

16 January 2013

Mr Keith Mason  
Senior Director of Finance and Networks  
OFWAT  
Centre City Tower  
7 Hill Street  
Birmingham  
B5 4UA

Dear Keith

**Consultation on Ofwat's section 13 proposals to modify company licences**

I write further to your letter of 21 December 2012 giving notice of Ofwat's proposals to modify Conditions A, B and C of our Instrument of Appointment.

The Board of Affinity Water has considered these proposals carefully and decided that the Company should accept the proposed modifications. In reaching this decision, the Board has assumed that there will be no material changes to the definition of "Retail Activities" when Ofwat confirms Regulatory Accounting Guideline 4.04 in its final form.

We very much look forward to working with Ofwat on the implementation of these new price controls at PR14 and working constructively on the development of appropriate future price controls.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Richard Bienfait".

Richard Bienfait  
Chief Executive Officer