia. A good new policy will bring more U.K. private investment and more better paid jobs.