

21 January 2013

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

Registered office:
90 Fulbourn Road
Cambridge CB1 9JN
Tel: 01223 70 60 50

Dear Keith

Section 13 proposal to modify licences

I am writing in response to the section 13 proposal to modify the licences of water companies that was published on 21 December 2012. This issue was discussed at our Board meeting on 18 January 2013. The Board again accepts the proposal to modify Sections B and C of the Company's licence subject to the final draft not being materially different to the example in the consultation.

We welcome the changes that have taken place since the previous consultation. We are however disappointed that Ofwat considered it necessary to include a requirement that companies operate with "all reasonable" endeavours to achieve the objective of the future development of price controls. We believe our actions have demonstrated this desire, and would welcome further detail on how this requirement will operate in practice.

Further, you are already aware of our views relating to metering, and in particular the allocation of meters installed post April 2015. Whilst we acknowledge that activities such as meter reading may be contestable, we believe the situation where future meter ownership could be allocated to retail will be inefficient. We believe meters are inherently part of the network infrastructure and should remain so given the likely method by which wholesalers will charge individual retailers and the expectation that customers may switch retailers over time. An interim position, as could result from the provisions available in the licence, where there is a mix of retail and wholesale owned meters can only be confusing to customers and be inefficient.

I trust that the above points are clear and helpful as you consider the responses that you receive. If you would like to discuss any of the above then please do not hesitate to contact me.

Yours sincerely



Stephen Kay
Managing Director

cc: Adrian Page
Ingrid Olsen