

Mr Chris Bollington
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By email to: licensing@ofwat.gsi.gov.uk.

23rd March 2018

Dear Mr Bollington,

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

Thank you for giving us the opportunity to provide comments and feedback on the ‘Water Supply and Sewerage Licensing Regime – consultation on proposed changes to how licence fees are set’

Yorkshire Water Business Services (the Condition R4 “NHH Retail Business” division of Yorkshire Water Services Limited) supports the objectives set out in Ofwat’s proposed approach in the consultation.

Our responses to the specific questions are contained in the attachment to this letter. We have sought to keep our responses as brief as possible and make material comment only where we have a specific opinion, or to explain our reasoning for a particular answer.

We look forward to publication of the outcome of this consultation, however should you have any queries regarding any of our responses, please don’t hesitate to contact myself or my colleague Ralph Lock via ralph.lock@ywbusinessservices.co.uk.

Yours sincerely,



Andy Clark
Head of Non-Household Retail
Yorkshire Water

Enc.

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

Consultation questions		Feedback – YWBS
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?	YWBS agree with the proposal to simplify the calculation of licence fees by licence for the costs of both Ofwat and CCWater for 2018-19 and subsequent financial years.
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?	YWBS agree with the proposal to include wholesale charges associated with transferred businesses in the previous year when calculating market shares for 2018-19 and subsequent financial years
Q3a	What are your views on the principle of Ofwat setting licence fees for self-supply WSSL licensees for 2019-20 and subsequent financial years?	YWBS' view is that self-supply WSSLs for 2019-20 and subsequent financial years should receive an Ofwat licence fee that is reflective of the level of expenditure that is incurred by Ofwat in relation to regulating this group of licensees, either specifically as self-supply WSSLs or more generally as WSSLs.

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

Q3b	Do you have any views on how licence fees for self-supply WSSL licensees in relation to Ofwat's costs should be calculated?	The fees should reflect an apportionment of the overall relevant Ofwat costs that self-supply WSSLs have opportunity to benefit from. We would expect the self-supply WSSLs to receive licence fees under the same cost sharing mechanism as WSSLs unless Ofwat determines its level of activity for self-supply WSSLs is significantly different to that for WSSLs. If there is a significant difference, we would expect appropriate weighting factors to be applied to the separate WSSL groups. If self-supply retailers (typically larger corporate organisations) were to enjoy a free licence, the costs incurred by Ofwat in administering and policing those licences would presumably be borne by other retailers and subsequently passed on to their customers, the majority of whom will not in a position to self-supply. This would represent a subsidy for large customers funded by smaller customers.