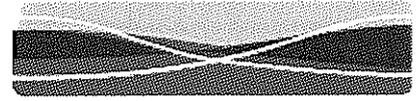


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YorkshireWater

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FAO: Jacob Wood

Our ref:

Date: 28 October 2013

Your ref: pap_con20131011paymentterms

Dear Jacob

Payment terms between wholesalers and retailers – a consultation

Thank you for providing us with the opportunity to contribute our views to the above consultation.

Yorkshire Water are very keen to ensure that the arrangements being put in place to facilitate competition are fair and balanced and are in favour of neither a retailer or wholesaler. We want to help create the right environment and rules of engagement where competition that incentivises innovation and creates benefits for the majority customers can be created and sustained.

We are therefore supportive of all your proposals relating to payment terms, with just one exception; that being the proposal to apply the same payment terms to all products and services. We believe that connection charges for household properties should continue to be billed in advance.

Responses to each of your five questions including details of our queries, concerns and suggestions are set out in the attachment.

We look forward to early publication of your formalised approach, however, should you wish to discuss any of the items we raise, please do not hesitate to make contact with me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'H Smith', with a long horizontal flourish underneath.

Howard Smith
Project Manager – Retail Competition

Payment terms between wholesalers and retailers

Consultation questions and responses

Q1 Is our proposal to set standard terms, but to allow companies to agree to vary these terms appropriate?

We agree with your proposals to adopt option 2 as the preferred approach to payment terms. We feel this option can provide an appropriate balance of consistency, which will simplify market operation whilst maintaining a reasonable degree of flexibility to allow commercial innovation. We would anticipate the standard terms to include a limited number of standard options, which the retailer may choose to suit their particular approach.

Q2 Are our proposals around publication of non-standard payment terms, appropriate?

We agree with the proposal to publish non-standard terms as a means of providing transparency and evidencing self-regulation. Whilst accepting wholly the principle of transparency, we would wish to ensure that Ofwat's stated view on the limited confidentiality of inter-group arrangements do not disadvantage a group company unfairly.

Q3 Is a settlement period of one day appropriate?

We agree with your proposals that the minimum tradable period should be one day.

Q4 Is it reasonable to apply the same payment terms to all products and services in the markets?

We agree that the same payment terms should be applied to all products and services where possible, to ensure consistency and ease of understanding as well as reducing the number of invoices raised. To this end, we agree that continuously delivered services charged by measurement and standing charges and event-based charges (such as meter replacement) should be included. We do not think that non-primary charges need to be separately covered, as in Scotland, to be billed twice monthly - billing these alongside other monthly charges will be sufficiently frequent.

However we believe an exception should be made for water and wastewater connections for household properties. The current practice is for these to be billed in advance. Given the nature of this work and the process currently undertaken to provide this service, we suggest that this area is treated separately with properties continuing to be billed in advance. This is in line with the regime currently in place in Scotland.

Q5 Are the details of the standard payment terms – billing period, payment period and collateral requirements - appropriate?

Standard payment terms appear in general to be appropriate. We have the following comments on the specific areas:

Billing period - One month appears reasonable and is consistent with many of our current customers.

Payment period – The latter of 30 days after the end of the billing period or 15 days after the invoice has been received appears reasonable, assuming that the invoice is raised and received in a timely manner. We request that safeguards be put in place to ensure that if the retailer for whatever reason has not received an invoice sent by the wholesaler then the time taken to pay is not unduly lengthened. If sending paper invoices is the only method allowed, then a retailer may not receive the invoice in a timely manner, either accidentally or deliberately. We would suggest the wholesaler should have a right to raise the invoice within a maximum of two weeks of the end of the billing period. Some form of electronic invoicing through the market systems should be able to alleviate this problem. This consultation may not be the place to raise this level of detail, but we would appreciate if thought was given to this area at some point.

Collateral requirements - These appear appropriate. Could you please confirm whether this would be mandatory for incumbent retailers? This is unlikely to be necessary, as it is likely that they will be within either the same company or at least the same group as each other. Would you envisage different collateral arrangements if pre-payment were an option in the standard payment terms?