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29 September 2015

Dear Ynon

**PRT response to Consultation on Ofwat's Charges Scheme Rules 2016/17**

Thank you for the opportunity to respond to the above consultation which was published on 1 September 2015.

You have raised 10 specific questions in the consultation and we have provided a comment against each of them as attached.

In our response dated 6 August to the earlier consultation, we sought clarification on the methodology by which the differential should be calculated. In particular, should it be set in relation to denominators two years prior to the charging year or should it now be the charging year in question? We would value your views on this.

If you wish to discuss further, please contact me.

Kind regards,

**Stephen Morley**  
**Regulation Manager**

## **PRT Response to Consultation on Ofwat's Charges Scheme Rules 2016/17**

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?

*Re rule 14 - In our response to the earlier consultation, we sought clarification on the methodology by which the differential should be calculated.*

*In particular, should it be set in relation to denominators two years prior to the charging year or should it now be the charging year in question? We would value your views on this.*

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 a water only company this is not a direct issue for PRT.*

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?

*The 5% threshold appears pragmatic given the long term expectation of inflation, which typically customers benchmark prices changes against.*

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

*We agree with the proposal that the Board should publish its assurance statement and note this will be required to coincide with the publication of the scheme itself, by 1 February 2016.*

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

*You may wish to consider that companies confirm that their billing systems can actually configure / apply the tariffs in accordance with the Charges Scheme.*

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

*Historically the company would have prepared a draft principal statement (in early October) which identified the issues in rule A2. These would then be discussed with Ofwat / CCWater and other stakeholders.*

*We agree with the purpose of the proposed requirement three weeks before the publication of the charges scheme*

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?

*Given the potential development of upstream competition, in addition to the rules associated with access pricing, a review of the rules associated with bulk supplies may be sensible.*

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

*We think this is required to comply with the guidance from "Open Water," and is therefore essential.*

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?

*We cannot see where this is stated in the rules.*

*Whilst we understand the desire to inform wholesalers in a timely manner we would prefer the publication of all tariffs at the same date, i.e. 1 February 2016. This would feel right given indicative charges would have been provided earlier in the process. (See our response to Q10).*

*If provisional wholesale charges for non-households are required earlier than this date, our preference would be to coincide publication with the statement being provided to Ofwat. This would be helpful for the overall assurance process, as increasing the number of key dates in the process may increase the risk of non-compliance.*

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

*No. Our preference would be at the end of October, when the first six months of the current charging year is complete. This will allow us to base the charges for the forthcoming year on six months data (both revenue and denominators).*

*We do not see the value of the July publication as it would probably be predicated on the same assumptions as the current year charges (inflated by RPI).*