

By email

Mr Keith Mason
Finance and Networks Division
Office of Water Services
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

21 January 2013

Dear Keith

Ofwat's Water Industry Act 1991, section 13 proposals by Ofwat to modify the conditions of appointment of all water only and water and sewerage companies dated 21 December 2012, (the "Consultation")

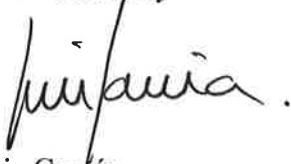
We support the need to change the current licence to enable separate price controls for retail and wholesale elements of the business. In Bristol Water's view the licence change put forward in the Consultation achieves that aim for PR14.

The Board has met and decided to accept the proposed modifications set out in the Consultation. However, we have identified two drafting points which we would ask that Ofwat considers in the attached note.

As you know we are committed to working proactively with Ofwat to assist with the development of the future changes for this industry.

We understand that our response will be published on the Ofwat website as you indicated in the Consultation. We look forward to hearing from you as to when Ofwat proposes to issue the specific amendment of the Company's licence.

Yours sincerely



Luis García
Chief Executive

cc Ingrid Olsen, Ofwat

Bristol Water plc

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1. Paragraph 2 -Definitions (page 29)

The relevant part as amended reads:

“Retail Activities” means such activities that constitute the provision of goods or services by the Appointee directly to one or more End-Users, and such activities ancillary to such provision including ownership of meters, and that are so designated from time to time (which designation, for the avoidance of doubt, shall be reversible) by the Water Services Regulation Authority or by such person or persons as may be nominated by the Water Services Regulation Authority to do so, but for the avoidance of doubt shall not include the following:

(a) water resources, raw water distribution, water treatment, treated water distribution, sewage collection, sewage treatment or sludge treatment and disposal (as each of those is defined in the Water Services Regulation Authority’s *Regulatory Accounting Guideline 4.04*)¹; or

(b) in so far as the ownership of meters is so designated, the ownership of meters that were installed at End-Users’ premises on or before the date of such designation;

Please note that the draft text seen before the issue of the Consultation referred to the existing RAG 4.03 and that text should be amended to reflect that particular RAG. Our understanding is that the Water Services Regulation Authority’s *Regulatory Accounting Guideline 4.04* is currently out for consultation so is not yet finalised in any event.

2. Paragraph 15.2

Paragraph 8.1 as amended reads:

8.1

The Appointee shall levy charges in a way best calculated to comply with the Price Control or Price Controls determined by the Water Services Regulation Authority pursuant to sub-paragraph 8.3 or sub-paragraph 8.4.

Paragraph 15.2 as amended reads

15.2

Where the Appointee requires the Water Services Regulation Authority to make a reference to the Competition Commission under sub-paragraph 15.1 in the case referred to in section (3) of that sub-paragraph, *the Appointee shall comply with the Water Services Regulation Authority’s determination*² as if a reference had not been made until the Competition Commission makes its determination following such reference. The determination made by the Competition Commission shall then take effect as if it had been made by the Water Services Regulation Authority.

¹ NB Italics added

² As foot note 1



Please note paragraph 15.2 does not now use precisely the same language as paragraph 8.1. Paragraph 8.1 in an earlier draft included the term “shall comply with the determination...”. That was changed to the current proposed text. The suggested consequential amendment is therefore:

Paragraph 15.2: as suggested will read:

15.2

Where the Appointee requires the Water Services Regulation Authority to make a reference to the Competition Commission under sub-paragraph 15.1 in the case referred to in section (3) of that sub-paragraph, the Appointee shall levy charges in a way best calculated to comply with the Price Control or Price Controls determined by the Water Services Regulation Authority ~~comply with the Water Services Regulation Authority's determination~~ as if a reference had not been made until the Competition Commission makes its determination following such reference. The determination made by the Competition Commission shall then take effect as if it had been made by the Water Services Regulation Authority.

Bristol Water plc

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