

[REDACTED]

From: Jim and Margaret Cuthbert [REDACTED]
Sent: 18 October 2007 11:22
To: src10-14
Cc: [REDACTED]
Subject: consultation on strategic review of charges 2010-2014

Dear Sir / Madam,

we note that your consultation on the Strategic Review of Charges 2010-2014 is due to close tomorrow. We have published a number of papers which are relevant to your review: in particular, these include

Cuthbert, J.R., Cuthbert, M.: "Risk and Profit: Unanswered Questions about the Strategic Review of Water Charges 2006-10": Fraser of Allander Institute Quarterly Economic Commentary, Vol 31, No.1: (2006).

Cuthbert, J.R., Cuthbert, M.: "A Rejoinder to Midwinter and Simpson: and how their notes raise further concerns about the financing of the water industry in Scotland": Fraser of Allander Institute Quarterly Economic Commentary, Vol 31, No.3: (2007).

Cuthbert, J.R., Cuthbert, M.: "Fundamental Flaws in the Current Cost Regulatory Capital Value Method of Utility Pricing": Fraser of Allander Institute Quarterly Economic Commentary, Vol 31, No.3: (2007).

Cuthbert, J.R., Cuthbert, M.: "A Rejoinder to Jo Armstrong's Critique of Our Paper on Utility Pricing": September 2007.

Copies of these papers have already been sent to the WICS. But to ensure that the papers are formally considered as part of your consultation for the strategic review of charges, 2010 to 2014, we are sending this email, with the above links to our papers.

To summarise, the two main points to be taken from our papers are:

- a. It is quite inappropriate to apply the same financial ratios and targets as used by Ofwat for the privatised water industry in England to the very different situation of the publicly owned water industry in Scotland.
- b. There are fundamental flaws in the current cost version of the regulatory capital value method of setting utility prices, as used by the WICS in the Strategic Review of Charges 2006-10, and as apparently proposed for 2010-14. The flaws lead to overcharging, excess profits, and the potential distortion of the capital investment programme.

We would be grateful if you could acknowledge receipt of this email: if you have any problem following the link to the above papers, please get back to us.

Yours sincerely,
Dr JR Cuthbert,
Mrs M Cuthbert.

To view our papers on economic and statistical issues, go to www.cuthbert1.pwp.blueyonder.co.uk