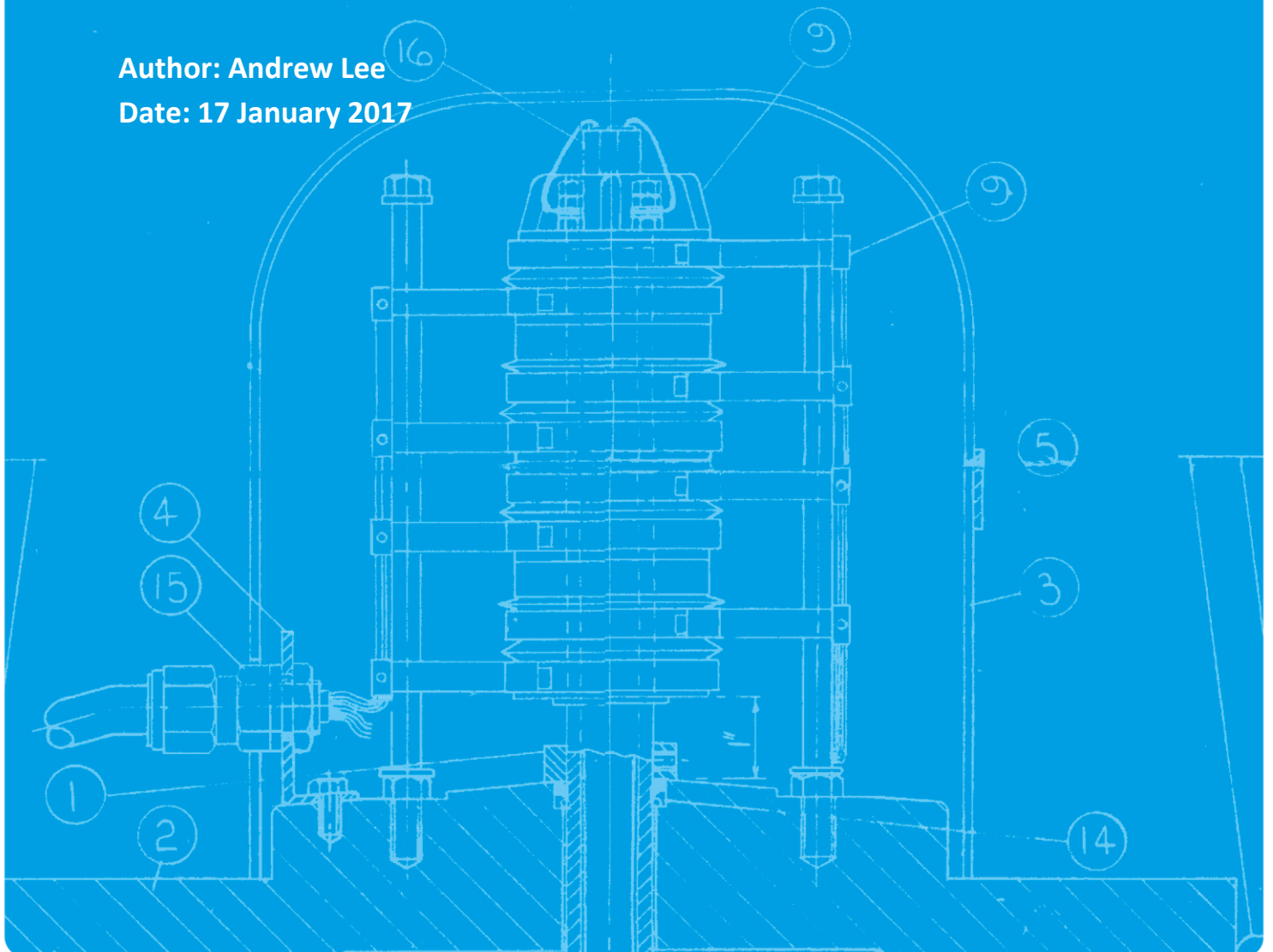


Guidance on Ofwat's approach to competition law in the water and waste water sector in England and Wales: a consultation

Consultation response

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Date: 17 January 2017



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Thank you for giving us the opportunity to respond to this consultation, which has been an important and useful exercise for us to engage in.

At Severn Trent, we recognise the benefits of effective competition in appropriate areas of the water sector and are fully committed to compliance with competition law. We welcome the publication of this revised guidance to assist in our understanding of competition law obligations, and how Ofwat intend to apply its enforcement powers.

In general we believe this is a useful guidance note, reflecting the key obligations on companies within the sector, the consequences of competition law infringement, and the procedural approach taken by Ofwat.

We only have one comment to make, where we believe some further clarification would be of assistance:

Abusive behaviour, predation, margin squeeze and refusal to supply (Pages 31/32)

We agree with Ofwat that these matters raise complex issues which will be case specific. However, the European Commission has issued guidance on its enforcement priorities in relation to Article 102 TFEU. That guidance contains detail on the economic concepts underpinning some of these issues and notably, the principles which companies can follow in terms of understanding the relevant threshold to measure pricing. It would be helpful to understand Ofwat's view on the Commission's guidance and whether the information in respect of cost thresholds (AAC, LRAIC, etc.) can be of assistance to companies.