

NORTHUMBRIAN WATER (WHOLESALE) RESPONSE TO: Consultation on self-supply licences – April 2016.

Northumbrian Water welcomes the publication of the consultation on self-supply licences.

Overall we are supportive of the stance adopted by Ofwat and have the following comments to make in respect of the consultation document.

We note that the proposal requires a number of consequential or related changes to market codes and documents and accordingly we cannot comment fully until such time as these changes have been drafted. We recognise that these changes will be effected via the Interim Code Panel and that we will have the opportunity to comment on the proposals as part of the ICP change process.

We are broadly in agreement with Ofwat's stance that Wholesalers will be afforded appropriate protections via the wholesale contracts with self-supply licensees but we do still have 2 areas of concern.

- 1 Credit terms – The risk allocation in the current credit terms is being reviewed by KPMG presently. We would ask if this risk review is specifically assessing the suitability of the credit terms in respect of potential self-supply licensees. We feel that the risk profile associated with potential self-supply licensees could be significantly different to that of a conventional retailer. Wholesalers are bound to use the credit terms within the wholesale retail code and therefore cannot make specific individual assessments. Accordingly it would be useful assurance for Companies if we could be certain that the risk allocation and appropriateness of the credit terms has been evaluated against a potential range of self-supply licensees. For example a single site high volume user in a high profile sector – steel making for example or a National multi-site retailer or a national multi-site manufacturer,
- 2 Revocation/termination arrangements – We are slightly unclear how the Interim Supply Code would apply to a Customer who has opted for a self-supply licence which is terminated or revoked for any reason. Section 5.1.1(b) of the Interim Supply Code indicates that Ofwat will not use it's power of direction and this consultation confirms that adjustments to the disconnection elements of the Wholesale Retail Code will be required. The outcome of those changes will need to be understood in this context. Wholesalers will need to be certain that in the event of a self-supply revocation there is a clear right to recover any money owed prior to any right for a Customer who was a previous self-supply licensee to receive a service via a new Retailer. We are currently uncertain if this is the case pending clarity on the changes to Wholesale Retail Code.

We have no further comments or suggestions to make on the proposed wording for the amendments.

Northumbrian Water
28th April 2016