

Our Ref: AJDF/LAT/Ofwat

Your Ref:

22 January 2013

DIRECTOR OF FINANCE AND NETWORKS	
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Mr K Mason
Director of Finance & Networks Division
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

Sutton and East Surrey Water plc
London Road
Redhill
Surrey RH1 1LJ
Telephone 01737 772000
Facsimile 01737 766807
Website www.waterplc.com
Email sesw@waterplc.com

Dear Keith

Revised Section 13 Notice

Thank you for the revised Section 13 Notice dated 21 December 2012.

As I mentioned in my letter to you on 20 December 2012, we supported the constructive dialogue between Ofwat and the industry that facilitated such significant progress in the weeks leading up to Christmas. It was this progress which enabled our Board sub-committee to be minded to recommend acceptance of the revised Section 13 Notice to our full Board.

Our full Board met yesterday to consider the revised Section 13 Notice. We drew particular comfort from Ingrid Olsen's clarification on 7 January 2013 that "the all reasonable endeavours clause at 18.1 only commits companies to work constructively and co-operatively with us on developing targeted price controls. It does not commit companies to any resulting licence modifications that might be sought to implement such controls. Companies would have the same rights to accept or reject such modifications as they do at present".

The Board supported the recommendation from its sub-committee and will accept the proposed modification to Conditions B and C of our licence. We believe we have displayed a willingness to work with Ofwat in a constructive and cooperative manner in the development of the regulatory regime, and remain committed to continuing to use all reasonable endeavours in the future.

Yours sincerely

A handwritten signature in black ink that reads "Anthony Ferrar".

Anthony Ferrar
Managing Director

