

Mrs C Harvey  
Chairman  
Eastern Customer Service Committee  
Ground Floor  
Carlyle House  
Carlyle Road  
CAMBRIDGE CB4 3DN

12 December 2001

I am writing to draw the CSC's attention to an error made by Ofwat in calculating the revenue required by Tendring Hundred in last year's interim determination. The error has only just come to light. It was noticed in respect of draft consultation determinations for those companies, all outside the Eastern region, which applied this year for an interim determination.

In the case of those companies, a correction has been made because the determination was still in draft. For Tendring Hundred and the other company which received an interim determination last year, I cannot now make a retrospective correction. The error had no impact on the bills for 2001-02 but amounts to around £1 on the bills per annum per customer from 2002-03 to 2004-05.

I regret that the error was made. Once made, I cannot correct it and even if I could I believe I would be wrong to attempt to do so.

We here, are all working hard to ensure that no further errors are made. We have identified improvements to our checking procedures and these have been implemented.

The company will cease to benefit from the error in 2005 when new price limits are set based on our assessment of the revenue requirements for the period 2005-10. I will not attempt to recover the additional revenue, gained by the company in the period up to March 2005 since it is important that the water companies know where they stand on the regulatory package. To reopen past decisions would increase regulatory risk and so impact on the cost of capital.

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I have written to let the company know of the error. I would ask you to share this letter with the members of your CSC.

If you have any queries on this letter, I suggest that in the first instance your Regional Manager discusses them with Fiona Pethick.

I am copying this letter to Peter Darby, Chairman of Tendring Hundred Water Services Ltd. I shall place this letter on the Ofwat website at a date which will be notified to the CSC in advance.

Please will your office acknowledge receipt of this letter.

**PHILIP FLETCHER**  
Approved by the Director  
and signed in his absence