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Mr David Knaggs  
Albion Eco Limited  
Lower Ground Level  
Castlewood House  
77-91 New Oxford Street  
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WC1A 1DG

16<sup>th</sup> March 2017

Dear David

**For the attention of the Company Secretary**

**Consultation under section 55 of the Water Act 2014 (WA14) regarding proposals to modify Albion Eco Limited's Instrument of Appointment**

**Background**

Under the WA14, eligible business, charity and public sector customers (business customers) will be able to choose their supplier of water and wastewater retail services. As part of the preparations for the business retail market, we made changes to other companies' Instruments of Appointment (IoAs) as set out in the [summary document](#).

Albion Eco Limited (Albion Eco)'s appointment was granted on 28 July 2016. As our statutory consultation with the other appointed companies on the proposed changes was not concluded until 12 August, we were unable to reflect the changes in Albion Eco's appointment when it was originally granted.

As the changes are required ahead of retail market opening in April 2017, we now propose to make the modifications to Albion Eco's IoA, to bring it into line with the IoAs for all other appointed companies.

**Proposed changes to the IoA**

The proposed changes will help **establish the new market framework** by requiring all appointees to comply with the provisions of the proposed Market Arrangements Code (**MAC**) and the Customer Protection Code of Practice (**CPCoP**). The changes

will also require appointees that do not exit to apply the provisions of the proposed Wholesale-Retail Code (**WRC**) between their wholesale and retail businesses. We also propose to **remove obligations** relating to the current arrangements for the existing Water Supply Licensing (WSL) regime that will no longer be required after April 2017, and amend some of the existing conditions so that they better reflect the new market arrangements.

## How these proposals would affect your company

We propose to introduce three new conditions, which would require appointees:

- **MAC condition** – to give effect to, and comply with the MAC;
- **Stapling condition** – to apply the provisions of the WRC between your wholesale and business customer retail businesses;
- **Customer protection condition** – to comply with the provisions of the CPCoP.

We propose to amend:

- **Condition A** – to update definitions and terminology to reflect changes in legislation, and to support the other proposed changes
- **Condition R paragraphs 5-10** – to update the drafting of the condition so that it better reflects the legislative changes.
- **Condition Q** – to require your company to make drought payments to all relevant affected business customers, including affected customers of licensed retailers.

We are not proposing to make changes to **Condition F** – the proposed requirement for a separate certificate of adequacy would not apply to your company, as we our policy is to exempt appointees with small numbers of eligible customers from this requirement.

## Statutory consultation

Under section 55 of WA14, we may modify the conditions of an appointment under Chapter 1 of Part 2 of the Water Industry Act 1991 (WIA91) where we consider it necessary or expedient to do so in consequence of provision made by or under Part 1 of WA14.

We consider that the introduction of these new conditions, and the proposed amendments to the existing conditions, are both necessary and expedient as a consequence of general provision made in relation to the business customer retail market implemented by Part 1 of the WA14 as a whole.

We initially consulted on proposals to amend the IoAs in June 2015, as part of our wider licensing proposals in preparation for retail market opening. Since then, we have developed and refined our proposals with input from appointees and other stakeholders through a process of consultation over a number of months. In the meantime, the [Standard Conditions](#) for the WSSLs have been finalised and published, which include some conditions that are nearly identical to some of the conditions that we propose to insert in the IoAs.

In May 2016, we published a consultation on changes to all the IoAs ([May consultation](#)) and held workshops to discuss our draft proposals, including workshops for appointed companies with small numbers of eligible customers (including new appointees, and those whose systems are wholly or mainly in Wales).

As a result of comments received in response to the May consultation and during discussions at the workshops, we reviewed and updated our proposals and published a further consultation ([June consultation](#)) to provide appointed companies and other stakeholders with an additional opportunity to comment on the updated draft text for the IoAs.

Having considered all the comments and suggestions, we reviewed and refined our proposals, and then consulted companies on [our final proposals](#) under section 55 of the WIA14 in July 2016 (the statutory consultation). Following that consultation, we [implemented the changes](#) for all other appointees in August 2016, by modifying the IoAs.

In August 2016, we also consulted on our [proposals to modify Conditions S and R1-4](#) under section 55 of the WA14, and published the results of that consultation in October 2016. We plan to make modifications in consequence of that consultation in April 2017.

Having considered all the comments and suggestions, we have reviewed and refined our proposals and this consultation sets out the changes to the IoA that we propose to make under s55 of the WA14.

Please find enclosed a copy of the [statutory notice for the proposed modifications](#), which provides further details, including the rationale for the proposed modifications. This notice is provided under section 55 of WA14.

Please send us any comments in respect of the proposed modifications by Friday **24 March 2017**.

In the meantime, please do not hesitate to Dan Mason (0121 644 7629, [daniel.mason@ofwat.gsi.gov.uk](mailto:daniel.mason@ofwat.gsi.gov.uk)) if you wish to discuss, or have any queries about our proposals.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adam Cooper', with a long horizontal flourish extending to the right.

**Adam Cooper**  
**Director for Retail Market Opening**

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