
ALLOCATION NOTICE

NOTICE OF DETERMINATION UNDER SECTION 7.4 OF THE INTERIM SUPPLY CODE

21 FEBRUARY 2020

Except as otherwise provided in this Allocation Notice, words and expressions used in this Allocation Notice have the same meaning as they have in the Interim Supply Code (the '**Code**').

1. THE CODE

- 1.1. The Authority has issued the Code pursuant to sections 63AF and 110O of the 1991 Act. The Code sets out the procedure for the provision of Interim Supply in the event that a Licensee is no longer able to provide Water Retail Services and Sewerage Retail Services to Affected Customers.
- 1.2. Details of the Interim Supply Process are set out at Appendix 1.

2. BACKGROUND

- 2.1 Tor Water Limited (the '**Previous Licensee**') ceased to provide Water Retail Services and Sewerage Retail Services to Relevant Premises on 19 February 2020 when its Water Supply and Sewerage Licences (the '**Licences**') were revoked. For the purpose of this Interim Supply event the '**Relevant Premises**' are those to which the Interim Duty Supply Points relate. The Interim Duty Supply Points are those that were Registered to the Previous Licensee in the Wessex Water and Bristol Water Areas as at the date of the revocation of the Licences (the '**Relevant Supply Points**').
- 2.2 The Authority issued a Notice of Relevant Cessation of Supply (the '**RCS Notice**') before 10:30am on Thursday 20 February 2020 to each Eligible Licensee¹, Wessex Water and Bristol Water (the relevant undertakers in whose Areas there were Relevant Supply Points), and the Market Operator. The RCS Notice confirmed that:

¹ The Eligible Licensees were those that had elected, or were required to elect, to take on Interim Duty Supply Points in the Wessex Water and Bristol Water Areas at the time of the Licence revocation.

- (a) the Previous Licensee had ceased to provide Water Retail Services and Sewerage Retail Services to the Relevant Premises in Wessex Water and Bristol Water's Areas on the 19 February 2020 (the '**Date of Relevant Cessation of Supply**').
- (b) the Suspension Deadline² was 9am on 21 February 2020; and
- (c) the number of Interim Duty Supply Points.

The Authority agreed to the four requests it received to Suspend Election for this Interim Supply event, resulting in four Eligible Licensees being available to receive the Interim Duty Supply Points (collectively the '**Interim Licensees**'), namely:

- a. Smarta Water Limited
- b. Sutton and East Surrey Water Services Limited
- c. Water 2 Business Limited
- d. Yu Water Limited

- 2.3 To determine whether we should use the Interim Supplier Allocation Process or the Interim Supply Offers Process we considered that no new Licensees requested to become an Eligible Licensee for this event, the number of Eligible Licensees available to receive the Relevant Supply Points and the number of Affected Customers. We took into account that the Interim Supply Offers Process is more onerous for Eligible Licensees and the behaviour of Eligible Licensees during the recent interim supply event pertaining to the Previous Licensee's customers in South West Water's Area. As such, it was considered very unlikely that the Interim Supply Offers Process would yield a better outcome for customers. In this instance the Authority decided that it would request the Market Operator to allocate the Relevant Supply Points by implementing the Interim Supplier Allocation Process under section 7.1.3(b) of the Code.
- 2.4 The Authority sent the request to the Market Operator to allocate the Relevant Supply Points on 21 February 2020. This instructed the Market Operator to allocate the Relevant Supply Points by implementing the Interim Supplier Allocation Process for the combination of Areas in accordance with the Code and the Wholesale Retail Code. This request encompassed the timetable by which the Interim Supplier Allocation Process would be run, and confirmed that the report provided by the Market Operator to the Authority in advance of the Authority issuing the requisite directions under the 1991 Act would form the basis of its decision to Allocate the Relevant Supply Points to a specific Interim Licensee.

² Aside from Eligible Licensees that are required to elect, Eligible Licensee may choose to Suspend their Election for a particular interim supply event.

