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I C R Byatt
Director General

MD115

**TO MANAGING DIRECTORS OF ALL
WATER AND SEWERAGE COMPANIES AND
WATER ONLY COMPANIES**

27 March 1996

Dear Managing Directors,

REVIEW OF THE TARIFF BASKET

I am proposing to review Licence Condition B, Part II, which covers the tariff basket. Tariffs for particular classes of customers may need to be changed from time to time to prevent undue preference or discrimination. I wish to consider whether the extent to which the present tariff basket permits rebalancing is justified and whether changes should be made.

In the context of the consultation paper shortly to be published by the Government on competition in the water industry, I will be considering whether large users should be removed from the tariff basket because they are part of a more competitive market not requiring the same degree of regulation.

I will issue a consultation paper in due course. I would expect changes to the tariff basket resulting from this review to be in operation for the next Periodic Review of price limits. Meanwhile I am announcing this tariff basket review in the press notice which I will release when publishing the *Water and sewerage bills 1996-97* leaflet at 10am tomorrow.

I C R Byatt

Yours sincerely,

Ian Byatt

