

Retail Exit Code

Issued by the Water Services Regulation Authority pursuant to Regulation 30 of The Water and Sewerage Undertakers (Exit from Non-household Retail Market) Regulations 2016

Effective on 1 April ~~2017~~2020

Change History

Version Number	Date of Issue	Reason For Change	Sections Affected
V2.0	26/01/2018	Modifications to the Retail Exit Code - a consultation	1.1 "Permitted Adjustment" (1) & (2) 3.1.1 (a) & (b) 3.1.2 3.2.3 (b) & (c) 4.2.3 (b) & (c) 5.2.3 (b) & (c) 6.1.2 6.1.4
V3.0	XXXXXXXX 11/12/2018 (Consultation version - not implemented)	Draft consultation version Review in line with end of first period of price limits	All
V4.0	04/07/2019	Review in line with end of first period of price limits	All

Contents

	Definitions and interpretation	5
	Defined terms	5
	Interpretation.....	8
	Introduction.....	11
1.	Purpose of this code	11
1.1	Scope of this code	11
1.2	Types of Schemes of Terms and Conditions	11
2.	Provisions about Schemes of Terms and Conditions for Transferred	
2.1	Customers.....	13
2.2	Price requirements.....	13
2.3	Non Price requirements	14
3.	Provisions about Schemes of Terms and Conditions for Eligible Exit Area	
3.1	Customers who are SMEs.....	16
3.2	Price requirements.....	16
3.4	Non Price requirements	16
4.	Provisions about Schemes of Terms and Conditions for Eligible Exit Area	
4.1	Customers who are not SMEs.....	18
4.4	Price requirements.....	18
4.2	Non Price requirements	18
5.	Provision of information to Customers.....	20
5.1	Definitions and interpretation.....	5
5.2	Defined terms	5
6.	Interpretation.....	8
6.1	Introduction.....	11
6.2	Purpose of this code	11
6.3	Scope of this code	11
6.4	Provisions about Schemes of Terms and Conditions	13
6.5	Price requirements.....	13
6.6	Non Price requirements	14
6.7	Provision of information to Customers.....	20

<u>A1</u>	<u>Allowed charges for Customer Group One</u>	<u>22</u>
<u>A2</u>	<u>Allowed charges for Customer Group Two</u>	<u>26</u>
<u>A3</u>	<u>Price protections for Customer Group Three</u>	<u>27</u>

Definitions and interpretation

Defined terms

1. In this document the following capitalised terms shall have the following meaning:

Definitions	
Term	Definition
“1991 Act”	the Water Industry Act 1991
“2014 Act”	the Water Act 2014
“Acquiring Licensee”	a Licensee which has a duty pursuant to the Exit Regulations to continue the supply of water or provision of sewerage services to any Transferred Customer on and after the Exit Date.
“Appointment”	the instrument of appointment granted to an a relevant undertaker under the 1991 Act <u>1991 Act</u>
“Area”	any area for which an Appointment is held
“Business Day”	the period of 08:00 to 18:00 hours on any day other than a Saturday or Sunday, or Christmas Day, Good Friday or any day which is a bank holiday in England and Wales under the Banking and Financial Dealings Act 1971
“ <u>Business Retail Activities</u> ”	<u>the supply of water, the provision of sewerage services or the carrying out of trade effluent functions in relation to premises other than household premises</u>
“Cancellation Request”	as defined in the Wholesale-Retail Code
“Charges Scheme”	a charges scheme produced by a relevant undertaker pursuant to s143 of the 1991 Act
“ <u>Charging Year</u> ”	<u>a calendar year running from 1 April in a given year to 31 March in the following year</u>
“ <u>Customer</u> ”	<u>Eligible Exit Area Customer</u>
“ <u>Customer Group One</u> ”	<u>Eligible Premises to which a Licensee supplies less than 0.5 megalitres of water or wastewater services a year, or is assessed to be so supplied, or for which the consumption is unmeasured or assessed, and excluding premises where a customer freely chooses to pay different charges from those that they would</u>

