



## News Release

29/09

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### **CC PROVISIONALLY REJECTS WATER PRICE APPEAL**

The Competition Commission has provisionally rejected an appeal from Sutton and East Surrey Water to increase its prices to customers for 2009/10.

In its provisional determination published today at: [www.competition-commission.org.uk](http://www.competition-commission.org.uk), the CC has concluded that although the company's financial performance is below that forecast when the current price controls were set, this has not affected its ability to finance the proper carrying out of its functions or created long-term difficulties for the company.

Ofwat referred the appeal to the Competition Commission (CC) in March this year, following its decision to reject the company's request to increase prices by 10.2 per cent in real terms. Sutton and East Surrey Water had argued that it should be able to increase its prices because of unexpected shortfalls in revenue and an increase in energy charges. The existing price limit for 2009/10 has been set by Ofwat as part of a five-year price control, of which 2009/10 is the final year.

Chairman of the Sutton and East Surrey Water reference Group, Dr Peter Davis said:

The factors highlighted by Sutton and East Surrey Water have affected its financial performance and forecasts but not to the extent that they jeopardize its business operations or its ability to fund operations or its long-term position. Whilst revenue and returns have been less than had been anticipated, we think they are adequate.

In relation to this, we are mindful that Ofwat's forthcoming price review for the next five-year period is under way and provides the opportunity to address some of the issues raised by Sutton and East Surrey Water's claim.

We consider that a price adjustment would not further the consumer objective and we note that an adjustment could be damaging to the incentives that Sutton and East Surrey Water, as a statutory water company, has to be cost efficient.

The CC will now consider responses to the provisional determination and has until 4 September 2009 to publish its final determination of the appeal.

## Notes for editors

1. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
2. The Water Industry Act 1991 requires Ofwat in accordance with the terms of Sutton and East Surrey Water's licence to refer any disputed determination of price limits to the CC for determination.
3. The members of the Sutton and East Surrey Water reference Group are: Dr Peter Davis (Chairman), Jayne Almond, Chris Bright and Professor Bruce Lyons.
4. Further details on the reference can be found at:  
[www.competition-commission.org.uk/inquiries/ref2009/sutton/index.htm](http://www.competition-commission.org.uk/inquiries/ref2009/sutton/index.htm).
5. Sutton and East Surrey Water is a water-only supplier, providing water to parts of Surrey, Sussex, Kent and the London boroughs of Merton, Sutton and Croydon. It supplies 257,000 domestic properties and around 19,000 non-domestic properties.
6. Enquiries should be directed to Rory Taylor (email [rory.taylor@cc.gsi.gov.uk](mailto:rory.taylor@cc.gsi.gov.uk)) on 020 7271 0242.