

28 October 2016

Andrew Walker
PR16: Business retail price controls
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[BY EMAIL ONLY]

Dear Andrew

Business Retail Price Review: Draft Determination

We have no substantive comments on the Draft Determination of Sutton and East Surrey Water's business retail price control on the basis of your acceptance of our submission.

In our price control submission we explained that we were still refining the categorisation of our customers and needed to reflect the latest guidance that had been issued the day prior to our submission. The number of current customers we now consider eligible has increased to around 13,000. This increase is due to the ongoing work we are carrying out to assess eligibility including reflecting the latest guidance. We have also contacted all customers that we consider are eligible to advise them about the new market and this may highlight some premises where the property type has changed but we have not previously been advised.

We have some remaining concerns in relation to the price control framework and the impact of clarified guidance on eligibility since the PR14 Final Determination. We would welcome the inclusion of a commitment in the Final Determination that reassures us that the Regulatory Accounting Guidelines will be modified to allow for 'non-eligible businesses' (those customers that we expected to be classed as businesses when the PR14 price control was determined but who are not eligible) to be included in the 'household' price control.

If you have any questions we would be happy to discuss. In the first instance please contact Joanna Campbell, Economic Regulation Manager (JoannaC@waterplc.com, 01737 785 692).

Yours sincerely



John Chadwick
Finance and Regulation Director