Definitions	
Term	Definition
	<u>otherwise be liable for on a Scheme of Terms and Conditions</u>
<u>“Customer Group Two”</u>	<u>Eligible Premises to which a Licensee supplies at least 0.5 megalitres of water or wastewater services a year but below 50 megalitres, or is assessed to be so supplied, and excluding premises where a customer freely chooses to pay different charges from those that they would otherwise be liable for on a Scheme of Terms and Conditions</u>
<u>“Customer Group Three”</u>	<u>Eligible Premises to which a Licensee supplies at least 50 megalitres of water or wastewater services a year, or is assessed to be so supplied, and excluding premises where a customer freely chooses to pay different charges from those that they would otherwise be liable for on a Scheme of Terms and Conditions</u>
<u>“Customer Numbers”</u>	<u>the average number of individual Eligible Premises supplied or served by the Licensee in a Charging Year excluding premises where a customer freely chooses to pay different charges from those that they would otherwise be liable for on a Scheme of Terms and Conditions</u>
<u>“Customer Type”</u>	<u>a class of customers</u> <u>(a) described in Annex 1 Table 1 by reference to the type of charge fixed by or in accordance with a charges scheme under section 143 of the 1991 Act; or</u> <u>(b) described in Annex 1 Table 1 by reference to the volume of water (in megalitres (“MI”)) supplied to their premises by a water undertaker and the service provided (either the supply of water or of sewerage services)</u>
<u>“Eligible Exit Area CustomersCustomer”</u>	the owner or occupier of Eligible Premises in an -Exit Area
<u>“Eligible Water Supply Licensee”</u>	as defined in the Exit Regulations
<u>“Eligible Licensee”</u>	an Eligible Water Supply Licensee or an Eligible Sewerage Licensee-
<u>“Eligible Premises”</u>	as defined in Wholesale-Retail Code-
<u>“Eligible Sewerage Licensee”</u>	as defined in the Exit Regulations

Definitions	
Term	Definition
“Exit Area”	the area of appointment of an Undertaker that has exited the retail market in accordance with the Exit Regulations;
“Exit Date”	as defined in the Exit Regulations
“Exit Regulations”	means The Water and Sewerage Undertakers (Exit from Non-Household Retail Market) Regulations 2016
“Go Live Date”	1 April 2017
“Law”	as defined in the Wholesale-Retail Code
“Licence”	a water supply licence or a sewerage licence
“Licensee”	the holder of a Licence
“Market Operator”	as defined in the Wholesale-Retail Code
“Permitted Adjustment”	<p>for each Transferred Customer who has not freely chosen to pay different charges to those that they would otherwise be liable for, the Permitted Adjustment is the sum of:</p> <p style="text-align: center;">(1) the change in the Wholesale Charges payable by the Acquiring Licensee; plus</p> <p>any change in charges that the relevant undertaker for the Exit Area in which the Transferred Customer’s Eligible Premises are located would have been entitled or required to make pursuant to the Authority’s determination of Price Controls for Business Retail Activities (made under the relevant undertaker’s Appointment) that was notified to the relevant undertaker on 15 December 2016 (save that, for the purposes of calculating the Permitted Adjustment, references to “wholesale revenue” in that determination shall be read as references to the Wholesale Charges payable by the Acquiring Licensee). as specified in Annex 1</p>
“Scheme of Terms and Conditions”	the scheme or schemes made by Licensees pursuant to Regulation 29 of the Exit Regulations
“Small and Medium-sized Enterprise (SME)”	an Eligible Exit Area Customer with fewer than 250 employees.

Definitions	
Term	Definition
“Transferred Customer”	the owner or occupier of Eligible Premises which were transferred to the Acquiring Licensee on the Exit Date
“Wholesale ChargesCharge”	as defined in the Wholesale-Retail Code
“Wholesale - Retail Code”	the code issued by the Authority under sections 66DA and 117F of the 1991 Act

Interpretation

1.2.1 In this Retail Exit Code:

- (a) References to ‘this code’ are to this Retail Exit Code;
- (b) References to ‘Sections’ are to sections of this Retail Exit Code unless otherwise expressly stated;
- (c) References to Licensees will refer to all Licensees, unless otherwise specified.
- (d) Words imparting a gender include every gender and references to the singular include the plural and vice versa;
- (e) Words denoting persons include individuals and bodies corporate, partnerships, unincorporated associations and other bodies (in each case, wherever resident and for whatever purpose) and vice versa;
- (f) Save as otherwise expressly provided references to time are to local time;
- (g) References to ‘writing’ or ‘written’ shall include email;
- (h) References to ‘day’ and ‘calendar day’ mean the same as one another;
- (i) References to the Retail Exit Code or any other document are to this Retail Exit Code or that document as in force for the time being and as amended, supplemented, varied, modified, renewed, replaced or

extended from time to time in accordance with the requirements of this Retail Exit Code or that document (as the case may be);

