



RESPONSE TO WICS CONSULTATION – OUR APPROACH TO THE 2010-14 PRICE REVIEW

Aquavitae (UK) Limited expects to be a licensed provider in the competitive market for supplies to business in Scotland. As such, we have no direct interest in water supplies outside the competitive market and it may therefore appear that this consultation is not relevant as far as we are concerned. However, there could well be indirect effects on us and other licensed providers from the approach the Commission uses to set limits to the prices Scottish Water can charge.

The present consultation is essentially about the process which the Commission will undertake in setting new price limits and, in general, we welcome the open nature of the consultations that are proposed.

However, there is an issue we would like to raise about methodology in advance of the formal consultations about methodology (which we understand begin in April 2007). This concerns a fundamental point which will affect the cost information the Commission will need to collect and the approach it will use to set price limits. Unlike the last time price limits were set, in the 2010-14 period Scottish Water will no longer be the sole supplier of water in Scotland. Its role has changed very significantly now that competition is being introduced for business users. As well as selling direct to consumers outside the competitive market, where it is subject to regulatory price limits, Scottish Water will be a wholesaler of water to licensed providers. In these changed circumstances, it is very important that the costs attributable to different parts of its business are clearly identified so that both the prices charged to smaller consumers and those charged to licensed providers clearly reflect costs. We assume, therefore, that the Commission will bear in mind these changed conditions compared with its last price review, and will collect information that will allow it to ensure that all Scottish Water's charges are cost-reflective and can clearly be seen as such.

26 February 2007