

Rhiannon McHugh
PR09 Planning Team
OFWAT
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9 January 2008

Dear Rhiannon,

Response to consultation paper “Setting price limits for 2010-15: Framework and approach – a consultation paper”

I am pleased to take this opportunity to respond to your consultation paper on “Setting price limits for 2010-15: Framework and approach”.

As a firm, we have discussed the proposed methodology with a large number of companies within the UK water sector. Whilst these companies will no doubt be providing more detailed responses to this methodology paper, we have published a number of articles on various aspects of the methodology. These are set out in our Watergroup news bulletins issues 9 and 10, copies of which are attached to this letter. In issue 9 we provide some comments on the key changes from a financial perspective and in issue 10 we have provided some more detailed comments on the issues associated with both Menu Regulation and Modern Equivalent Asset Values.

In addition, I have today set out a detailed response to the proposed Auditor procedures set out in the consultation on the Business plan information requirements that was issued on 30 November 2007. This follows a very constructive meeting yesterday with Tracey Anderson and her team to discuss and agree possible revisions to the wording of the proposed procedures. I understand that Ofwat will be circulating a revised draft of the Auditor procedures for final comment by the various audit firms following this meeting.

Rhiannon McHugh, PR09 Planning Team

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Please do not hesitate to give me a call if you wish to discuss any of the matters above.

Kind regards,

Yours sincerely,

Simon Evans
Director – Assurance