- (j) A reference to any body is:
 - (i) if that body (statutory or otherwise) is replaced by another organisation, deemed to refer to that replacement organisation; and
 - (ii) if that body (statutory or otherwise) ceases to exist, deemed to refer to that organisation which most substantially serves the same purposes as the original body;
- (k) A reference to a statute or statutory provision shall, unless otherwise stated, be construed as including:
 - (i) a reference to any orders, regulations and subordinate legislation (as defined by section 21(1) of the Interpretation Act 1978) made from time to time under the statute or statutory provision whether before or after the effective date; and
 - (ii) a reference to that statute, statutory provision or subordinate legislation as in force at the effective date and as from time to time modified or consolidated, superseded, re-enacted or replaced (whether with or without modification) after the effective date;
- (l) References to a person shall, except where the context requires otherwise, include its successors in title and permitted assignees;
- (m) A reference to a particular condition of a Licence shall be construed at any particular time as including a reference to any modification of that condition in force at that time; and
- (n) Any words or expressions used in the Water Industry Act 1991 or the Water Act 2014 shall, unless the contrary intention appears, have the same meaning when used in the Retail Exit Code.
- (o) The headings and contents table in the Retail Exit Code are for convenience only and do not affect its interpretation.

- (p) In the Retail Exit Code, the words 'other', 'includes', 'including' and 'for example' do not limit the generality of any preceding words, and any words which follow them shall not be construed as being limited in scope to the same class as the preceding words where a wider construction is possible.
- (q) In the Retail Exit Code, the words 'for the time being' mean at the relevant time now or in the future unless the context requires otherwise.
- (r) If there is any conflict between any of the following, the order of precedence shall be:
 - (i) any Law other than any Appointment, any Licence, the Market Arrangements Code, the Wholesale Retail Code, the Interim Supply Code, the Retail Exit Code and the Customer Protection Code of Practice;
 - (ii) any Appointment or Licence;
 - (iii) the Market Arrangements Code;
 - (iv) the Wholesale-Retail Code;
 - (v) the Interim Supply Code and the Retail Exit Code;
 - (vi) the Customer Protection Code of Practice.

Introduction

Purpose of this code

2.1.1 This document is the code issued by the Authority pursuant to Regulation 30 of the Exit Regulations.

2.1
2.1.2 This code should be read in conjunction with the relevant provisions of the 1991 Act, the 2014 Act and the Exit Regulations.

Scope of this code

2.2.1 This code makes provision about the following:

- (i) the principles to be applied by Licensees in developing Schemes of Terms and Conditions; and
- (ii) the obligations placed on a Licensee to inform ~~Eligible Exit Area~~ Customers of its applicable Scheme of Terms and Conditions.

~~2.2~~

Types of Schemes of Terms and Conditions

~~2.2.3~~ ~~An Acquiring Licensee~~ All Licensees who are providing or proposing to provide services to Customers shall ensure that ~~it make~~ they make and from time to time ~~revises a Scheme~~ revise Schemes of Terms and Conditions for the Exit Areas in which they are providing or proposing to provide services which comply with the principles set out in Section 3 ~~as well as Schemes of Terms and Conditions which comply with Sections 4 and 5~~. A Scheme of Terms and Conditions which is produced to comply with Section 3 shall apply to the supply of water and/or provision of sewerage services to ~~Transferred~~ Customers only, in the absence of agreed terms.

~~2.2.4~~ ~~2.2.2~~ All Licensees who are providing or proposing to provide services to Eligible Exit Area Customers who are Small and Medium-sized Enterprises (SMEs) under their Licence(s) shall ensure that they make and from time to time revise Schemes of Terms and Conditions which

~~comply with the principles set out in Section 4. A Scheme of Terms and Conditions which is produced to comply with Section 4 shall apply to the supply of water and/or provision of sewerage services to Eligible Exit Area Customers who are SME's in the absence of agreed terms. This may include circumstances where the Customer is a Transferred Customer, and the Licensee has received a direction from the WSRA to supply that ~~Eligible Exit Area~~ Customer pursuant to the Exit Regulations or where agreed terms with that ~~Eligible Exit Area~~ Customer have terminated or expired without new terms being agreed and the Licensee has continued the supply of water and/or provision of sewerage services.~~

