

# **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 2020

## Change History

Version Number	Date of Issue	Reason For Change	Sections Affected
V2.0	26/01/2018	<a href="#">Modifications to the Retail Exit Code - a consultation</a>	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	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
V5.0	19/12/2019	<p>Revise allowed retail cost per customer to reflect actual inflation (CPIH) figures for October 2019.</p> <p>Address two typographical errors in v4.0:</p> <ul style="list-style-type: none"> <li>SVT: Wastewater 0-0.5 MI measured or assessed; <del>water</del> <u>wastewater</u> unmeasured Water charges are described separately, so this row is for wastewater charges only.</li> <li>TMS: Wastewater 0-0.5 MI measured <u>or assessed</u> (trade effluent) Assessed customers should be treated like equivalently measured customers, as per our final decision.</li> </ul>	Table 1

Contents

1.	Definitions and interpretation.....	4
1.1	Defined terms .....	4
1.2	Interpretation.....	6
2.	Introduction.....	10
2.1	Purpose of this code .....	10
2.2	Scope of this code .....	10
3.	Provisions about Schemes of Terms and Conditions .....	12
3.1	Price requirements.....	12
3.2	Non Price requirements .....	13
4.	Provision of information to Customers.....	15
A1	Allowed charges for Customer Group One .....	17
A2	Allowed charges for Customer Group Two .....	21
A3	Price protections for Customer Group Three .....	22

# 1. Definitions and interpretation

## 1.1 Defined terms

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
“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
“Business Retail Activities”	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
“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
“Charging Year”	a calendar year running from 1 April in a given year to 31 March in the following year
“Customer”	Eligible Exit Area Customer
“Customer Group One”	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, 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

<b>Definitions</b>	
<b>Term</b>	<b>Definition</b>
“Customer Group Two”	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
“Customer Group Three”	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
“Customer Numbers”	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
“Customer Type”	a class of customers (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 (b) described in Annex 1 Table 1 by reference to the volume of water (in megalitres (“Ml”)) supplied to their premises by a water undertaker and the service provided (either the supply of water or of sewerage services)
“Eligible Exit Area Customer”	the owner or occupier of Eligible Premises in an Exit Area
“Eligible Water Supply Licensee”	as defined in the Exit Regulations
“Eligible Licensee”	an Eligible Water Supply Licensee or an Eligible Sewerage Licensee
“Eligible Premises”	as defined in Wholesale-Retail Code
“Eligible Sewerage Licensee”	as defined in the Exit Regulations

<b>Definitions</b>	
<b>Term</b>	<b>Definition</b>
“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”	for each Customer who has not freely chosen to pay different charges to those that they would otherwise be liable for, the Permitted Adjustment is as specified in Annex 1
“Scheme of Terms and Conditions”	the scheme or schemes made by Licensees pursuant to Regulation 29 of the Exit Regulations
“Transferred Customer”	the owner or occupier of Eligible Premises which were transferred to the Acquiring Licensee on the Exit Date
“Wholesale Charge”	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

## **1.2 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.

## **2. Introduction**

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

### **2.2 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 Customers of its applicable Scheme of Terms and Conditions.
- 2.2.2 All Licensees who are providing or proposing to provide services to Customers shall ensure that they make and from time to time 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. 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 Customers 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 Customer pursuant to the Exit Regulations or where agreed terms with that 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.
- 2.2.3 Any Scheme of Terms and Conditions should be published on the Licensee's website in accordance with regulation 29(3)(a) of the Exit Regulations and provided to the Authority by email to [retailexitcode@ofwat.gov.uk](mailto:retailexitcode@ofwat.gov.uk), in accordance with 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.

### **3. Provisions about Schemes of Terms and Conditions**

#### **3.1 Price requirements**

- 3.1.1 Subject to section 3.1.2, the price terms included within a Scheme of Terms and Conditions for Customers in the absence of otherwise agreed terms, must ensure that the charges payable by Customers do not exceed the charges as set out in the following sub-sections.
- (a) for Customer Group One;
    - (i) initially, the charges as specified in Annex 1; and
    - (ii) thereafter, those initial charges as adjusted on 1 April in each subsequent year by the Permitted Adjustment, if applicable;<sup>1</sup>
  - (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.
- 3.1.2 The price terms may allow higher charges to be paid by a Customer where the Customer freely chooses to pay different charges to those that they would otherwise be liable for.

---

<sup>1</sup> To 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.

## **3.2 Non Price requirements**

- 3.2.1 In making the non-price terms to be included in a Scheme of Terms and Conditions for Customers, the Licensee must comply with the following principles:
- 3.2.2 The Scheme of Terms and Conditions must be consistent with the Licensee's obligations under its Licence and applicable law.
- 3.2.3 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 Licensee would be entitled to make a request pursuant to section 61(1ZB) of the 1991 Act; or
  - (b) the Customer has consented to or has requested the discontinuance; or
  - (c) the Licensee sells or otherwise transfers ownership of all or part of its business to another Licensee who offers a supply to the Customer on an equivalent Scheme of Terms and Conditions.
- 3.2.4 Other than the right of an 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 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 Customer upon termination of the Scheme of Terms and Conditions.
- 3.2.5 Where a Customer relocates within the same Area the Licensee should continue to offer the same Scheme of Terms and Conditions.
- 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 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.

