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Dear Peter

TRADING AND PROCUREMENT CODES GUIDANCE

Thank you for the opportunity to comment on your proposed review of the trading and procurement codes guidance. We are currently revising our own Trading and Procurement code and welcome the timely update to your guidance. We broadly support Ofwat's proposed updates to its guidance. Our responses to the consultation questions are set out below, including a suggestion for enhancing the proposed approach to approving existing codes.

Response to consultation questions

Q1. Do you support the new requirements or principles we have set out in section 2.2?

We agree Ofwat needs to update its guidance to reflect the latest market and regulatory developments, and the four proposed principles appear reasonable.

Q2. Do you support our proposed approach to approving new codes, as set out in section 2.3?

We support the adoption of a more streamlined approach to approving new codes and believe the proposed process is reasonable and efficient.

We agree that the two alternative options of removing the requirement for a public consultation or requiring companies to be responsible for consulting on their draft codes would reduce transparency and make the consultation process less accessible.

Q3. Do you support our proposed approach to updating approved codes, as set out in section 2.4?

We agree that companies with existing codes should resubmit them for approval, to take account of updates to Ofwat's guidance. However, the proposal to require this in June represents a challenge for companies who will be focused on publishing revised draft Water Resource Management Plans ("dWRMPs") and preparing their Business Plans for submission in September.

Ofwat invites water companies with codes to suggest how Ofwat could facilitate the update process. On that basis, we suggest the following two options for reducing the likely burden on staff who will be involved in all three of these projects.

- Option 1: allow companies to revise their codes based on Ofwat's draft updated guidance on which it is consulting. Ofwat's proposed changes to its guidance are not contentious, and on that basis we would not expect any material changes to be required, compared with the consultation version. Companies could then submit for approval in April (or May) and free capacity to focus on revised dWRMPs. If Ofwat's guidance was to change substantially from the consultation version, companies would amend their Codes and resubmit for approval along the proposed timeline in the consultation.
- Option 2: allow companies to resubmit revised codes after September 2018. Ofwat has clarified that it does not require codes to be revised and resubmitted in order to claim trading incentives at PR19, hence the whole approval process could be completed later than proposed in the consultation without material adverse effect.

We would be happy to discuss these options in more detail with you, if you feel that would be helpful. Our preference would be for option 2, but option 1 would also be acceptable to us.

Q4. Do you have any other comments on the draft guidance document published alongside this consultation?

We have no further comments on the draft guidance.

Yours sincerely



Nick Fincham
Director of Strategy and Regulation