~~2.2.5 All Licensees who are providing or proposing to provide services to Eligible Exit Area Customers other than SMEs under their Licence(s) shall ensure that they make and from time to time revise Schemes of Terms and Conditions which comply with the principles set out in Section 5. A Scheme of Terms and Conditions which is produced to comply with Section 5 shall apply to the supply of water and/or provision of sewerage services to Eligible Exit Area Customers in the absence of agreed terms. This may include circumstances where the Licensee has received a direction from the WSRA to supply that Eligible Exit Area Customer or where agreed terms with that Eligible Exit Area Customer have terminated or expired without new terms being agreed and the Licensee has continued the supply of water and/or provision of sewerage services.~~

~~2.2.6~~ 2.2.3 Any Scheme of Terms and Conditions should be published on the ~~licensee's~~ Licensee's website in accordance with ~~section~~ regulation 29(3)(a) of the Exit Regulations and provided to the Authority by email to retailexitcode@ofwat.gsi.gov.uk, in accordance with ~~section~~ regulation 29(3)(b) of the Exit Regulations.

2.2.4 This code has effect from 1 April 2020. Its requirements do not apply before this date.

Provisions about Schemes of Terms and Conditions **for Transferred Customers**

3. Price requirements

3.1.1 Subject to section 3.1.2, the price terms included within a Scheme of Terms and Conditions for ~~Transferred Customers~~ in the absence of otherwise agreed terms, must ensure that the charges payable by ~~the Transferred Customer in the period from 1 April 2017 to 31 March 2020~~ Customers do not exceed: the charges as set out in the following sub-sections.

3.1

(a) for Customer Group One;

- (i) initially, the charges ~~that would have been payable on the Exit Date by that Transferred Customer had they been able to remain with the relevant undertaker as specified in Annex 1;~~ and
- (ii) thereafter, those initial charges as adjusted on 1 April in each subsequent year by the Permitted Adjustment¹, if applicable;²

(b) for Customer Group Two, the charges as set out in Annex 2; and

(c) for Customer Group Three, the charges as set out in Annex 3.

¹To be clear, the Permitted Adjustments are cumulative. In other words, in year 3 the maximum charge should be the charge that would have been paid on the Exit Date if a customer of the relevant Undertaker plus the Permitted Adjustment on first subsequent 1 April plus the Permitted Adjustment on the second subsequent 1 April.

²To be clear, the Permitted Adjustments are cumulative. In other words, in year 3 the maximum charge should be the maximum charge that would have been paid by a customer on 1 April 2020 in the relevant Exit Area plus the Permitted Adjustment on first subsequent 1 April plus the Permitted Adjustment on the second subsequent 1 April.

3.1.2 The price terms may allow higher charges to be paid by a **Transferred** Customer where the **Transferred** Customer freely chooses to pay different charges to those that they would otherwise be liable for.

~~3.2.0 The Authority will review the price requirements in sections 3.1.1 and 3.1.2 at the end of the first review of price limits for non-household customers for relevant undertakers after the Go Live Date to determine whether these requirements are necessary or require adjustment.~~

Non Price requirements

~~3.3.13.2.1~~ ~~3.3.2~~ In making the non-price terms to be included in a Scheme of Terms and Conditions for **Transferred** Customers, the **Acquiring** Licensee must comply with the following principles:

~~3.3.23.2.2~~ ~~the~~ The Scheme of Terms and Conditions must be consistent with ~~Acquiring~~ the Licensee's obligations under its Licence and applicable law.

~~3.3.33.2.3~~ A supply to be made or the services to be provided pursuant to a Scheme of Terms and Conditions may be discontinued only if:

- (a) The **Acquiring** Licensee would be entitled to make a request pursuant to section 61(1ZB) of the 1991 Act; or
- (b) the **Transferred** Customer has consented to or has requested the discontinuance; or
- (c) the **Acquiring** Licensee sells or otherwise transfers ownership of all or part of its business to another Licensee who offers a supply to the **Transferred** Customer on an equivalent Scheme of Terms and Conditions.

~~3.3.4~~ Other than the right of an **Acquiring** Licensee to submit a Cancellation Request to the Market Operator under the Wholesale-Retail Code, nothing in the Scheme of Terms and Conditions shall prevent or restrict the ~~Transferred Customer's right or ability to transfer the supply of its retail service to another Licensee or to other terms and conditions offered by the Acquiring Licensee at any time. In particular, there shall be no charge or fee payable by the Transferred Customer upon termination of the Scheme of Terms and Conditions.~~

3.3.5 — ~~Where a Transferred Customer relocates within the same Area the Acquiring Licensee should continue to offer the same Scheme of Terms and Conditions.~~

Provisions about Schemes of Terms and Conditions for Eligible Exit Area Customers who are SMEs

3. Price requirements

~~3.3.8~~ In making the price terms for a Scheme of Terms and Conditions which applies to Eligible Exit Area Customers who are SMEs but who are not eligible to be supplied pursuant to the Scheme of Terms and Conditions for Transferred Customers, a Licensee shall ensure that the charges payable by the Eligible Exit Area Customer do not exceed the charges that would have been payable on the Exit Date by that Eligible Exit Area Customer had they been supplied by the relevant undertaker pursuant to its Charges Scheme as those charges would have been adjusted each year following the Exit Date by the Permitted Adjustment.