- 3.2.8 Where a Retailer has made changes to a Scheme of Terms and Conditions 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 to bring it into compliance by 1 April 2020.

## **4. 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 Customer under the applicable Scheme of Terms and Conditions, the Licensee shall write to the Customer providing the following information:
- (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 Customer;
  - (c) that the 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 section 3.2.3 (c) under the applicable Scheme of Terms and Conditions, the Licensee shall write to its 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 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 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 a Customer requests a copy of alternative terms and conditions that the Licensee 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)**

Area	Customer type	2020/21 allowed retail cost per customer (rc)	2020/21 allowed retail net margin (m)
AFW	Water 0-0.5 MI measured or assessed; water unmeasured	£49.18	2.94%
ANH	Water unmeasured	£14.42	1.54%
ANH	Water unmeasured (Hartlepool)	£13.96	2.06%
ANH	Water 0-0.5MI measured or assessed	£45.69	3.76%
ANH	Wastewater unmeasured	£14.95	1.12%
ANH	Wastewater 0-0.5MI measured or assessed	£41.97	3.26%
ANH	Wastewater unmeasured (trade effluent)	£16.00	1.17%
ANH	Wastewater 0-0.5MI measured or assessed (trade effluent)	£120.97	3.55%

BRL	Water 0-0.5MI measured or assessed	£26.60	3.66%
BRL	Water unmeasured	£8.32	4.07%
NES	Water unmeasured	£18.60	6.68%
NES	Water 0-0.5MI measured or assessed	£30.59	4.00%
NES	Wastewater unmeasured	£19.59	4.36%
NES	Wastewater 0-0.5MI measured or assessed	£32.81	2.56%
PRT	Water unmeasured	£18.22	2.19%
PRT	Water 0-0.5MI measured or assessed	£21.93	2.40%
SVT	Water 0-0.5 MI measured or assessed; water unmeasured	£49.31	3.73%
SVT	Wastewater 0-0.5 MI measured or assessed; wastewater unmeasured	£49.47	2.85%
SEW	Water unmeasured	£39.69	1.14%
SEW	Water 0-0.5MI measured or assessed	£39.69	2.73%
SRN	Water unmeasured	£13.53	2.17%
SRN	Water 0-0.5MI measured or assessed	£25.64	6.32%
SRN	Wastewater unmeasured	£16.67	1.95%
SRN	Wastewater 0-0.5MI measured or assessed	£28.03	3.62%
SSC	Water 0-0.5 MI measured or assessed; water unmeasured	£48.65	2.96%
SWT	Water unmeasured (South West)	£14.45	1.87%
SWT	Wastewater unmeasured	£16.17	1.87%
SWT	Water 0-0.5 MI measured or assessed (South West)	£17.11	3.13%
SWT	Wastewater 0-0.5MI measured or assessed	£16.58	2.74%
SWT	Water unmeasured (Bournemouth)	£16.14	1.82%

SWT	Water 0-0.5 MI measured or assessed (Bournemouth)	£23.45	3.01%
SES	Water unmeasured	£20.92	2.61%
SES	Water 0-0.5 MI measured or assessed	£32.44	2.61%
TMS	Water 0-0.5 MI measured or assessed	£25.23	2.88%
TMS	Wastewater 0-0.5 MI measured or assessed	£34.11	3.15%
TMS	Wastewater 0-0.5 MI measured or assessed (trade effluent)	£34.84	3.39%
TMS	Water unmeasured	£24.71	2.50%
TMS	Wastewater unmeasured	£33.16	2.50%
UJW	Water 0-0.5 MI measured or assessed; water unmeasured	£38.10	2.84%
UJW	Wastewater 0-0.5 MI measured or assessed; water unmeasured	£57.30	2.84%
WSX	Water unmeasured	£20.84	1.45%
WSX	Wastewater unmeasured	£16.70	1.57%
WSX	Water 0-0.5 MI measured or assessed	£24.79	3.30%
WSX	Wastewater 0-0.5 MI measured or assessed	£18.53	3.41%
WSX	Wastewater 0-0.5 MI measured or assessed (trade effluent)	£24.77	3.31%
YKY	Water unmeasured	£18.90	11.71%
YKY	Wastewater unmeasured	£19.04	7.03%
YKY	Water 0-0.5MI measured or assessed	£28.75	3.55%
YKY	Wastewater 0-0.5 MI measured or assessed	£31.04	2.93%
YKY	Wastewater 0-0.5 MI measured or assessed (trade effluent)	£24.79	2.35%

## 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 set out in Table 2.

w = the wholesale charges for a given Customer type.

**Table 2 Customer Group Two and allowed gross margins**

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

## **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
- (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.