

Sent by e-mail to: licensing@ofwat.gsi.gov.uk

Date 23rd March 2018

Regent Water response to Ofwat Water Supply and Sewerage Licensing Regime – consultation on proposed changes to how licence fees are set

Dear Sir / Madam,

Ofwat, the Water Services Regulation Authority, responsible for economic regulation of the privatized water and sewerage industry in England and Wales issued a consultation on proposed changes to how licence fees are set for Water Supply and Sewerage Licensing Regime on the 1st of March 2018.

Regent Water welcomes the opportunity to respond to this consultation. We have based our comments on our experience as a supplier of water to commercial enterprises of all sizes. Formed in 2015 Regent Water, part of Regent Utilities, is a privately owned British business supplying waster to small, medium sized and large corporate businesses, throughout England and Scotland.

As much as possible, Regent Water would like to express the wish of not having our comments and/or suggestions publically shared, as we would like to keep them confidential.

If you would like to discuss any areas of our response, please feel free to contact me on

Direct dial 020 8896 6015

Email: AKalawe@regentWater.co.uk

Yours sincerely,

Alunga Kalawe

Regulation & Compliance Manager

Proposed change 1 – calculating the flat fee element of licence fees by licence for the costs of both Ofwat and CCWater

OFWAT

	Actual rule	Proposal
% of total relevant cost	10%	10%
Payer	The licensees	The licensees
Apportionment	Equally between the licensees	Equally between the licensees
Contribution	Per licence held	Per licence held

CC Water

	Actual rule	Proposal
% of total relevant cost	10%	10%
Payer	The licensees	The licensees
Apportionment	Equally between the licensees	Equally between the licensees
Contribution	Per licence holder *	Per licence held

*Regardless the number of licences held

Q1

Do you agree with our proposal to simplify the calculation of licence fees by calculating the flat fee element of licence fees by licence for the costs of both Ofwat and CCWater for 2018-19 and subsequent financial years?

A1

Regent Water agrees with the proposal to simplify the calculation of the flat fee element of licence fees. Harmonising the way the fees are calculating between Ofwat and CCWater is a step to minimise complexity.

But we recognize that by putting the contribution to the licence and not anymore to the licence holder, this will add a cost on retail companies owning water supply licences and sewerage licences.

Proposed change 2 – including the wholesale charges associated with transferred businesses when calculating market shares

	Actual rule	Proposal
Type of cost	Variable element of licence fees	Variable element of licence fees
% of total relevant cost	90%	90%
Organisation allocating from	Ofwat CCWater	Ofwat CCWater
Type of charge	The wholesale charges	The wholesale charges
Applicable as	Market share	Market share
Calculation of market share if exit retailer	The wholesale charges to the WSSL licensee in the preceding financial year	<ul style="list-style-type: none"> The wholesale charges to the WSSL licensee in the preceding financial year* The wholesale charges to an appointed water company's retail business **
When applied		The time licence fees are set

* unless those charges will be used in the calculation of another WSSL licensee's market share)

**or another WSSL licensee that relate to a retail business that has been transferred to the WSSL licensee.

Q2

Do you agree with our proposal to include wholesale charges associated with transferred businesses in the previous year when calculating market shares for 2018-19 and subsequent financial years?

A2

Regent Water agrees with the new proposal to include wholesale charges associated with transferred businesses. We find it fair that when a retailer exit the market, the company acquiring its non-household retail business would have to pay the variable fees according to its new share in the market.

That way, there is not waste of money for the body entitled to the charges.

“Where parties are mid-transaction and the transfer has not yet taken place, we do not think it is appropriate to apply this approach as the transaction is not certain to occur. We would expect a divesting WSSL licensee to retain a sufficient sum to pay any required licence fee and that this is addressed in any contract with the acquiring WSSL licensee where appropriate.”

Regent Water agrees with this approach of waiting for the exit and the transfer to be fully completed.

Proposed change 3 – issuing fees to self-supply licensees

	Actual rule	Proposal
Type of licence	Self-supply WSSL	Self-supply WSSL
Charges to CCWater n	No	No
Charges to Ofwat	No	Licence fees*

*From 2019-2020

Question 3 A

What are your views on the principle of Ofwat setting licence fees for self supply WSSL licensees for 2019-20 and subsequent financial years? b. Do you have any views on how licence fees for self-supply WSSL licensees in relation to Ofwat’s costs should be calculated?

A3A

Regent Water agrees with the principle of Ofwat setting licence fees for self supply WSSL licensees. As the self supply WSSL licensees are actors in the water market and benefitted from Ofwat’s regulatory work in relation to the business retail market. They should contribute also.

Moreover, their number is increasing, diversifying the revenue of Ofwat.

	Actual rule
Organisation	Ofwat
Contributors	WSSL licensees
% of the costs to be paid aka total relevant cost	50%
Variable element of licence fees (% of total relevant cost)	90%
Fixed element of licence fees (% of total relevant cost)	10%

Question 3 B

Do you have any views on how licence fees for self-supply WSSL licensees in relation to Ofwat’s costs should be calculated?

A3B

The licence fees for self-supply WSSL licensees in relation to Ofwat’s costs could be calculated according to the amount of water consumed. The water consumed will be based on the data given by the self-supply WSSL licensees. The fixed fees could be dished and just keep the variable fee based on the water consumed.

Another way could be also to set up licence fees proportionally to the share market for self-supply WSSL licensees.

The point is, will the new licence fees for self-supply WSSL licensees be part of the 50% total relevant cost or a new fees on top of that? In the first case, the fees for other licensees of the water market will be lessened. In the second case, it will be additional revenues for Ofwat.