~~3.3.9~~ The Authority will review the price requirements in section 4.1.1 at the end of the first review of price limits for non-household customers for relevant undertakers after the Go Live Date to determine whether those requirements are necessary or require adjustment.

3.3 Non Price requirements

~~3.3.12~~ In making the non-price terms for a Scheme of Terms and Conditions which applies to Eligible Exit Area Customers who are SMEs but who are not eligible to be supplied pursuant to the Scheme of Terms and Conditions for Transferred Customers, a Licensee shall comply with the following principles:

~~3.3.13~~ the Scheme of Terms and Conditions must be consistent with the Licensee's obligations under its Licence and applicable law.

~~3.3.14~~ A supply to be made or the services to be provided pursuant to a Scheme of Terms and Conditions may be discontinued only if

(-) The Eligible Licensee would be entitled to make a request pursuant to section 61(1ZB) of the 1991 Act; or

- ~~(-) the Eligible Exit Area Customer has consented to or has requested the discontinuance; or~~
- ~~(-) the Licensee sells or otherwise transfers ownership of all or part of its business to another Licensee who offers a supply to the Eligible Exit Area Customer on an equivalent Scheme of Terms and Conditions.~~

~~3.3.183.2.4~~ Other than the right of a Licensee to submit a Cancellation Request to the Market Operator under the Wholesale-Retail Code, nothing in the Scheme of Terms and Conditions shall prevent or restrict the Eligible Exit Area Customer's right or ability to transfer the supply of its retail service to another Licensee or to other terms and conditions offered by the Licensee at any time. In particular, there shall be no charge or fee payable by the ~~Eligible Exit Area~~ Customer upon termination of the Scheme of Terms and Conditions.

~~3.3.193.2.5~~ Where ~~an Eligible Exit Area~~ Customer relocates within the same Area the Licensee should continue to offer the same Scheme of Terms and Conditions.

Provisions about Schemes of Terms and Conditions for Eligible Exit Area Customers who are not SMEs

3. Price requirements

3.2.6 A Scheme of Terms and Conditions must not include non-price terms which cumulatively in complying with them would cause Transferred Customers to be materially worse off, whether financially or operationally, than they were immediately before the Exit Date.

3.2.7 In making the price terms for assessing whether their non-price terms comply with paragraph 3.2.6 Retailers may use reasonable assumptions in relation to the categories of Customer affected. Any such assessment must take into account the impact on Transferred Customers over a reasonable period of no less than one year.

3.3.22 Where a Retailer has made changes to a Scheme of Terms and Conditions which applies to Eligible Exit Area Customers who are neither SMEs nor eligible to be supplied pursuant during the period after the Go Live Date and before 1 April 2020, it must assess those changes against paragraph 3.2.6 above, and if necessary, make further changes to the Scheme of Terms and Conditions for Transferred Customers, a Licensee shall ensure that:

3.3.23 the charges payable by the Eligible Exit Area Customer are reasonable; and

3.3.24 there is no undue preference shown to and that there is no undue discrimination against any Eligible Exit Area Customer compared with the Licensee's other Non-Household Customers of the same class as the Eligible Exit Area Customer.

Non-Price requirements to bring it into compliance by 1 April 2020.

