

March 2018

Trust in water

# **Proposal by Ofwat to revise the application process for Water Supply and Sewerage Licences limited to self-supply**

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## About this document

This document provides an opportunity for stakeholders to comment on our revised application form and guidance document for water supply and sewerage licences (collectively and individually referred to as WSSLs) limited to self-supply.

Drafts of the revised application form and guidance are published as supporting documents to this consultation on our website [www.ofwat.gov.uk](http://www.ofwat.gov.uk).

This consultation is for a period of 28 days and will therefore close on 3 April 2018.

This consultation should be read in conjunction with the following ongoing consultations:

- [Proposal by Ofwat to modify the standard licence conditions that apply to water supply licences and sewerage licences](#). This consultation details our proposals to modify the standard licence conditions for licensees. The standard licence conditions apply to all [water supply licences and sewerage licences](#) (including those limited to self-supply).
- [Water Supply and Sewerage Licence Regime](#) – consultation on proposed changes to how licence fees are set. This document sets out our proposed changes to how we will set licence fees for water supply and/or sewerage licensees in the future. We plan to build on the approach we used to set licence fees for the current financial year. This document consults on whether to start charging self-supply WSSL licensees an annual licence fee that relates to Ofwat's costs for 2019-20 and subsequent financial years. An annual fee is separate to the application fee<sup>1</sup> paid to Ofwat.

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<sup>1</sup> The application fee is intended to cover the average cost incurred by Ofwat in processing each application

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[Draft revised WSSL application form](#)

[Draft revised WSSL application guidance](#)

## 1. Responding to this consultation

We would welcome responses to this consultation by no later than 3 April 2018. We would particularly welcome responses to the following questions:

- Do you have any comments or suggestions about the draft application form?
- Does the draft application guidance provide sufficient detail for applicants to apply for a water supply and/or sewerage licence limited to self-supply?
- Have you any suggestions for elements of guidance that are missing, or alternatively that are not required, in the draft application guidance?

Please send email responses to [licensing@ofwat.gsi.gov.uk](mailto:licensing@ofwat.gsi.gov.uk), or by post to:

Case Management Office  
Ofwat  
Centre City Tower  
7 Hill Street  
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If you wish to discuss any aspect of this document, please contact Laura Clougher by email at [Laura.Clougher@ofwat.gsi.gov.uk](mailto:Laura.Clougher@ofwat.gsi.gov.uk).

We will publish responses to this consultation on our website at [www.ofwat.gov.uk](http://www.ofwat.gov.uk), unless you indicate that you would like your response to remain unpublished.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Freedom of Information Act 2000 (FoIA), the Data Protection Act 1998 and from May 2018 the General Data Protection Regulations (GDPR), and the Environmental Information Regulations 2004.

If you would like the information that you provide to be treated as confidential, please be aware that, under the FoIA, there is a statutory 'Code of Practice' which deals, among other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on Ofwat.

## 2. Modifying the self-supply application process

### 2.1 The WSSL regime

As of April 2017 when the expanded retail market opened, eligible English customers have been able to choose their retail supplier for both water supply and sewerage services. The Water Act 2014 (WA14) introduced a number of measures to reform the water sector in England and Wales and these resulted in:

- changes to the water supply licensing regime by removing the thresholds applicable to eligible customers served by an appointed company and operating wholly or mainly in England, allowing a larger number of eligible business, charity and public sector customers in England and Wales<sup>2</sup> to choose who supplies them;
- the introduction of a sewerage licensing regime for English business customers; and
- the introduction of a licence limited to self-supply (where the supply or sewerage system of an undertaker operating wholly or mainly in England is used).

Licensees limited to self-supply can only supply their own sites and the sites of people or companies associated with them. Licensees limited to self-supply are not able to supply retail services to third-party sites, such as supplying other business customers unrelated to their business. A WSSL limited to self-supply will only be granted to supply premises supplied or served using the supply or sewerage system of an appointed company whose area of appointment is wholly or mainly in England. A WSSL limited to self-supply is not available to provide services to premises supplied using the supply system of an appointed company whose area of appointment is wholly or mainly in Wales.

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<sup>2</sup> For those business customers who use the water supply system of an appointed company whose area is wholly or mainly in Wales, the scope of the market has remained as it was prior to the WA14, reflecting the policy position of the Welsh Government.

All retailers who wish to participate in this market will have to apply for a WSSL with a restricted retail authorisation allowing them to provide only water retail services to eligible Welsh customers. It will not be possible for a WSSL to provide sewerage services to these customers. It is also not possible to use a WSSL limited to self-supply for supplying water to eligible Welsh customers.

## 2.2 Background to the proposed changes

We are proposing to modify our WSSL application process for applications limited to self-supply, to better reflect the information we require to assess these types of applications.

Currently, customers that wish to apply for a WSSL limited to self-supply must do so in the same way as they would apply for a standard WSSL, with the following differences:

- there is no requirement for a self-supply applicant to submit a certificate of adequacy; and
- a self-supply applicant must submit a list of associated persons and/or sites that it intends to supply if a self-supply licence is granted.

In our current [application form](#) and supporting [guidance document](#), there is limited information about self-supply. As a result self-supply applicants are required to provide information that would be relevant to a standard WSSL application but less so to a WSSL limited to self-supply, and are asked to provide additional information after they submit their original application. We believe it may be difficult for potential applicants to fully understand the application requirements for a WSSL limited to self-supply.

Reflecting the lessons we, applicants and other regulators involved in the application process have learnt from the first self-supply applications we have received and assessed, we propose to publish a separate [application form](#) and [guidance document](#) that is tailored to self-supply applications. These will:

- i. Better explain the differences between standard WSSL applications and those limited to self-supply, so that potential applicants can understand their options and what an application would require.
- ii. Recognise where different information is required to assess those applications limited to self-supply.
- iii. Be clearer in requiring all necessary information upfront rather than risk delays as a result of us seeking further information after the application is made.
- iv. Apply a lower application fee for self-supply applications<sup>3</sup> because the work entailed to complete our assessment is different and in most cases less than that required to process a standard WSSL application.

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<sup>3</sup> The current application fee is a fee of £5,250 and is intended to cover the average cost incurred by Ofwat in processing each application. It does not include any provision for the ongoing costs of regulating licensees. Our proposed application fee for WSSLs limited to self-supply is £3,000.

To produce our proposed application form and supporting guidance we have revised our current documents to exclude those sections that are not applicable to self-supply, and to modify relevant sections to reflect that a self-supply licensee can only serve itself and associated parties. These changes are proposed in line with Ofwat's regulatory model that seeks to make regulation proportionate and targeted.

### **3. Next steps**

This consultation is designed to provide us with feedback on our modified application form and guidance for self-supply applicants in the business retail market.

Following receipt of consultation responses, we will consider the responses made and make any necessary changes to the proposed application form and guidance.

We plan to publish the final application form and guidance in April 2018.

Potential applicants will be able to apply for a WSSL using the new application form and guidance document from the date we publish the new documents. Prior to that date, applicants should continue to use the existing documentation.