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Retail Market Opening Programme
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Dear Chris,

Consultation on Retail Market Transition Arrangements

Thank you for the opportunity to comment on Ofwat's proposed retail market transition arrangements. We have considered the proposals and offer the comments below.

We note the need for careful timing, sequencing and planning to manage the many interdependencies between the numerous requirements needed by different stakeholders. We have identified an inconsistency in timing which currently exists between Defra's requirements for Final Board Assurance letters and MOSL's Programme Update in relation to the requirements for signing Wholesale Contracts and the Accession Agreement. We set this out here so that Ofwat is also aware.

Defra's Final Board Assurance letter is due for submission on 3 February 2017 and requires each Board to certify that the "Market Participant has entered into a Wholesale Contract(s) in relation to the Area(s) in which it intends to trade; and that the Market Participant has entered into an Accession Agreement to be admitted as a party to the Market Arrangements Code." To achieve this, most Market Participants will need to have signed Wholesale Contracts and the Accession Agreement by mid-December in order to allow time for third party assurance, ahead of Board meetings in January to fulfil the 3 February 2017 deadline. This is inconsistent with the Open Water Programme Update which sets out that the Accession Agreement and the Wholesale Contracts will be signed in March 2017. We have raised this with MOSL and with Defra and await a response.

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Question 1: Do you agree with our proposal to mandate that there can be no customer switches under the existing Customer Transfer Protocol during the last [x] days before market opening?

We agree that it is desirable that no switching transactions are caught in the middle of the transition between the Water Supply Licensing regime and the Water Services and Sewerage Licensing regime. To achieve this, we support a proposal to mandate that the latest date to start the switching process through the Customer Transfer Protocol is 20 working days before market opening.

Question 2: Do you agree with our proposal to use a Schedule 11 transition scheme to revoke all WSLs (including CSLs – subject to alternative provisions being put in place)?

Yes, this seems sensible.

Question 3: Should the proposed Schedule 11 transition scheme make provision for what should happen to any existing wholesale contracts?

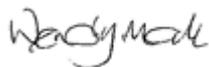
Yes, it seems sensible that the proposed Schedule 11 transition scheme be used to terminate all existing Common Contracts in place between wholesalers and retailers holding Water Supply Licences.

Question 4: Are there any other elements of the current arrangements that should be included in the proposed Schedule 11 transition scheme (either to revoke or terminate them, or to make provision for them to continue in some form, if that is consistent with the provisions of the Act)?

We have no suggestions for any other inclusions within the proposed Schedule 11 transition scheme at this time.

Should you wish to discuss our comments in more detail, please do not hesitate to contact me.

Yours sincerely,



Wendy Monk
Head of Policy and Compliance