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Dear Jacob

Payment terms between wholesalers and retailers – a consultation

Thank you for the opportunity to comment on the proposed arrangements for payment terms between wholesalers and retailers. I respond on behalf of United Utilities Water as follows.

For the most part, we consider that the approach set out in the consultation is reasonable and pragmatic. However, in our view, the payment terms should clearly specify the lowest acceptable credit rating that would make a retailer eligible for the standard terms. Our view is that the lowest rating of the entity should be BBB- (from either S&P or Fitch) or Baa3 (from Moody's.) In common with most other business transactions, credit ratings from other sources should not be taken into account as they are not widely recognised.

Without such an approach, there is a significant risk that wholesalers could be expected to jeopardise their own credit rating in order to provide 'standard' payment terms to the retailer. There is also a risk that eligibility for standard terms could become fragmented across the industry, which is the opposite of what we should be looking to achieve through these standard arrangements.

I trust that this response is of assistance. If you would wish to discuss it further, then please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Bullock'.

James Bullock
Director of Economic Regulation