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Cathryn Ross
Director of Markets
Ofwat
City Centre Tower
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5 February 2009

Cathryn Ross

Proposed inset appointment for water and sewerage services at Llanilid

Thank you for your letter dated 28 January 2009.

Your response does not address the question of how Ofwat proposes to reconcile the granting of an inset appointment at Llanilid with its statutory duties, including in particular its duty to protect the interests of customers. Neither does it respond to our point that, in this context, the "interests of customers" means the generality of customers and not only those customers due to be situated within the proposed inset area.

These issues lie at the heart of our objections to Ofwat's procedural shortcomings with respect to SSE Water's inset application, including:

- Ofwat's failure to give adequate reasons for its proposal to make an inset appointment at Llanilid;
- the impression given by your letter of 9 December that Ofwat will not take proper account of representations and objections duly made in respect of the application.

Further, since Ofwat has failed to set out adequately its reasons for proposing the inset, and given that they are far from obvious, we are unable to understand Ofwat's reasoning and have therefore been unable to make effective representations on the proposal.

In your recent letter, you acknowledge the importance of taking the right decision in respect of the Llanilid inset application. But we see that Ofwat is "actively considering what changes might be needed to our policy" on inset appointments (I refer to your open letter dated 23 January published on Ofwat's website). If Ofwat is not confident in its current policy, it is difficult to see how Ofwat can be confident that it will reach the right decision in respect of Llanilid.

For the reasons set out above, we reserve our right to challenge any decision by Ofwat to make an appointment for the Llanilid area on these or any other grounds.

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We welcome correspondence in Welsh and English
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We should be happy to travel to Birmingham to discuss these and any other issues if that would be helpful.

I am copying this letter to Jane Davidson at the National Assembly, to Tony Smith and to Diane McCrea at CCWater, and I have also copied to Adrian Pyke at Scottish and Southern Energy. A copy will also be posted on our website.

Yours ever

Nigel

Nigel Annett