3.3.26 In making the non-price terms for a Scheme of Terms and Conditions which applies to Eligible Exit Area Customers who are neither SMEs nor eligible to be supplied pursuant to the Scheme of Terms and Conditions for Transferred Customers, a Licensee shall comply with the following principles:

- ~~3.3.27 — the Scheme of Terms and Conditions must be consistent with the Licensee's obligations under its Licence and applicable law.~~
- ~~3.3.28 — A supply to be made or the services to be provided pursuant to a Scheme of Terms and Conditions may be discontinued only if~~
- ~~(-) — The Eligible Licensee would be entitled to make a request pursuant to section 61(1ZB) of the 1991 Act; or~~
 - ~~(-) — the Eligible Exit Area Customer has consented to or has requested the discontinuance; or~~
 - ~~(-) — the Licensee sells or otherwise transfers ownership of all or part of its business to another Licensee who offers a supply to the Eligible Exit Area Customer on an equivalent Scheme of Terms and Conditions.~~
- ~~3.3.32 — Other than the right of a Licensee to submit a Cancellation Request to the Market Operator under the Wholesale-Retail Code, nothing in the Scheme of Terms and Conditions shall prevent or restrict the Eligible Exit Area Customer's right or ability to transfer the supply of its retail service to another Licensee or to other terms and conditions offered by the Licensee at any time. In particular, there shall be no charge or fee payable by the Eligible Exit Area Customer upon termination of the Scheme of Terms and Conditions.~~
- ~~3.3.33 2.8 Where an Eligible Exit Area Customer relocates within the same Area the Licensee should continue to offer the same Scheme of Terms and Conditions.~~

Provision of information to Customers

- 4.1.1 As soon as possible and not later than two months of the date from which the Licensee commences supply to the ~~Eligible Exit Area~~ Customer under the applicable Scheme of Terms and Conditions, the Licensee shall write to the ~~Eligible Exit Area~~ Customer providing the following information:
4. (a) a copy of the applicable Scheme of Terms and Conditions;
- (b) the date from which the Licensee commenced the provision of supplies to the ~~Eligible Exit Area~~ Customer;
- (c) that the ~~Eligible Exit Area~~ Customer has the right to switch to another provider of water and/or sewerage services at any time; and
- (d) that alternative terms and conditions from the applicable Scheme of Terms and Conditions may be available and how information about such alternative terms and conditions may be obtained.
- 4.1.2 As soon as possible but at least two months before the date on which the Licensee discontinues supply pursuant to ~~sections 3.2.3 (c), 4.2.3 (c) or 5section 3.2.3 (c)~~ under the applicable Scheme of Terms and Conditions, the Licensee shall write to its ~~Eligible Exit Area~~ Customers providing the following information:
- (a) the name and contact details of the new Licensee to which it is selling or otherwise transferring ownership to of all or part of its business
- (b) the date on which supply will be discontinued and supply from the new Licensee will commence, if the ~~Eligible Exit Area~~ Customer does not elect to switch to another provider of water and/or sewerage services;
- (c) a copy of the applicable Scheme of Terms and Conditions and confirmation that the new Licensee will supply on an equivalent Scheme of Terms and Conditions;
- (d) that the ~~Eligible Exit Area~~ Customer has the right to switch to another provider of water and/or sewerage services at any time; and

- (e) that alternative terms and conditions from the applicable Scheme of Terms and Conditions may be available from the new Licensee and how information about such alternative terms and conditions may be obtained.

4.1.3 If a Transferred Customer requests a copy of alternative terms and conditions that the Acquiring Licensee or Licensee has available, the Acquiring Licensee or Licensee shall provide these within 10 Business Days after receiving the request.

4.1.4 If ~~an Eligible Exit Area~~ Customer requests a copy of alternative terms and conditions that the Licensee ~~(or new Licensee if paragraph 6.1.2 applies)~~ has available, the Licensee (or new Licensee) shall provide these within 10 business days after receiving the request.

A1 Allowed charges for Customer Group One

In relation to Customer Group One, the Licensee's charges to each Customer in each Charging Year in respect of its Business Retail Activities shall not exceed C calculated in accordance with the following formula:

$$C = [(rc + w) / (1 - m)]$$

Where:

rc = the allowed average retail cost component for a given customer type (in pounds) as set out in Table 1;

w = the wholesale charges for a given Customer; and

m = the allowed net margin for a given Customer type (expressed as a percentage) as set out in Table 1.

Table 1 Customer Group One, allowed average retail cost components and allowed net margins (2020/21)

<u>Area</u>	<u>Customer type</u>	<u>2020/21 allowed retail cost per customer (rc)</u>	<u>2020/21 allowed retail net margin (m)</u>
<u>AFW</u>	<u>Water 0-0.5 MI measured or assessed; water unmeasured / assessed</u>	<u>£49.63</u>	<u>2.94%</u>
<u>ANH</u>	<u>Water unmeasured / assessed</u>	<u>£14.55</u>	<u>1.54%</u>
<u>ANH</u>	<u>Water unmeasured / assessed (Hartlepool)</u>	<u>£14.09</u>	<u>2.06%</u>
<u>ANH</u>	<u>Water 0-0.5MI measured or assessed</u>	<u>£46.11</u>	<u>3.76%</u>
<u>ANH</u>	<u>Wastewater unmeasured / assessed</u>	<u>£15.09</u>	<u>1.12%</u>
<u>ANH</u>	<u>Wastewater 0-0.5MI measured or assessed</u>	<u>£42.35</u>	<u>3.26%</u>
<u>ANH</u>	<u>Wastewater unmeasured / assessed (trade effluent)</u>	<u>£16.15</u>	<u>1.17%</u>

