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Portsmouth Water response to the consultation on Wholesale and Retail Charges for 2015-16 and charges scheme rules

Thank you for the opportunity to review and comment upon your consultation on wholesale and retail charges for 2015/16. We give our consent that this response is made publically available via your website, if appropriate.

Q1 Do you agree with the proposed approach for the development of charging arrangements in the 2015-20 period? If not please explain and provide evidence for your view.

We agree there is a need to develop the approach to establishing the charging arrangements given the significant changes enabled by recent legislation, the approach developed by Ofwat to price setting at PR14 and the overall objectives longer term for the sector.

Q2 Do you agree with the nominal 5% bill change as a threshold for undertaking an impact assessment? If not, please set out an alternative threshold and provide evidence for this view. Should the same threshold apply to all customer types?

We concur with views expressed in the consultation that it is important to understand the impact of bill movements on individual customers, as opposed to the average.

Further, typically the industry has looked at the change in bills in real terms (adjusting for the allowed inflation uplift). This is not how the customer looks at the change; they look at the absolute increase.

5% appears to be a sensible threshold and support this requirement.

Q3 Do you agree with such a threshold being a short-term measure? If so, when should Ofwat remove such a requirement?

Yes this should be a short term requirement.

Ofwat should remove the requirement when it (or possibly CCWater) feels comfortable that companies have embedded the requirement within their processes. Hopefully this should be sooner rather than later.

Q4 Do you agree with the draft schedule for presenting standardised charging schedule presented in appendix 7? If not, please provide alternative proposals.

The Appendix shows the all of the wholesale components we currently utilise to charge. It may of course be the case that many of the entries in the schedule are the same, given for example the fact that we have propose fewer bands nor do we have wholesale tariff differentiated by the month.

Q5 Should charges associated with Open Water and market readiness be included as a separate increment to the volumetric charge in the wholesale charging schedule?

On balance we agree with this proposal given the likelihood that the size of usage and bill is the most likely criteria which will encourage a customer to benefit from the market reform and so it is an appropriate method of cost allocation.

Q6 Beyond 2015, do you agree that wholesale charges should be published in advance of retail charges? If so, please provide views on how far in advance is appropriate.

Given the operation of the proposed market it would appear necessary, in the longer term, to inform all retailers (both actual and potential) of the wholesale costs say one month in advance of the current proposed date for 2015 of 2 February 2015. This will also help retailers and indeed customers form realistic budgets for the year ahead.

We support the position in the paper that for this first charging year, 2015/16 a date of 2 February is appropriate, given firstly this is a new process and second the timing of the Final Determination in December 2014.

Q7 Do you consider that Ofwat should require retail water bills to provide a breakdown of retail and wholesale charges?

We note the arguments presented in the consultation and agree there are arguments for and against requiring a breakdown of retail and wholesale on the bill for 2015/16. The practical implications of such a requirement would be a significant challenge especially for 2015/16. We would encourage Ofwat to review this issue over the period.

If you have questions on this paper please contact s.morley@portsmouthwater.co.uk

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