3. ALLOCATION DECISION

- 3.1. The Authority required the Market Operator to Allocate the Relevant Supply Points to the Interim Licensees on the basis of the Interim Supplier Allocation Process.
- 3.2. Appendix 2 sets out the outcome of the Interim Supplier Allocation Process, by listing which of the Relevant Supply Points have been Allocated to which Interim Licensee.
- 3.3. The Market Operator confirmed that during their initial assessment the number of Relevant Supply Points was 51 rather than the previous estimate of 52. This was because one of the Relevant Supply Points was found to be a duplicate.
- 3.4. The methodology in CSD 0004 of the Wholesale Retail Code requires the Market Operator to adjust the number of Relevant Supply Points allocated to each Interim Supplier to ensure that as equal a distribution of Relevant Supply Points as possible can be achieved between them. Because one of the Affected Customers had just over half of the Relevant Duty Supply Points it was necessary to Allocate these between two Interim Suppliers to account for the methodology in the CSD. The rest of the Relevant Supply Points were Allocated between the two other Interim Suppliers.
- 3.5. The Authority has made directions pursuant to Section 63AC(3) and Section 110L(3) of the 1991 Act that it is to be the duty of the Interim Licensees to continue the supply of water and the provision of sewerage services to the Relevant Premises.
- 3.6. The Interim Duty Supply Points Allocated to the Interim Licensees are the Relevant Supply Points.
- 3.7. The Date of Relevant Cessation of Supply is 19 February 2020.

4. REGISTRATION OF THE RELEVANT SUPPLY POINTS

- 4.1. The Market Operator shall Register the Allocated Relevant Supply Points to the Interim Licensees with effect from the Date of Relevant Cessation of Supply.
- 4.2. The Relevant Supply Points shall:
 - 4.2.1. include Supply Points Registered to the Previous Licensee at the Date of Relevant Cessation of Supply including those in the process of being Deregistered or Disconnected; and
 - 4.2.2. include New Supply Points in the process of being Registered to the Previous Licensee at the Date of Relevant Cessation of Supply; but

4.2.3. not include Supply Points in the process of being Registered to an Incoming Retailer at the Date of Relevant Cessation of Supply.

**Signed on behalf of the Authority by
Emma Kelso, Senior Director of Markets and Enforcement**



On behalf of the Water Services Regulation Authority

APPENDIX 1 THE INTERIM SUPPLY PROCESS

1. Procedure for the Election of a Eligible Licensee and the procedure for the Suspension of Election

A Licensee that Elects to be an Eligible Licensee must do so in accordance with Section 4.1 of the Code.

This includes the submission of a notification to the Market Operator of the Area or Areas in relation to which the Licensee is Electing to be an Eligible Licensee and, in respect of each such Area, whether it is to be an Eligible Licensee in relation to Water Retail Services or Sewerage Retail Services or both.

Further, within a reasonable time of Electing to be an Eligible Licensee it shall also confirm to the Authority in writing the requirements in relation to the Scheme and provide a copy of its Statement of Interim Supply Capacity.

The Market Operator retains a List of Opted In Retailers by Area.

Following the issue of a Notice of Relevant Cessation of Supply (an '**RCS Notice**') an Eligible Licensee may choose to Suspend its Election until such time as all the Interim Duty Supply Points identified in a single Notice of Relevant Cessation of Supply have been Allocated. Section 4.4 of the Code sets out the procedure for this.

2. Circumstances in which the Authority's power of direction may be exercised

Section 5.1 of the Code confirms that the Authority shall only use its powers under Section 63AC and/or Section 110L of the 1991 Act where:

- (a) there has been a Relevant Cessation of Supply in relation to the Eligible Premises;
- (b) that Previous Licensee is not a Self-Supply Licensee; and
- (c) an Interim Duty Supply Point relating to the Eligible Premises has been Allocated to the Eligible Licensee in accordance with the Code.

3. Circumstances in which the Authority will issue a direction

The Authority may issue a direction to an Eligible Licensee providing that it is to be the duty of that licensee to continue the supply of water and/or the provision of sewerage services where:

- (a) the Previous Licensee ceases to provide the relevant services; and

- (b) the owner or occupier of premises has not informed the relevant water company (undertaker) that arrangements have been made for the continuation of the services or he intends that the provision of services should cease.

Where premises are in a retail exit area the Authority must give a direction.

