

Consultation on charges scheme rules 2016-17 and future developments

Introduction and general comments

This is Bournemouth Water's response to Ofwat's consultation on charges scheme rules for 2016-17 and future developments. We welcome the opportunity to respond.

We provide our responses to the specific questions raised below. We would be pleased to expand on any of our comments if that would be helpful.

Responses to consultation questions

Q1 *Do you have any specific views on the draft rules for 2016-17 included in appendix 2? Are there any other rules that you consider should be included?*

We broadly support the way in which the rules are presented but feel that there are areas which would benefit from further clarity. For example in our previous response we raised whether previous specific guidance continues to apply, the tariff differential being a particular area in question. The rules do not directly address this, and we cannot see from the consultation itself that this is explained. Clarity on these types of issues would be helpful.

Q2 *How best can site area-based surface water drainage charges be adopted? And what lessons can be learned from how companies have moved to this basis so far?*

As this is not an issue for us as a water only company, we have no view.

Q3 *Do you agree with our proposed threshold for 'significant' bill increase? If not, is there evidence for a more suitable threshold? And how this can be assessed for different customer types?*

We agree that the proposed overall threshold of 5% is currently appropriate, and support the view that companies should recognise that the impact on differing customer groups needs also to be considered.

In our previous response we suggested that in times of higher inflation and/or positive Ks 5% may be unduly restrictive, so we welcome the commitment to keep whether it remains appropriate under review.

Q4 *Do you agree with our current preference of companies publishing their Board's assurance statements?*

Yes, we agree with the proposal to continue to require companies' Boards to publish their assurance statements.

We also agree with the proposal that this should be no later than 1 February when end-user charges schemes are published.

Q5 *Do you consider that the Board's assurance statement should cover anything else than what we propose above?*

We do not have anything further to suggest.

Q6 *Do you agree with our current preference for companies to submit a statement of significant changes?*

Yes, we agree with the proposal. Our view is that the analysis and resulting communication process will be a useful exercise that can only benefit customers.

Q7 *Do you have any specific views on the proposals included in chapter 4? Are there any other rules or issues that you consider should be consulted on next year?*

Rules surrounding special agreements are a key area on which companies need to be clear to ensure that they are compliant with their obligations. However we remain unsure on the exact proposals and requirements in relation to different types of special agreements as laid out here and previously in the licensing consultation. The high level rules relating to charging in this consultation appear reasonable, however when the 2016 consultation is issued we would welcome further information and examples on which to provide feedback.

Q8 *Would it be practicable and/or desirable to include all non-primary charges in the wholesale charges scheme?*

We agree with the importance of transparency and with the principle of including non-primary charges but are concerned that in the early years there may be differing views on the exact definition of these charges, leading to different content across wholesalers' schemes.

Ideally a list of required non-primary charges which must be included in schemes could solve this issue and increase transparency by ensuring that a minimum level of data is included in all. The list could then be reviewed on an annual basis as a common level of understanding of what exactly a non-primary charge is develops.

Q9 *Do you have any specific views on the requirement to publish final wholesale charges for non-household customers no later than the first week of January?*

In reality as there is no real difference to the original Principal Statement timetable the timeline is feasible.

Ideally all charges would be published at the same time to coincide with the publication of the Board's assurance statement. However we appreciate the need to provide retailers with advance information therefore we view the proposal to align the assurance statement with the publication of end user charges rather than wholesale charges as pragmatic.

Q10 *Do you agree with our outline proposal that indicative wholesale charges be published in July and October?*

We welcome the proposal to introduce a tariff iteration in October. This aligns with our own thoughts that companies will have a full half-year of data on which to base draft tariffs.

We previously raised concerns regarding the value publishing draft tariffs in July. In principle it will be possible but on reflection we now question the value of any tariff data published in July, due to the levels of uncertainty surrounding forecast volume assumptions at that point.

An alternative option could be to request wholesalers only to publish indicative tariffs in July if a significant change to their wholesale tariff structure was intended. If the wholesaler did not intend to change the structure then a statement confirming this may still provide retailers with sufficient early indication to commence planning their own tariff structure.

All wholesalers could then be required to publish robust indicative charges in October.

*Bournemouth Water
September 2015*