

Date: 9 February 2016

Our Ref: 050216 Letter To Anglian
Water Business Re.
Performance Standards

Your Ref:

Tony March
Anglian Water Business
47 Melville Street
Edinburgh, EH3 7HL

Dear Tony

Public Sector Transfer Performance Charges

I write further to your letter to me of 19 January 2015 regarding the phased introduction of certain performance standard charges in relation to the transfer of the Public Sector SPIDs to Anglian Water Business (AWB) on 1 March 2016.

AWB asked for a phased introduction in relation to the Public Sector SPIDs of Market Code 5.3.4(i) and relevant CSDs to allow for a six month suspension of performance charges to provide sufficient time post transfer to resolve the expected high volume of current and legacy data issues with some of these SPIDs. This request is consistent with the Commission's letter of 25 August 2014 to all of the then Licensed Providers regarding the suspension of certain performance standards in relation to the Public Sector SPIDs.

The performance charges for AWB's existing SPIDs would not be relaxed and any performance charges for these SPIDs would continue to be paid. We agree with AWB and the CMA that the most cost effective method of calculating these charges would be on the basis of a fixed monthly charge to be applied for the period from 1st March to 31st August. This fixed monthly charge is to be calculated on the average monthly performance charge over the past two years.

The CMA would continue to collect performance data on all AWB SPIDs and provide the usual performance change reports. This data would allow AWB and the CMA to analyse and manage any issues which emerge.

The Commission considered your request and the views of the CMA at its meeting of 4 February 2016 and supports the phased introduction of performance charges on the transferred Public Sector SPIDs. The Commission considers that this change to the Market Code is necessary in the interests of securing the orderly participation of Trading Parties in the Provision of Services and is consistent with the Market Code Principles. The approved phased introduction is as follows:

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First Floor, Moray House
Forthside Way
Stirling FK8 1QZ

Chairman Professor Gordon Hughes

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- 1 March 2016 to 30 April – 100% removal of performance charges
- 1 May to 30 June – 75% removal of performance charges
- 1 July to 31 August – 50% removal of performance charges
- 1 September 2016 onwards – full performance charges apply

The recommended proposal gives AWB less protection than requested but we believe it is a reasonable compromise providing an incentive for AWB to do as many readings as possible during the first two months but also limiting exposure to charges towards the end of the first six months.

We will work with AWB and the CMA so that this change is implemented on a timely basis.

You will see that I have copied this letter to Jeremy at the CMA so that he is kept abreast of the Commission's position on this issue.

Please feel free to contact me if you have any questions on this matter.

Yours sincerely



Charles Yates
Head of Competition

Cc: Jeremy Atkinson, CMA Chief Executive