

# Condition S (Introductions of water under the water supply licensing regime)

## Overview

Following the [consultation](#) published in August 2016, this notice confirms that the Water Services Regulation Authority (Ofwat) has modified the conditions of the appointments (licences) of 23 water companies<sup>1</sup> to include a new Condition S and to delete paragraphs 1 to 4 of Condition R. The modification has effect from 1 April 2017.

Ofwat made the modifications under section 55(1) of the Water Act 2014. The modifications are consequential to provision made by or under Part 1 of the Water Act 2014 (including provision made under section 91 of that Act in connection with Part 1<sup>2</sup>).

## Background

The new Water Supply and Sewerage Licensing (WSSL) regime replaces the old Water Supply Licensing (WSL) regime from 1 April 2017 (the retail market opening date). This follows changes made by the [Water Act 2014](#).

Holders of water supply licences with the appropriate authorisation(s) will still be able to introduce water into a water company's supply system if certain conditions are met. These conditions still include:

- only supplying their own business customers<sup>3</sup>;
- meeting the relevant threshold requirement for the premises; and
- access pricing using the costs principle.

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<sup>1</sup> By "water companies" we mean, in this notice, companies that hold appointments as water undertakers and/or sewerage undertakers under the Water Industry Act 1991.

<sup>2</sup> The transitional provisions in [The Water Act 2014 \(Commencement No.9 and Transitional Provisions\) Order 2017 \(SI 2017/462\)](#) are made under section 91 of the Water Act 2014.

<sup>3</sup> By "business customers" we mean, in this notice, customers occupying non-household premises.

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The new Condition S combines the pre-existing obligations of water companies to have access codes and to comply with the customer transfer protocol in relation to introductions of water in accordance with a water supply licence. It will be suspended for small water companies (NAVs) until activated by Ofwat, just as the pre-existing obligations were effectively suspended.

The modifications are being made now because we were waiting for and have now got:

- confirmation of the retail market opening date (1 April 2017); and
- the implementation of the proposed transitional arrangements for introductions of water by new water supply licensees (included in [The Water Act 2014 \(Commencement No.9 and Transitional Provisions\) Order 2017 \(SI 2017/462\)](#) made on 22 March 2017).

A small number of changes (listed below) were made from the illustrative example included in our [consultation](#). None of these change the intended effect of Ofwat's proposal to retain the pre-existing access code and customer transfer protocol obligations in relation to introductions of water by new water supply licensees with a wholesale or supplementary authorisation.

<b>Changes from the illustrative example in the consultation document</b>	
Various paragraphs	The words "of the Water Industry Act 1991" have been inserted after references to sections of that Act for greater clarity and certainty.
Paragraph 2(b)	A reference to the "Primary Undertaker" has been corrected to become a reference to the "Primary Water Undertaker" (the term defined in paragraph 1).
Paragraph 9(a)	A reference to "all the transfers referred to in paragraph 4" has been corrected to become a reference to "all the transfers referred to in paragraph 8" (where the relevant transfers are listed).
Paragraph 10(a)	The defined term of "the old supplier" has been corrected to "the Old Supplier" (the term used in paragraph 10(b)).

## Reasons for the modifications

The modifications were needed to:

- remove the current obligations on the relevant companies to have an access code and to comply with the customer transfer protocol in relation to the retail water supply market (where they will be replaced by the new market arrangements, such as the Wholesale-Retail Code); and
- retain the current obligations on the relevant companies to have an access code and to comply with the customer transfer protocol in relation to the

wholesale water supply market (where new water supply licensees with wholesale or supplementary authorisations introduce water to supply their own business customers).

The modifications bring together the retained obligations in a new Condition S, as it seemed sensible for all the relevant provisions in relation to introductions of water to be brought together in one licence condition, for ease of drafting, clarity, and to make it easier to make the future changes that we know we will need to make when full upstream competition is introduced and the transitional restrictions on the wholesale authorisations of new water supply licences are removed.

## Relevant water companies

The 23 water companies whose conditions have been modified are:

Affinity Water Limited, Albion Eco Limited, Albion Water Limited, Anglian Water Services Limited, Bristol Water plc, Dee Valley Water plc, Dŵr Cymru Cyfyngedig, Independent Water Networks Limited, Northumbrian Water Limited, Peel Water Networks Limited, Portsmouth Water Limited, Severn Trent Water Limited, South East Water Limited, Southern Water Services Limited, South Staffordshire Water plc, South West Water Limited, SSE Water Limited, Sutton and East Surrey Water plc, Thames Water Utilities Limited, United Utilities Water Limited, Veolia Water Projects Limited, Wessex Water Services Limited and Yorkshire Water Services Limited.

### More information

[Consultation on Wholesale and Supplementary Authorisations, and Condition S \(August 2016\)](#)

[Wholesale and supplementary authorisations, and condition S – summary of responses and next steps \(October 2016\)](#)