

PR19 draft methodology
Water 2020
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30 August 2017

Dear Ofwat,

DELIVERING WATER 2020: CONSULTATION ON OFWAT'S METHODOLOGY FOR THE 2019 PRICE REVIEW

We are pleased to have the opportunity to respond to Ofwat's consultation on the methodology for the 2019 price review (PR19). Whilst we are supportive of the overall principles and proposals for the full 2019 price review, we have focused on the elements most relevant to retailers providing services to business customers.

Customer engagement

We are pleased to see the increased focus on customer engagement and customer participation in PR19. Accordingly, we are keen to engage with wholesalers to represent our views and the views of our business customers and work together to clarify agreed outcomes. As we are operating nationally, we expect to engage with most wholesalers and we would like to see this engagement planned into wholesaler's PR19 programmes with sufficient time allowed within the programme for meaningful discussions and input. We would like to work with wholesalers to assist with proposed activities to engage with our customers.

Issues which are likely to be at the forefront of discussions with wholesalers will include levels of service provided to retailers (and our customers) and the large number and variations of wholesale tariffs across the industry. We will be able to identify where service improvements are needed along with priorities. To improve price transparency to customers we would like to see wholesale tariffs simplified and consolidated across the industry whilst maintaining reasonable cost reflectivity.

Business retail price controls

We are grateful for the clarity provided to retailers in relation to price controls for business customers. It is clear that for

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retailers who acquired customers through the Retail Exit process, there will be no new price controls within PR19 and instead, customers will be protected by the Retail Exit Code. The Retail Exit Code requires companies to offer default tariffs that are no higher than would have been available if the company had remained in the market. It is essential for the development of the business retail market that there is a level playing field across retailers. Therefore, where undertakers did not exit the business retail market (and therefore the Retail Exit Code requirements do not apply) there should be price controls and these price controls should protect customers in the same way as the Retail Exit Code.

Welsh retail price controls

As many customers operate nationally it is important to create a level playing field as much as possible between the English and Welsh markets, recognising that the Welsh Government has opted not to participate in business retail competition.

Therefore, we agree that business customers supplied by Welsh companies and not subject to competition should continue to be protected through business retail price controls. We agree that an average revenue control is appropriate.

At PR16 it was considered appropriate that all business retail customers be subject to price controls including water customers of Welsh companies using more than 50 megalitres a year. Nothing has changed in respect of services to these customers therefore it is logical that the price controls should continue. To remove these controls would remove the backstop price and service protection which remains in place for all other business retail customers.

Duration of retail price controls

We support a three year price control for business and residential retail activities as we agree that this will facilitate maximum flexibility for the development of future markets as we build on the lessons we learn from the business retail market.

We hope that our comments are useful. Should you wish to discuss any aspect of our response, please do not hesitate to contact me.

Yours sincerely,



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Head of Policy and Compliance

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