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25 June 2020

Dear Sir,

PRT Response to Ofwat's Consultation on its proposed Licence Modifications

Thank you for the opportunity to review your consultation on the proposed Licence Modifications which was published which was published on 15 May 2020.

This issue was discussed at our Board earlier today. The Board agreed to the revision of the Company licence as proposed in the consultation. Specifically we note the following changes for Portsmouth Water as follows:-

- Amendment to Condition A
- Amendment to Condition K
- Replacement of Condition P with new ring fencing requirement.

Further, we wish to highlight one potential unintended consequence of the revision to Condition P. Specifically Condition P13 effectively says that a water company cannot rely on another water company acting in a regulated capacity to ensure it has adequate facilities and financial resources to carry out its regulated functions.

We currently have two bulk supplies with Southern Water and are negotiating a further agreement with respect to Havant Thicket. Southern Water are reliant on Portsmouth Water for to ensure it has adequate facilities to fulfil its function as a water undertaker whilst Portsmouth Water are reliant on Southern Water for the funding of the project. This arrangement would, prima facie, appear to be captured by this condition and, as the Rapid programme develops further cross border company programmes and financial interdependencies, this could become a wider problem.

We would welcome any comments you have specifically on this issue. We would also request a formal dialogue with Ofwat to confirm that, in Ofwat's view, the arrangement set out in the PRT and SWS Final Determination will not breach this condition.

Yours faithfully



HMG Orton
Finance and Regulation Director