

Outcome of consultation on proposed modifications to the licence conditions of 17 water companies

The consultation

On 9 November, we gave notice of our intention to modify the conditions of 17 water company's licences. In response, all companies accepted the modifications. We proposed licence modifications in relation to:

- indexation of price controls by CPI or CPIH (instead of RPI);
- new separate Water Resources, Network Plus Water, Bioresources and Network Plus Wastewater price controls;
- market information databases in relation to water resources and bioresources; and
- in-period adjustments to price controls to reflect performance against performance commitments (in-period outcome delivery incentives).

The modifications enable key policy decisions published in [Water 2020: Our regulatory approach for water and wastewater services in England and Wales](#). They support key aspects of our framework for setting price controls in the 2019 price review and provide stakeholders with early certainty on our approach.

More widely they will promote markets to inform, enable and encourage greater efficiency in England and, where it aligns with Welsh Government policy, in Wales.

We are taking steps to inform, enable and encourage the development of two new markets – bioresource (also called sludge) and water resources – where there is potential to unlock substantial benefits for customers, companies, investors and the environment. In relation to bioresources, evidence shows there is scope for increased optimisation of activities across the companies – and, looking further ahead, greater participation from firms operating in wider waste markets. In relation to water resources, trading is below its optimal level, and taking steps to reduce identified barriers to this could result in significant benefits for customers.

The proposed modifications reflected an 18 month process of close and constructive engagement with companies on our future regulatory framework and the modifications themselves. We welcome the important role companies played in this process.

Consultation responses

A complete list of all 17 companies which confirmed they would accept the proposed modifications that applied to them, is set out in the table below.

Table 1: List of the companies whose licence will be modified

Who?	What will apply to them (subject to agreement)?
Water and sewerage undertakers: Anglian Water Services Limited Dŵr Cymru Cyfyngedig (Welsh Water) Northumbrian Water Limited Severn Trent Water Limited Southern Water Services Limited South West Water Limited Thames Water Utilities Limited United Utilities Water Limited Wessex Water Services Limited Yorkshire Water Services Limited	Water only undertakers*: Affinity Water Limited Bristol Water plc Dee Valley Water plc Portsmouth Water Limited South East Water Limited South Staffordshire Water plc Sutton and East Surrey Water Plc

*Water only companies do not require modifications related to the Network plus Wastewater price controls or the bioresource information remedy

We received two additional responses:

- Wales government confirmed it did not object to the proposed modifications.
- CCWater commented on the implication of the modifications rather than the modifications in their own right.

Some of the responses also raised points of policy associated with the licence modifications, rather than the proposed modifications. We will reflect on these policy comments as we develop and finalise our PR19 methodology in 2017.

Conclusion, next steps and indicative timetable

In light of the responses from companies we will now make the proposed modifications to company licences and take the next steps:

- We will share company specific drafting with individual companies in early 2017.
- This is to ensure that we capture for each company how the modifications need to interact with their individual licence. As explained in the consultation, the conditions of each company's licence are individual and may vary. Any company specific adaptations will not change the substance and intended effect of the proposed modifications.
- Subject to finalisation of company specific drafts, we expect the proposed modifications to companies' licences to come into effect from 1 April 2017.