

Our Ref. IJAP/YMO

Ofwat
Centre City Tower
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By email: PR14reconciliation@ofwat.gsi.gov.uk

Dear Sir/ Madam

RESPONDING TO THE CONSULTATION ON WRFIM ISSUES

We welcome the opportunity to respond on the consultation on WRFIM issues with specific regard to the follow areas:

'the potential drafting for a licence modification to allow the licence to be consistent with the original WRFIM formula;

- *whether companies would support such a licence modification; and*
- *whether we should:*
 - *use the revised WRFIM formula for all companies;*
 - *allow companies to choose between a licence amendment (and the original WRFIM formula) or no change to the licence (and the use of a revised WRFIM formula); and*
 - *only introduce a sector-wide licence modification if all companies agree to the proposed change'*

Our view on this is that the most appropriate proposal would be to allow companies to choose between a licence amendment (and the original WRFIM formula) or no change to the licence (and the use of a revised WRFIM formula). However we are concerned with adding further complexity to a metric which is based on a set of company forecasts and assumptions which underpin our annual tariff setting process.

Furthermore, it would be essential to ensure that whether modifications were made or not, a form of discretion is applied to the output of the formula reflecting both matters which are beyond management control and/or in the best interests of consumers.

It is important that through this process all parties achieve both regulatory certainty and transparency for customers and other stakeholders.

In the event that you have any queries on the above responses we look forward to hearing from you and can provide further information as required.

Yours faithfully

A handwritten signature in black ink, appearing to read 'I. J. A. Plenderleith'. The signature is written in a cursive style with some capital letters.

Ian Plenderleith
Chief Executive Officer