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Retail Market Opening Programme

Ofwat

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5th February 2016

Dear Christian,

Thank you for the opportunity to respond to this consultation. We welcome the ongoing engagement with stakeholders as we continue preparations towards competitive market opening in 2017.

We consider that the changes proposed in this consultation are reasonable, and that it should be possible to reach agreement for implementation of them.

Our responses to the specific questions are as follows:

- 1) Do you agree with the proposed drafting changes to the IoA and WSL in removing the in-area trading ban? If not, please explain why not and your proposed alternatives.**

We have no objection to this change being made, and we agree that the proposed drafting changes appear to be appropriate to achieve the intention of allowing in-area trading.

- 2) Do you agree with the proposed new readiness condition to be added to the IoA and WSL? If not, please explain why not and include your proposed alternatives.**

We are making good progress towards readiness for introduction of the opening of the competitive market, and will be providing assurance from our Board on our readiness through statements to Ofwat & MOSL. We consider that there is a strong reputational and procedural incentive for companies to ensure they are fully compliant with the requirements for non-household competition on market opening.

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For the licence condition to fairly reflect the extent to which it is reasonable to expect all data to be accurate, we suggest that some minor amendments are made to the drafting, to retain what we expect to be the intended level of materiality in the condition. Whilst companies will make every effort to ensure accuracy and reliability of data, it is not practically possible to provide guarantees in absolute terms to cover all data, and we suggest that revised wording of the licence condition to reflect that would make it easier to reach agreement on the introduction of the condition.

Our proposed drafting of para 1.2 of the condition is as follows (suggested changes in **bold**):

The [Licensee][Appointee] shall take such **reasonable and proportionate** steps and do such things as are within its power and which are or may be necessary or expedient to ensure that it is ready for the opening of the Competitive Market on and from the Go Live Date including, without limitation:-

- a) Developing company specific market assurance and readiness plans;
- b) Identifying and gathering relevant data in relation to all Eligible Premises and supply points [to which it currently provides services][in its area], ensuring this data is **materially** accurate and ensuring it is in a form capable of being transferred to any central systems and/or any market operator established to operate the Competitive Market; and
- c) Testing and trialling any systems and process to be put in place for the Competitive Market,

3) Do you have any comments about the use of existing s13 and s17J Water Industry Act 1991 (WIA91) powers to introduce the new readiness condition?

We consider that these changes should be made through the use of Ofwat's existing section 13 powers. We suggest that if possible, the drafting of the amendment should be circulated and agreed with licence holders, prior to issuance of the section 13 notice. This should facilitate agreement of the changes.

We hope you find these comments useful. Please contact myself or my colleagues if we can be of further assistance on this matter.

Yours sincerely,

Tom Kiedrowski

Regulation & Strategy Director