

15 October 2015

Jemma Baker
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

Sutton and East Surrey Water plc
London Road
Redhill
Surrey RH1 1LJ

Website www.waterplc.com

Dear Jemma

Water and sewerage mergers: Draft guidance on the CMA's procedure and assessment

Thank you for the opportunity to comment on the CMA's draft guidance on the procedure and assessment of water and sewerage mergers. This response represents the views of Sutton and East Surrey Water plc, a water only company.

We believe that the majority of changes to the guidelines appropriately bring it in line with changes to legislation. It provides clarity on the process merging parties will need to follow. The one area where we remain concerned is the proposed timeline for Phase 1. We made the same comments in response to Ofwat's consultation on mergers published in May. There is a real possibility that the merger regime changes make little difference to the efficiency of the process because there is inadequate time in phase 1 to assess the value of the merger.

Ofwat's consultation outlined what information it would expect from merging parties to demonstrate the consumer benefit of the merger. What is clear is that detailed analysis is rightly expected. We are therefore concerned that the timelines proposed for Phase 1 (40 days to decide whether to refer) may not provide the CMA and Ofwat with adequate time to make a decision on the adequacy and impact of this analysis. We support the introduction of Phase 1 predominantly because it provides the opportunity for beneficial mergers to proceed faster. While not wishing to extend Phase 1 unnecessarily, we believe it would be prudent to allow adequate time in Phase 1 to reduce the risk of a referral to Phase 2, which might achieve the same outcome.

We appreciate that the proposed timescales are in line with the general mergers regime but consider that the specific circumstances of water mergers (whether the merger of monopoly service providers has a detrimental impact on customers) makes a good case for considering alternatives.

Yours sincerely

John Chadwick
Finance and Regulation Director