



Bristol Water
Bristolwater.co.uk
0345 702 3797

It's what we're made of



Aileen Armstrong
Senior Director
Ofwat

By email: OfwatPandO@ofwat.gov.uk

25 June 2020

Dear Aileen

Consultation under section 13 of the Water Industry Act 1991 on proposed modification to the largest undertakers' licences for ring-fencing

The Bristol Water Board considered the proposed modification to our Licence for ring-fencing. We considered whether it was appropriate to agree to changes to the current licence arrangements at a time when the outcome of the PR19 final determination (FD) has been referred to the Competition & Markets Authority (CMA), because in our view the outcome does not fulfil Ofwat's Finance duty and fails to ensure that the FD was financeable for a relevant notional financial structure for a company like Bristol Water. There has been a detrimental impact on sector credit ratings, including for Bristol Water, as a direct result of the FD.

The CMA will need to determine this issue and the proposed licence change closely relates to this topic. We see some logic in postponing the implementation of this licence change, particularly in relation to cash lock up, until the CMA redetermination. On the other hand, the Board considered that we have supported this licence change in principle in the previous consultations, and our prudent financial arrangements have the same practical effect as the cash-lock up clauses in any case (which is why Ofwat have not prioritised this update to the Bristol Water licence previously).

Therefore, on balance we consent to the proposed modifications being made to the Bristol Water licence. We assume you will consider whether you need to advise the CMA that this licence modification is being made during the PR19 reference, alongside our reasons for consenting to this.

Yours sincerely,



Iain McGuffog

Director of Strategy and Regulation