<u>ANH</u>	<u>Wastewater 0-0.5MI measured or assessed (trade effluent)</u>	<u>£122.08</u>	<u>3.55%</u>
<u>BRL</u>	<u>Water 0-0.5MI measured or assessed</u>	<u>£26.85</u>	<u>3.66%</u>
<u>BRL</u>	<u>Water unmeasured /assessed</u>	<u>£8.40</u>	<u>4.07%</u>
<u>NES</u>	<u>Water unmeasured /assessed</u>	<u>£18.77</u>	<u>6.68%</u>
<u>NES</u>	<u>Water 0-0.5MI measured or assessed</u>	<u>£30.87</u>	<u>4.00%</u>
<u>NES</u>	<u>Wastewater unmeasured /assessed</u>	<u>£19.77</u>	<u>4.36%</u>
<u>NES</u>	<u>Wastewater 0-0.5MI measured or assessed</u>	<u>£33.11</u>	<u>2.56%</u>
<u>PRT</u>	<u>Water unmeasured /assessed</u>	<u>£18.39</u>	<u>2.19%</u>
<u>PRT</u>	<u>Water 0-0.5MI measured or assessed</u>	<u>£22.13</u>	<u>2.40%</u>
<u>SVT</u>	<u>Water 0-0.5 MI measured or assessed; water unmeasured /assessed</u>	<u>£49.76</u>	<u>3.73%</u>
<u>SVT</u>	<u>Wastewater 0-0.5 MI measured or assessed; water unmeasured /assessed</u>	<u>£49.93</u>	<u>2.85%</u>
<u>SEW</u>	<u>Water unmeasured /assessed</u>	<u>£40.05</u>	<u>1.14%</u>
<u>SEW</u>	<u>Water 0-0.5MI measured or assessed</u>	<u>£40.06</u>	<u>2.73%</u>
<u>SRN</u>	<u>Water unmeasured /assessed</u>	<u>£13.65</u>	<u>2.17%</u>
<u>SRN</u>	<u>Water 0-0.5MI measured or assessed</u>	<u>£25.87</u>	<u>6.32%</u>
<u>SRN</u>	<u>Wastewater unmeasured /assessed</u>	<u>£16.82</u>	<u>1.95%</u>
<u>SRN</u>	<u>Wastewater 0-0.5MI measured or assessed</u>	<u>£28.29</u>	<u>3.62%</u>
<u>SSC</u>	<u>Water 0-0.5 MI measured or assessed; water unmeasured /assessed</u>	<u>£49.10</u>	<u>2.96%</u>
<u>SWT</u>	<u>Water unmeasured /assessed (South West)</u>	<u>£14.59</u>	<u>1.87%</u>
<u>SWT</u>	<u>Wastewater unmeasured /assessed</u>	<u>£16.32</u>	<u>1.87%</u>

