



**CLEAR BUSINESS WATER LIMITED RESPONSE**

**Water supply and sewerage licensing regime –  
consultation on setting licence fees**

**11<sup>th</sup> November 2016**

## Response

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

It is our opinion that the objectives should also ensure no cross-subsidisation of the costs of other aspects of Ofwat's regulation (i.e. household retail and wholesale). It should also be an objective that the costs of regulating an effective regime are minimised, and reflect Ofwat's confidence in a 'light touch' approach to regulation. We would also seek clarification of how Ofwat have arrived at the 50% each split of costs between WSSL licensees and undertakers. From Ofwat's own Regulatory Accounting Guidelines (RAG 2.06 – Guideline for classification of costs across the price controls) the guidance for the allocation of regulatory costs is 1/9th to retail for water and sewerage companies, and 1/5th to retail for water only companies. We would question is the allocation of these new regulatory costs sufficiently different and transparent to justify a 50/50 split of the new WSSL regulatory costs?

**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?**

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

We agree with the proposal.

**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 agree with the proposal for a fixed fee of 10% of the WSSL regime costs and then variable fee covering 90% of the costs based on the level of market share are fair.

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

We agree that wholesale charges is the most appropriate basis for allocating variable fees.