

Our ref R13308

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11 January 2013

Dear Keith,

**Consultation on Section 13 Notice to modify the Company's Licence**

Thank you for the consultation issued on 21 December 2012 in respect of proposals to vary Conditions B & C of the company's Licence. We acknowledge the constructive and helpful dialogue which has taken place between the industry and Ofwat during recent weeks and months. This has assisted us as a company in our consideration of issues involved.

Whilst we support the objective of future development of price controls so that they might be targeted even more effectively at the provision of overall benefits for customers, we would welcome further dialogue in due course with Ofwat about how the requirement to use "all reasonable endeavours" as set out in draft Condition B.18 will be expected to operate in practice.

We remain of the view that Ofwat should consider very carefully the allocation of meters installed post April 2015. Whilst it is clear that some of the activities associated with metering and meter reading could be contestable, we believe that a situation whereby some meters are allocated to the wholesale part of the business and others to the retail part will lead to confusion and the potential for errors in business processes. Meters are installed in what is inherently part of the network infrastructure. The wholesale part of the business has as much need to know the volumes passed through a customer meter as the retail part of the business and our view is that meters should all remain part of the wholesale business, with associated operational activities undertaken by whoever is best placed to carry them out.

Our Board has considered the revisions to Conditions B & C of our Licence described in the consultation and has authorised me to confirm that we accept the proposed changes, subject to the final drafting of the Conditions not materially altering the intent of the illustrative example contained in the consultation.

Yours sincerely



Roger Harrington  
Managing Director