



For Immediate Release

A kick start to water supply competition

Water industry Regulator Ofwat has published the second determination to date in the Water Supply Licensing regime. Unable to reach an agreement on access price, both parties welcomed intervention by the Regulator. Ruling in favour of Licensee Severn Trent Select, Ofwat has increased the discount to the access costs proposed by the Incumbent to 1.31%. This paves the way for Severn Trent Select to switch the first customer.

Severn Trent Select and Northumbrian Water will be working closely together over the forthcoming months. Both organisations will develop a greater understanding of the processes involved in switching and will be able to contribute their perspectives to inform the ongoing water competition debate.

The Water Supply Licensing regime is designed to improve competition in the water industry. It enables non-household customers to choose their water supplier, if they receive more than 50 megalitres of water a year. The new regime is designed to offer customers cost saving and efficiency benefits as more water service providers enter the market.

<<Ends>>

Notes for editor

Severn Trent Select Limited was awarded a combined license to retail water across England and Wales in December 2005.

Severn Trent Select Limited is a member of the Severn Trent Services group of companies.

Wholesale price discounts – This is the discount offered by the water undertaker for supplying wholesale water to a licensed water supplier. The discount is derived by calculating the access price which is itself determined by the Costs Principle, guidance for which is set out by OFWAT in their "Access Codes Guidance".

Costs principle – The Costs Principle is set out in section 66E of the Water Industry Act 1991 and refers to the charges payable by a licensed water supplier to a water undertaker under an access agreement for providing wholesale water supplies. The Costs Principle offers a 'retail-minus' approach to setting access prices, whereby it does not allow water undertakers to recover expenses that can be avoided reduced or recovered in some other way (referred to by the acronym ARROW costs).

Ofwat - Ofwat (The Water Services Regulation Authority) is the economic regulator of the water and sewerage companies in England and Wales. The determination can be found at http://217.199.176.110/competition/det_s66_nes.pdf



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