

Ofwat Consultation Response

Water Supply and Sewerage Licensing Fees Regime

Contributors: Greene King, Marstons, Whitbread, Coca – Cola European Partners and Blackpool Council

1. 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?

Self Supply Community response to Question 1:

Regardless of whether appropriate for the Self Supply Community (see response to Question 3 below) we agree that simplification of the flat fee element at licence level is practical and in line with charging objectives of producing clarity and reducing complexity: with Ofwat and CCWater's element of cost only being applied if relevant i.e. CCWater should not be applicable to self-supply.

2. 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?

Response to Question 2: Yes

3a. What are your views on the principle of Ofwat setting licence fees for self-supply WSSL licensees for 2019-20 and subsequent financial years?

Self Supply Community response to Question 3a:

We feel that this may be detrimental to the success of this innovation in the market. If applied, self-supply licence fees should relate to the specific costs incurred by Ofwat in relation to these licence holders. We recognise the works already taken relative to market codes but this was at the commencement of market opening and is therefore not reflective of future works but due to the fact that the codes were not practical for self-supply licence holders. This piece of work has been addressed and we do not consider this to be a continuing piece of work.

Whilst we understand Ofwat may consider some provision may be appropriate for the benefits of the retail market work to promote efficiency and competitive behaviours particularly among the wholesale community, this again is a consequence of the market not a driver for the Self Supply community. If Ofwat believe there is considerable works being undertaken for self-supply licence holders this should be clearly identifiable and transparent to self-supply licensees.

Self-supply is an important competitive driver for the market and given our openness and transparency we believe, with the Self Supply User Forum we provide an insight and market intelligence that is of huge value to Ofwat. With a combined voice and working closely with the regulator we feel we actually consolidate and reduce the workload for Ofwat, in this area. Additional fees would prohibit growth of this market particularly in certain sectors and therefore self-supply licence holders should continue to be exempt from fees.

So in summary we believe the introduction of licence fees for self supply licence holders would:

- Hamper further competition
- Burden those who have been early adopters and not factored in these cost
- Have a detrimental impact on relationships

Self-supply licence holders would want to see:

- Clear and demonstrable costs incurred Ofwat for the self-supply community
- Perceived benefits of Ofwats work
- Pro-rata cost consideration relative to standard WSSL licensees should this be enforced

3a. Do you have any views on how licence fees for self-supply WSSL licensees in relation to Ofwat's costs should be calculated?

Self Supply Community response to Question 3b:

If fees were applied these should be for the fixed fee element only and directly proportional to the works undertaken. Any fee should be modest comparative to the other market participants and shared among all self-supply licence holders, so that as the self-supply community grows the fees reduce.

There should be no variable rate, as this would prohibit further competition: self-supply only works for larger companies and such this would prevent them progressing this option. Why should self-supply entrants who are only serving their own business pay more to operate within the market based upon their size, given this does not equate to additional cost to Ofwat?

This response has been compiled by Claire Yeates, Director of Waterscan, if you have any questions please do not hesitate to contact me, details provided below:

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