

21 January 2013

Keith Mason
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Please ask for Mr Smith
Our Ref NS/KL
Your Ref

Dear Keith

Consultation on Ofwat's Section 13 Proposals to Modify Company Licences

The Board of Portsmouth Water have asked me to write to you to confirm our acceptance of the amendments to Licence Conditions B and C outlined in the Section 13 Notice published on 21 December 2012, subject to the final drafting of the conditions not being materially different to those shown in the consultation.

The Board also confirms that the Company will engage constructively on the future development of price controls. As was pointed out in my letter to Ingrid Olsen of the 19 December 2012, we are not convinced that the licence is the appropriate place for a "reasonable endeavours" clause, but we must move forward and we look forward to further dialogue on how this condition will be applied.

I would also like to use this opportunity to acknowledge the work done by the Company led team, under the direction of the Water UK Board and Council and your own staff, in getting us to this position in such a short space of time. We agree with the Ofwat statement in the Consultation document that this provides an example of how the industry and Ofwat can engage in the future.

I trust this letter clearly sets out our position, but if you or your staff require any further information, please do not hesitate to contact me.

Yours sincerely

NEVILLE SMITH
Managing Director
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