

23 December 2020

Direct Procurement for Customers
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

By email: DPC@ofwat.gov.uk

Dear Sir or Madam

STATUTORY CONSULTATION ON PROPOSED LICENCE CONDITION AMENDMENTS FOR DIRECT PROCUREMENT FOR CUSTOMERS

Thank you for the ongoing opportunity to comment on the revised, proposed licence modifications that will apply to the five companies preparing to procure DPC schemes within the 2020-25 control period. While South West Water (SWW) is not currently proposing any DPC schemes, given the complexity of the subject, and recognising that any changes now would apply to SWW in future, we hope to have the opportunity to continue to contribute to the process through the evolution of the DPC Briefing Note and guidance.

Having reviewed the proposed licence text we are pleased to note that our three remaining areas of key concern relating to the Allowed Revenue Direction (ARD) have been broadly addressed by Ofwat's:

- a) intention that the ARD will mirror the CAP agreement payment schedule;
- b) commitment to align the availability of the ARD with the tender process; and finally
- c) introduction of Condition B15A.6 to extend the circumstances under which a DPC Event may be triggered.

These changes will increase transparency and certainty surrounding the process that we previously felt were absent. Given this and noting that the five companies impacted by the licence modifications have provided indicative consent to the modifications, we do not have any further comment to make in relation to the proposed licence text.

In terms of next steps, we look forward to contributing to Ofwat's engagement on changes to the DPC Briefing Note and draft generic guidance. For example, we are keen to understand how Ofwat's role in granting consents throughout the process will be allowed for within the timescales

set out in the CAP agreement. Looking further ahead, given that sector understanding of DPC will evolve over time we are strongly in favour of an ongoing process of reflection and learning to ensure that licence text and guidance documents remain fit for purpose, and we suggest that it would be in all stakeholders' interest for Ofwat to commit to implementing such reviews.

If you have any questions please do not hesitate to contact me.

Yours faithfully



Sally Mills
Regulatory Director

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