



WSSL Licence fee consultation  
Ofwat  
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28 October 2016

Dear Sir

**PRT Response to Ofwat's WSSL Regime – consultation on setting licence fees**

Thank you for the opportunity to respond to the above consultation, published 14 October 2016.

Portsmouth Water will exit the non-household retail market at the earliest opportunity, 3 April 2017, to Castle Water. Therefore we shall not be subject to the licence fee being discussed in this consultation, but will, of course, still make a significant contribution to the Ofwat (and CCWater) costs given our ongoing role as a wholesaler.

We note with interest that the Ofwat cost allocation of 50:50 between wholesalers and retailers differs to that proposed by CCWater, who propose 36:64 and we suggest that this 36:64 share feels more appropriate given the nature of the regulatory issues each constituent may generate.

Further, we would welcome confirmation on the allocation rule for this element of the costs. Our current assumption is that you will allocate the sum of £362,750 in relation to the share of total wholesale revenue, (both water and wastewater, excluding contributions from developers).

Turning to your five questions:-

**1. Do you agree with our objectives for setting WSSL licence fees? Are there any objectives you would like to suggest?**

The five principles appear sensible.

**2 Do you agree that we should use a single basis for charging WSSL licence fees for licensees supplying eligible Welsh customers as well as those operating in England? If you disagree, how would you propose we handle WSSL licence fees for licensees supplying eligible Welsh customers?**

Yes. Any different approach will introduce greater complexity and may change the incentives to operate within Wales.

**3 Do you agree with our proposals for reconciling licence fees?**

Robust and transparent cost reporting will be required to allow any under or over recovery in any year to be recognised in subsequent years. The approach to new or “exiting” participants appears appropriate.

**4 Do you agree with our proposals for setting licence fees based on:**

- a fixed element covering 10% of the costs of running the WSSL regime; and
- a variable element, covering 90% of the costs of running the WSSL regime, based on market share?

We support the use of a fixed and variable tariff, though have no real view on the relative magnitudes of each. We acknowledge the greater the fixed element the greater the potential barrier to entry.

**5 Do you agree that wholesale charges paid is the most appropriate basis for calculating the variable element of the WSSL license fee?**

Yes we support the use of wholesale charges – as noted in the consultation this gives a better measure of market share given the variation in consumption of customers.

If you wish to discuss further, please do not hesitate to contact me.

Kind regards,



**Helen Orton  
Finance and Regulation Director**