



Water Services Regulation Authority (Ofwat)

Modification of the conditions of appointment (licence) of Cholderton and District Water Company Ltd as a water undertaker

On 23 January 2015, Ofwat issued notice of its proposal to modify the conditions of appointment of Cholderton and District Water Company Ltd (Cholderton Water) as a water undertaker. [The notice \(issued under section 13 of the Water Industry Act 1991\) can be viewed here.](#)

This notice confirms Ofwat has modified licence conditions A, B and C of Cholderton Water's licence. The company agreed to the modification which was set out in the section 13 notice. The modifications had effect from 1 March 2015.

[The modified licence for Cholderton Water can be viewed on our website.](#) The background and the reasons for the modification are set out below.

Background and reasons for the modification

In July 2013, we modified the licences of 18 other water companies to allow us to set separate wholesale and retail price controls at PR14. This followed the '[Consultation on Ofwat's section 13 proposals to modify company licences](#)' that we published in December 2012.

Prior to the current modification, Cholderton Water's licence was different from the other 18 water companies for whom we set price controls as part of the 2014 price review (PR14). It set out that the prices which Cholderton Water could charge for water services was limited by a formula which restricted the weighted average increase in charges to inflation, as measured by the Retail Prices Index (RPI), plus an Adjustment Factor (K) designed to take account of Cholderton Water's individual circumstances (the RPI+K formula).

In '[IN 13/18: 2014 price review – setting price controls for Cholderton and District Water for 2015-20](#)', we set out the approach we said we would take to setting price controls for Cholderton Water for PR14. Specifically, we confirmed that we would:

- not set separate wholesale and retail controls and, as a result, not use the average cost to serve or default tariff approach that form the basis of the retail controls for larger companies; and

- set a simplified control for Cholderton Water, using a process that includes a simpler business plan and a different approach for assessing its plan (from our 'risk-based review' of other companies).

Our approach reflected the small size of the company and our objective of applying the principles of best regulatory practice to be transparent, accountable, proportionate, consistent and targeted.

This licence modification does not change the overall effect of how we have set price limits for the 2015 to 2020 period, but it will simplify our requirements and reduce the regulatory burden on Cholderton Water, which is an exceptionally small company. It will give us the flexibility to, if appropriate, set separate retail and wholesale controls for Cholderton Water at future price reviews. It will also provide a platform for Cholderton Water to work with us to deliver more targeted price controls in the future.

We also consider that the changes support our stated aim of moving towards licences that are consistent across companies, as set out in our [forward programme for 2014-15](#) and '[Ofwat's forward programme 2015-16 – draft for consultation](#)'.

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