



Water Services Regulation Authority (Ofwat)

Modification of the conditions of appointment (licences) of all water only and water and sewerage companies

On 21 December 2012, Ofwat issued notice of its proposal to modify the conditions of appointment of all water only and water and sewerage companies. [The notice \(issued under section 13 of the Water Industry Act 1991\) can be viewed here.](#)

All companies agreed to the modification which was set out in the section 13 notice. In some cases companies suggested minor amendments to the text of the modification Ofwat was proposing. Where these suggestions helped provide clarity and did not change the meaning or intent of what Ofwat proposed, the text was amended accordingly.

This notice confirms Ofwat has modified licence conditions A (Interpretation and Construction), B (Charges) and C (Infrastructure Charges) for the largest 18 companies and that these modifications will have effect from 22 July 2013.

The modified conditions A, B and C for each company can be viewed on our website. The background and the reasons for the modification are set out below.

Background and reasons for the modifications

'Future price limits – statement of principles', set out Ofwat's intention to introduce separate wholesale and retail controls at the 2014 price review. The licences of all companies in their previous form only allowed Ofwat to set one price limit per year for each company. The modification allows Ofwat to set separate wholesale and retail price controls.

The modification also commits companies to use all reasonable endeavours to work with Ofwat to develop more targeted price controls in the future. We will need to make further changes to the licence in the future to allow us to evolve and appropriately target wholesale controls and incentives. Companies are currently working with Ofwat to consider what changes might be needed.

Changes have also been made to each company's licence to ensure that references to legislation, public bodies and other items in conditions A, B and C are up-to-date.

End