

Northumbrian Water Response to 'Negotiating bulk supplies – a consultation on our guidance'

Summary

Northumbrian Water welcomes the consultation on bulk supply guidance and we are generally supportive of the proposals.

In particular, we agree that it is more appropriate for Ofwat to publish guidance rather than a model bulk supply agreement. We agree that such a model agreement could easily constrain innovative solutions agreed between willing parties.

Bulk supply agreements between existing appointed water companies are usually significant and major contracts. Both parties will have specific requirements and the contractual terms will usually reflect the specific local water supply conditions. It is right that Ofwat remains separate from this process, only stepping in if the parties are unable to agree terms.

We support Ofwat's proposals to incentivise cross border bulk supplies and we look forward to commenting on the formal proposals in due course.

The Proposed Guidance

The guidance is helpful and we agree with it in general. We make the following two observations:

Facilitating the addition of new sites or connections

Whilst we understand the logic of having a single main agreement for multiple bulk supplies to cover non price issues, we note that, as they are separate sites, the volumes of these separate schedules cannot be aggregated to qualify for increased user discounts.

Quality of the water supplied

Whilst we do not expect Ofwat to formally endorse it, there is a protocol that has been drawn up by the industry with support from the DWI and Water UK. If this protocol receives formal support from the DWI, we feel Ofwat's guidance should make reference to it.

Bulk Supply Determinations

We understand there are some outstanding bulk supply determinations that Ofwat are considering. Ofwat will need to consider whether these determinations, when published, can be considered as having broader application, effectively setting precedents for future bulk supply determinations.

Northumbrian Water
9th January 2013