

August 2019

Trust in water

**Notification that John Lewis PLC has applied
for a Water Supply Licence and Sewerage
Licence with a self-supply authorisation**

About this document

John Lewis PLC ("**John Lewis**"), a registered company with company number 233462, whose contact address is at 171 Victoria Street, London, SW1E 5NN has applied for a water supply licence and a sewerage licence, with a retail authorisation, restricted to self-supply ("**WSSL**").

This document provides notice of the application.

1. The application

John Lewis Partnership is the parent company of John Lewis (the applicant for the WSSL) and for John Lewis and Partners, a department store chain with 51 sites, and Waitrose and Partners, a supermarket chain with 349 stores. On 1 August 2019, John Lewis applied for a WSSL, with a retail authorisation limited to self-supply. If granted, this will enable John Lewis to provide retail services to itself and associated companies.

A WSSL limited to self-supply will only be granted to supply premises supplied or served using the water supply or sewerage system of an undertaker whose area is wholly or mainly in England.

Synopsis of the business plan

John Lewis, the applicant for the WSSL, is the UK's largest employee owned business. In 2018, both John Lewis and Waitrose underwent a rebrand, becoming John Lewis & Partners and Waitrose & Partners.

John Lewis & Partners is an omni-channel retailer with a growing online presence. Waitrose & Partners is a supermarket focused on quality, responsibly sourced produce. The first ten Waitrose stores were launched in 1937 and have since expanded to include convenience branches, shops at Welcome Break service stations and a Waitrose & Partners farm.

John Lewis' business strategy says it is based on 'Partner, Customer, Profit and Power,' with a focus on innovation, looking at future scenarios and identifying new opportunities. Its corporate responsibility strategy is underpinned by key commitments on sourcing and selling products with integrity, helping Partners and communities thrive, and innovating to reduce environmental impact. It says that it has achieved a reduction in carbon intensity of 70% against a 2010 baseline, and that it has set numerous targets around waste, packaging, recycling/reuse and emissions reduction. Water efficiency is becoming a key focus in its strategy to 2028, and it is aligning its targets against the UN's Sustainable Development Goals and the UK's 2050 emissions targets.

When the UK's water retail market opened in April 2017, business customers were given more choice over where and how they source their water, and were given the opportunity to provide retail services to themselves and persons associated with them. John Lewis consider that self-supply is a further innovation that will allow it to

drive a change in process, influencing its water strategy and targets, as well as offering it a customer voice in the market. It will also give it the opportunity to take more control over water usage and data, deal directly with wholesalers and improve its water strategy.

If the WSSL is granted it will enable John Lewis to provide retail services to sites of John Lewis and Partners and sites of Waitrose & Partners, as these qualify as associate companies.

In order to facilitate its application, John Lewis proposes entering into a partnership with Waterscan, with Waterscan taking on the role and responsibilities for the retail functions including meter reading, wholesaler management and finding further water efficiency savings. Waterscan will also complete all transactions on the Central Market Operating System (CMOS) which is the core IT system that underpins the role of the Market Operator of the non-household retail market (MOSL) and it will pay water and sewerage charges through the settlement process run by MOSL. As such, Waterscan will act as the managing agent for John Lewis, providing technical support and services whilst John Lewis builds relationships with wholesalers. This partnership will take the form of a contractual agreement between the parties, which we understand will be in place prior to the WSSL being granted.

As a self-supply licensee, John Lewis will:

1. Pay wholesale prices – the price that retailers pay to the water companies
2. Not pay a retail margin added by suppliers in the open water market
3. Become a market participant including membership of MOSL with voting rights and the ability to directly influence the market
4. Be able to supply water services to all English sites of its associated companies

2. Standard licence conditions

Under sections 17H and 17HA of the Act, the Secretary of State has issued standard licence conditions that apply to all water and sewerage services licensees. The standard conditions can be found on the [government website](#).

Under sections 17H(6) and 17HA(7) of the Act, in granting a licence, Ofwat may exclude or modify those standard licence conditions to such an extent as we consider appropriate to meet the circumstances of a particular case.

Following consultation, on 10 September 2018, Ofwat modified the standard licence conditions to make them applicable to self supply licensees.

Under Part A.2 of the Standard Licence Conditions Ofwat may issues a Condition A2 direction bringing certain provisions of the Standard Licence Conditions into effect. In order to regulate self supply licensees in a proportionate manner, some of the provisions that apply to other licensees are not brought into effect for self supply licensees. These relate to the obligation to provide an annual certificate of adequacy (A.4); the provision on arm's length transactions (A.7); and the requirement to comply with the Customer Protection Code of Practice (B.2). A provision that only applies to self supply licensees is brought into effect, namely the requirement to publish and keep up to date, a list of all the associated companies that are being supplied by the licensee.

How to respond

Any person who wishes to make representations or objections with respect to the application should do so in writing (which includes by email) to Ofwat at Centre City Tower, 7 Hill Street, Birmingham, B5 4UA.

Representations must be received by Ofwat no later than 17.00 hours on 25 September 2019. Further information about how to make representations or objections, including information on the treatment of confidential information, can be obtained from Ofwat at the above address or at <http://www.ofwat.gov.uk/foi/>

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