<u>SWT</u>	<u>Water 0-0.5 MI measured or assessed (South West)</u>	<u>£17.28</u>	<u>3.13%</u>
<u>SWT</u>	<u>Wastewater 0-0.5MI measured or assessed</u>	<u>£16.73</u>	<u>2.74%</u>
<u>SWT</u>	<u>Water unmeasured /—assessed (Bournemouth)</u>	<u>£16.29</u>	<u>1.82%</u>
<u>SWT</u>	<u>Water 0-0.5 MI measured or assessed (Bournemouth)</u>	<u>£23.66</u>	<u>3.01%</u>
<u>SES</u>	<u>Water unmeasured /—assessed</u>	<u>£21.11</u>	<u>2.61%</u>
<u>SES</u>	<u>Water 0-0.5 MI measured or assessed</u>	<u>£32.74</u>	<u>2.61%</u>
<u>TMS</u>	<u>Water 0-0.5 MI measured or assessed</u>	<u>£25.45</u>	<u>2.88%</u>
<u>TMS</u>	<u>Wastewater 0-0.5 MI measured or assessed</u>	<u>£34.42</u>	<u>3.15%</u>
<u>TMS</u>	<u>Wastewater 0-0.5 MI measured (trade effluent)</u>	<u>£35.16</u>	<u>3.39%</u>
<u>TMS</u>	<u>Water assessed</u>	<u>£25.23</u>	<u>2.88%</u>
<u>TMS</u>	<u>Wastewater assessed</u>	<u>£33.89</u>	<u>3.15%</u>
<u>TMS</u>	<u>Water unmeasured</u>	<u>£24.94</u>	<u>2.50%</u>
<u>TMS</u>	<u>Wastewater unmeasured</u>	<u>£33.46</u>	<u>2.50%</u>
<u>UWU</u>	<u>Water 0-0.5 MI measured or assessed; water unmeasured / assessed</u>	<u>£38.45</u>	<u>2.84%</u>
<u>UWU</u>	<u>Wastewater 0-0.5 MI measured or assessed; water unmeasured / assessed</u>	<u>£57.82</u>	<u>2.84%</u>
<u>WSX</u>	<u>Water unmeasured /—assessed</u>	<u>£21.03</u>	<u>1.45%</u>
<u>WSX</u>	<u>Wastewater unmeasured /—assessed</u>	<u>£16.85</u>	<u>1.57%</u>
<u>WSX</u>	<u>Water 0-0.5 MI measured or assessed</u>	<u>£25.01</u>	<u>3.30%</u>
<u>WSX</u>	<u>Wastewater 0-0.5 MI measured or assessed</u>	<u>£18.70</u>	<u>3.41%</u>
<u>WSX</u>	<u>Wastewater 0-0.5 MI measured or assessed (trade effluent)</u>	<u>£24.99</u>	<u>3.31%</u>

<u>YKY</u>	<u>Water unmeasured /assessed</u>	<u>£19.07</u>	<u>11.71%</u>
<u>YKY</u>	<u>Wastewater unmeasured /assessed</u>	<u>£19.22</u>	<u>7.03%</u>
<u>YKY</u>	<u>Water 0-0.5MI measured or assessed</u>	<u>£29.02</u>	<u>3.55%</u>
<u>YKY</u>	<u>Wastewater 0-0.5 MI measured or assessed</u>	<u>£31.33</u>	<u>2.93%</u>
<u>YKY</u>	<u>Wastewater 0-0.5 MI measured or assessed (trade effluent)</u>	<u>£25.01</u>	<u>2.35%</u>

Permitted Adjustments allowed for Customer Group One

In Charging Years subsequent to 2020/21 the Licensee's charges to each Customer in Customer Group One are permitted to be adjusted. The adjustment is applicable from the start of each Charging Year and based on the CPIH inflation rate as measured in October of the previous Charging Year. Specifically the adjustment is permitted to apply to rc, as defined by the formula

$$**rc_{t+1} = rc_t \times inf_t**$$

Where:

rc_{t+1} = the allowed average retail cost component for a given Customer type (in pounds) in subsequent years;

rc_t = the allowed average retail cost component for a given Customer type (in pounds) for 2020/21 as set out in Table 1;

inf_t = CPIH (expressed as an index relative to the previous year) as reported by the Office for National Statistics for October of the previous year;

A2 Allowed charges for Customer Group Two

In relation to Customer Group Two, the Licensee's charges to each Customer in each Charging Year in respect of its Business Retail Activities shall not exceed C calculated in accordance with the following formula:

$$C = (1 + gm) \times w$$

Where:

gm = the allowed gross margin for a given Customer type (expressed as a percentage) and is the higher of:

- the gm for an equivalent usage Customer in FY2019/2020; or
- the gm as as-set out in Table 2.; and

w = the wholesale charges for a given Customer type.

Table 2 Customer Group Two and allowed gross margins

<u>Customer group</u>	<u>gm%</u>
<u>Water supplies 0.5 MI to 50 MI</u>	<u>8%</u>
<u>Wastewater services 0.5 MI to 50 MI</u>	<u>10%</u>

A3 Price protections for Customer Group Three

In relation to Customer Group Three in making the price terms for a Scheme of Terms and Conditions, a Licensee shall ensure that:

- (a) the charges payable by the Eligible Exit Area Customer are reasonable; and
- (a)(b) there is no undue preference shown to, and that there is no undue discrimination against, any Eligible Exit Area Customer compared with the Licensee's other Customers of the same class as the Eligible Exit Area Customer.