

16 January 2015



Cathryn Ross
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Please ask for Neville Smith
Our Ref NS/KL
Your Ref

Dear Cathryn

Final Determination of price controls

The Board of Portsmouth Water have reviewed your Final Determination of Price Controls for the period 2015-2020, sent under cover of 12 December 2014, and asked me to write to confirm that it does not wish that you refer the Determination to the Competition and Markets Authority for external review. This was agreed unanimously at its meeting on 13 January 2015.

Further, the Board have asked me to thank you, Sonia and the team at Ofwat for the approach you have taken this review. We believe the outcome will benefit our customers in the future.

Finally the Board have also considered the issue of the menu choice. It wishes Wholesale Totex to remain as per its original Business Plan submission, at £137.026m in 2012/13 prices for the 5 year period. This results in a Totex ratio of 96.504%, as per the Final Determination.

We have chosen not to re-calibrate our Outcome Delivery Incentive (ODIs) rewards or penalties at this stage. As our Totex ratio is less than 100%, the recalibration of rewards and penalties would be slightly in our favour. Therefore we believe, in the interest of minimising any potential confusion, it is better for us to remain as per Final Determination.

We shall publish this letter and our ODIs on our website on 16 January 2015.

I look forward to working with you on this and other issues over the coming period.

Kind regards

Yours sincerely

Neville Smith
Managing Director