

Date: 1 June 2012
Our Ref: 120601 ST Letter Condition B1
Your Ref:

Jeremy Hobbis
Director and General Manager
Severn Trent Select Limited
2308 Coventry Road
Birmingham
B26 3JZ

Dear Jeremy

Standard Licence Condition B1 (Duty to provide default services)

The purpose of this letter is to suspend Standard Licence Condition B1 (Duty to provide default services) (“**SLC B1**”). Expressions used in this letter have the same meaning as in the Standard Licence Conditions.

As you will be aware, SLC B1 requires the holder of any water or sewerage licence to offer the default services at the default standard (and at a price not in excess of the default maximum tariff) to any eligible customer who requests them in respect of any eligible premises.

Following its recent consultations with stakeholders in the retail market, the Commission is of the view that it may not necessarily be in customers’ interests for all licensed providers to be subject to the demands of providing the default package. Having considered in particular the overall proportion of wholesale charges for which you are responsible and the regulatory burden which the requirement to provide the default package may therefore pose, the Commission is of the view that the obligation to provide the default package should be suspended from your licence. This letter therefore serves as notice the Commission has used the provision in paragraph 9 of SLC B1 and suspended SLC B1 from the purposes of the water and sewerage licences granted to you on 3 April 2012, with effect from today, 1 June 2012, until further notice.

You should note that the Commission intends to keep the suspension of SLC B1 from your licences under review to determine whether, in all of the circumstances, it would be appropriate to reinstate its application. The Commission will carry out the first of these reviews by the end of this current calendar year (2012) at the very latest.

Water Industry Commission for Scotland
First Floor
Moray House
Forthside Way
Stirling
FK8 1QZ

Chairman: Professor Gordon Hughes

Telephone 01786 430 200
Email enquiries@watercommission.co.uk
Web www.watercommission.co.uk

I will also publish this letter on the Commission's website.

Please do not hesitate to contact me if you have any questions on the above.

Yours sincerely

David Walters
Analyst