

WSSL Licence Fee Consultation Response
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

By email to: FinanceAndGovernance@ofwat.gsi.gov.uk

2nd November 2016

Dear sir / madam

Water Supply and Sewerage Licensing Regime – consultation on setting licence fees

Thank you for this opportunity to provide our comments on the proposal for the setting of WSSL licence fees.

We have provided responses to the five specific consultation questions in the attached Appendix 1.

I hope that you find these comments to be helpful and supportive. If you require further information, please feel free to contact my colleague Colin Fraser by email at: Market_Design_Team@yorkshirewater.co.uk.

Yours faithfully,



P.P.

Wendy Kimpton
Head of Regulation

Enc.

Appendix 1

Yorkshire Water Services Response to the consultation on setting licence fees for the Water Supply and Sewerage Licensing Regime

Yorkshire Water Services have provided the following feedback in regards to the consultation on the proposed setting of licence fees for the Water Supply and Sewerage Licensing Regime arrangements in the non-household retail market, issued by Ofwat on 14th October 2016.

Yorkshire Water Services have provided responses to the questions asked in the consultation from our position as a water and sewerage undertaker.

Number	Question	Feedback
Q1	Do you agree with our objectives for setting WSSL licence fees? Are there any objectives you would like to suggest?	<p>We support the proposals to set licence fees for WSSL licensees based on recovery of a proportion of the costs Ofwat incurs associated with regulating the new retail market.</p> <p>We note the initial estimate of its costs associated with regulating the market for 2017/18 and the proposal to recover 50% of these from undertakers, based on a similar approach taken by MOSL in regards to their expenditure.</p> <p>We believe this to be reasonable given the lack of evidential information on the proportion of costs that are attributable to the regulation of the new WSSL regime, compared to other market related costs.</p> <p>We look forward to consideration of the licence fee mechanism for undertakers' licences within the ongoing work of the licence simplification workstream.</p>

Appendix 1

<p>Q2</p>	<p>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?</p>	<p>No comment</p>
<p>Q3</p>	<p>Do you agree with our proposals for reconciling licence fees?</p>	<p>We would welcome within the annual reconciliation exercise a review of the proportion of Ofwat's costs associated with regulating the retail market that will be applied to undertakers and WSSL licence holders respectively.</p>
<p>Q4</p>	<p>Do you agree with our proposals for setting licence fees based on:</p> <ul style="list-style-type: none"> • 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? 	<p>We agree</p>
<p>Q5</p>	<p>Do you agree that wholesale charges paid is the most appropriate basis for calculating the variable element of the WSSL licence fee?</p>	<p>No comment</p>
<p>n/a</p>	<p>General points</p>	<p>In the circumstances where a WSSL licence holder has a Water Wholesale authorisation, we believe that the Ofwat costs associated with operating this element of the licensing regime should be assessed and levied through another licence fee arrangement. Any additional licence fee arrangement for Water Wholesale authorisations should be distinct from the setting of licence fees for water and sewerage retail authorisations.</p>

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