4. How the Authority determines the Date of Relevant Cessation of Supply

Section 5.2 of the Code confirms that the Date of Relevant Cessation of Supply shall be:

- (a) the date on which the relevant Previous Licensee's Licence was (or will be) revoked, as set out in the relevant revocation notice issue by the Authority; or
- (b) the date on which a Wholesale Contract between the relevant Previous Licensee and a relevant undertaker was terminated.

5. The process for issuing the RCS Notice and any accompanying information

In accordance with Section 6.1 of the Code where the Authority intends to issue a direction to an Eligible Licensee it must issue an RCS Notice to each Eligible Licensee, each relevant undertaker in whose Area there is an Interim Duty Supply Point, and the Market Operator. The RCS Notice includes the identity of the Previous Licensee, the Date of Relevant Cessation of Supply and the Suspension Deadline for the specified Relevant Cessation of Supply.

Further information that should be provided to recipients of the RCS Notice includes the Areas in which the Relevant Cessation of Supply has occurred and the number of Interim Duty Supply Points of each Service Category in each Area affected. The Authority may provide additional information, including the number of Interim Duty Supply Points in each Area which receive Trade Effluent Services.

6. Circumstances in which the Authority may decide to Allocate Interim Duty Supply Points

Section 7.1 of the Code sets out four options for the Allocation of Interim Duty Supply Points. These include via Interim Supply Offers or the Interim Supplier Allocation Process under the Wholesale Retail Code.

The Interim Supply Offers process set out at Section 7.2 of the Code enables the Authority to request Interim Supply Offers from Eligible Licensees. The

purpose of seeking Interim Supply Offers in respect of a relevant Area or combination of relevant Areas (as applicable) shall be to Allocate all of the Interim Duty Supply Points within such an Area or combination of Areas to a single Eligible Licensee. Having invited Eligible Licensees to make an Interim Supply Offer, the Authority is required to consider all of the Interim Supply Offers received, Allocate all of the Interim Duty Supply Points within each relevant Area or each combination of Areas (as applicable) to a single Eligible Licensee on the terms set out in the Interim Supply Offer submitted, and issue a direction in accordance with the 1991 Act.

The Interim Supplier Allocation process set out at Section 7.3 of the Code requires Interim Duty Supply Points to be Allocated by the Market Operator in accordance with the Wholesale Retail Code.

7. Allocation of Interim Duty Supply Points

Section 7.4 of the Code confirms that once the Interim Duty Supply Points have been Allocated to one or more Eligible Licensee, the Authority will inform those Eligible Licensees of the outcome. It will publish the Directions under section 63AC and 110L of the 1991 Act and an Allocation Notice which together legally transfers the Interim Duty Supply Points to the selected Eligible Licensee(s) (the Interim Licensee(s)) and sets out its reasons for Allocation. Having received direction from the Authority, the Market Operator will register the Interim Duty Supply Points to the Interim Licensee(s) with effect from the Date of Relevant Cessation of Supply. Where the Interim Supply Offers method is used, feedback on offers received will be provided on a confidential basis to Eligible Licensees.

8. Provision of Information to Affected Customers

Section 9 of the Code confirms that the Interim Licensee(s) must provide specified information to Affected Customers following the Allocation of the Interim Duty Supply Points.

APPENDIX 2 RELEVANT SUPPLY POINTS

Yu Water Limited

301500865XS17
301500865XW1X
3015431013S12
3015431013W15
3025474319S10
3025474319W13
3025576693S12
3025576693W15
3025604301S1X
3025604301W12
3025654279S10
3025654279W13

Water2Business Limited

3015103563S12
3015103563W15
3015182749S10
3015182749W13
3015320130W16
3015328638W17
3015329871W12
3015345249W13
3025459336S11
3025459336W14
3025562722S16
3025562722W19

SES Business Water Services Limited

3015104012S16
3015104012W19
3015112074S19
3015112074W11
3015140876W14
3015323148S14
3015323148W17
3025412186S11
3025412186W14
3025536748S14

3025536748W17
3025695943S12
3025695943W15
3200545631W12

Smarta Water Limited

3015008013S12
3015008013W15
3015059475S15
3015059475W18
3015166328S14
3015166328W17
3025401001S1X
3025401001W12
302543709XW1X
302565323XS17
302565323XW1X
3025737778S14
3025737778W17