

AffinityWater

AFW137 Response to Licence Modification Consultation



By email: PR24@ofwat.gov.uk

Proposed modifications to Condition B: consultation response

Ofwat

Centre City Tower

7 Hill Street

Birmingham B5 4UA

Dear Ofwat

Consultation under sections 12A and 13 of the Water Industry Act 1991 on proposed modifications to Condition B: Charges of 16 water companies' licences

We write in response to Ofwat's consultation to amend Condition B of our licence to allow for flexibility due to any delay to the publication of the PR24 final Determination.

Affinity Water welcomes Ofwat's continued commitment in the consultation to publish the PR24 final Determinations on 19 December. We do not object in principle to the proposed modifications as we recognise that the general election has caused a delay, however due to the curtailment of the time allowed for company responses to the draft Determination, we do note that this delay has been minimised to two weeks.

However, if an extension to the timeline is required in order for Ofwat to complete the final Determination process, then we recognise the need for the proposed licence amendment. It is essential that any delay to the final Determination be communicated to companies in the Autumn and well in advance of 19 December, along with a new publication date to allow companies to sufficiently plan their resources and make any necessary adjustments.

We consider that the consultation underestimates the potential impact that any delay will have upon companies, focusing only upon companies' ability to set charges, and does not address the wider considerations of any delay, such as the impact upon companies' revenue, reconciliation and delivery of performance commitments in the first year of the AMP. The consultation also lacks detail on the proposed measures that could be implemented to mitigate these impacts.

We therefore emphasise the importance for Ofwat to carry out a timely and full consultation with companies on its proposed mitigation measures. This consultation should include fully considered and developed measures to mitigate the impact of the delay on setting charges and how it will engage with companies to implement these measures. Additionally, the consultation should identify and consider the wider impacts of any delays

Affinity Water

Taking care of your water

for all companies and customers, including but not limited to those set out in this letter, and provide any proposed mitigations.

We have also set out our detailed responses to the consultation questions in the table below.

Yours sincerely

Liv Walton
Director of Regulation and Strategy

Questions

	Question	Affinity Water Response
1	Do you have any representations on, or objections to, the proposed modifications to Condition B: Charges for the 16 largest water companies?	Affinity Water do not have any representations or objections to the proposed drafting of the modifications to condition B of its licence.
2	If we need to delay final determinations to January 2025, what are your views on the implications we have identified and how we could mitigate them?	<p>Affinity Water agrees that any delay to the publication of the final determination would significantly reduce the time available for companies to finalise, assure, sign-off and publish its charges scheme and wholesale charges. This in turn will have a significant impact upon Business Retailers and NAVs who will be dependent upon the publication of these charges and will cause uncertainty for customers. The level of this impact will depend upon the length of any delay to the publication of the final determination.</p> <p>We disagree that the process of turning around new charges is straightforward, whilst the process for updating charges to reflect changes between the draft and final Determinations can be done relatively quickly, the process for making the necessary billing adjustments, assurance and sign-off normally takes 6-weeks. Therefore, any curtailment to the process could have implications for Affinity Water and in turn will have an impact on its customers.</p> <p>We also consider that the consultation has failed to identify the wider implications that companies could face should the final Determination be delayed, including companies' revenue, reconciliation and delivery of performance commitments in the first year of the AMP.</p> <p>Ofwat have not provided sufficient detail regarding the proposed mitigation measures in the consultation. We also note that the two options set out in the consultation are only examples of potential mitigation measures and that it would be open to Ofwat to opt for an alternative measure. It is therefore difficult for Affinity Water to provide detailed comments on the proposed mitigations.</p> <p>With regard to the two options identified, we comment as follows:</p> <ul style="list-style-type: none"> - Relaxation of deadlines – whilst this could potentially provide us with sufficient time in which to publish our charges scheme and wholesale charges, as Ofwat recognises, it does not provide any mitigation for Business Retailers and NAVs. It would also result in uncertainty for customers. Therefore, we do not consider this to be a viable option without any further mitigation measures

		<p>being put in place. It is not clear from the consultation what, if any, measures could mitigate this effect.</p> <ul style="list-style-type: none"> - Allowing companies to set charges within agreed parameters prior to final Determinations being published – this option could allow for the publication of charges by the required deadlines, which will allow Business Retailers & NAVs to set their charges on time. However, it is not clear how the parameters will be determined (i.e. will this a fully consulted process), nor how a reconciliation mechanism, if any, would work in this instance should there be a discrepancy between the agreed parameters and the final Determination. This in turn could cause confusion and uncertainty for customers and a potential shortfall in revenue for companies. <p>With regard to any revenue divergence from the revenue forecasting incentive mechanism, we consider that any associated penalty should be waived. As a general point, we submit that companies and customers should not be placed in a detrimental position due to any delay.</p>
3	For the non-household market, what measures could Ofwat or retailers take to allow them to revise retail prices from April 2025 and communicate changes to customers ahead of April 2025?	N/A