

March 2020

Notification that J Sainsbury plc has applied for a Water Supply Licence and Sewerage Licence with a self-supply authorisation

About this document

J Sainsbury plc ("**Sainsbury's**"), a registered company with company number 00185647, whose contact address is 33 Holborn, London, EC1N 2HT has applied for a retail restricted to self-supply licence with authorisation for water and sewerage ("**WSSL**").

This document provides notice of the application. It also sets out Ofwat's proposal to modify the standard licence conditions that will apply to Sainsbury's should it be granted a WSSL.

1. The application

Sainsbury's is the second largest supermarket in the UK. The holding company, Sainsbury's, includes Sainsbury's Supermarkets Ltd (including superstores and convenience stores), Sainsbury's Bank, Argos, Tu, Habitat, Sainsbury's Home and Nectar.

On 18 February 2020, Sainsbury's applied for a water supply licence and a sewerage licence, with a retail authorisation limited to self-supply. If granted, this will enable Sainsbury's to provide retail services to itself and associated persons.

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

Sainsbury's is a multi-brand, multi-channel retailer, with a growing online and digital business, delivery capability and a store estate of over 1,400 Sainsbury's supermarkets and convenience stores, and almost 900 Argos stores in stand-alone and supermarket locations.

Sainsbury's has set out its environmental and sustainability strategies. These align with the 'United Nations Sustainable Development Global Goals' and aim to reduce emissions, waste and water use. It has achieved zero waste to landfill since 2013 and has reduced its water consumption by 1bn litres since 2005/6. Sainsbury's has also saved over 20,000 tonnes of CO₂ through its colleague behavioural change project 'Greenest Grocer.'

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. Most importantly they were given the ability to supply themselves with water. Initially, Sainsbury's took advantage of the competitive market and selected two water retailers to cover their English portfolio of sites. Sainsbury's has now decided to apply for a self-supply license, which it considers will offer further opportunities for innovation in delivering its water strategies in the future. Sainsbury's also hopes to gain better insight and control of its data. It considers that this will help inform its water targets, whilst also giving them a customer voice in the market and the ability to drive change and innovation through this licence.

In order to facilitate this application, Sainsbury's is partnering with Waterscan, as the managing agent. Waterscan will assume responsibilities for retail functions, such as meter reading, Central Market Operating System transactions, wholesaler management, and identifying further water efficiency savings opportunities. This arrangement extends a long-standing partnership between Sainsbury's and Waterscan which has previously resulted in the delivery of key targets such as a 50% reduction in consumption and several stores achieving 'triple zero' status (achieving zero waste to landfill, zero impact on water usage of local catchment area and zero carbon emissions from operational energy used).

As a self-supply licensee, Sainsbury's will:

- Pay wholesale prices
- Become a market participant
- Become involved in innovation within the water market
- Be able to supply water services to and communicate with all English sites

2. Standard licence conditions

Under sections 17H and 17HA of the Water Industry Act 1991 (“**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 Ofwat considers 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 issue 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 and our proposal to modify the standard licence conditions should do so in writing (which includes by email) to Ofwat at Centre City Tower, 7 Hill Street, Birmingham, B5 4UA or by email to licensing@ofwat.gov.uk.

Representations must be received by Ofwat no later than 17.00 hours on 1 April 2020. 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/>

Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Phone: 0121 644 7500
Fax: 0121 644 7533
Website: www.ofwat.gov.uk
Email: mailbox@ofwat.gov.uk

March 2020

© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This document is also available from our website at www.ofwat.gov.uk.

Any enquiries regarding this publication should be sent to us at mailbox@ofwat.gov.uk.

