

October 2020

Notice that Arla Foods Limited has applied for a WSSL with retail authorisations, limited to self-supply

About this document

Arla Foods Limited, (**“Arla Foods”**), a registered company with company number 02143253, whose contact address is at Arla House, 4 Savannah Way, Leeds Valley Park, Leeds, Yorkshire LS10 1AB, has applied for a retail water licence and sewerage licence (**“WSSL”**) restricted to self-supply.

This document provides notice of the application.

The application

Arla Foods is a dairy company owned by 12,000 dairy farmers of which 2,500 are based in the UK. It manufactures a wide range of products including milk, yoghurt, cream, and cheese.

On 19 October 2020, Arla Foods applied for a water licence and a sewerage licence, with a retail authorisation limited to self-supply. If granted, this will enable Arla Foods 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

Arla Foods has ten sites in England and produces household brands such as Cravendale, Anchor, Lurpak and Castello. Arla Food recognises that water is a vital part in manufacturing these products, from cleaning and disinfection processes for milk (transportation) tankers and milk bottles, through to ensuring the everyday running of its cooling towers. Arla Foods states that despite the challenging market conditions caused by Covid-19, its brand has continued to grow and production levels has not dropped.

In early 2008, Arla Foods joined the United Nations (UN) Global Compact initiative to promote business ethics. Its Code of Conduct reflects the UN Global Compact's ten basic principles of business ethics that guide Arla Foods' behaviour and decision-making; three of which are environmental targets.

Arla Foods state that in 2017 it partnered with a supplier to reduce its water consumption by 700,000m³. It aims to consistently reduce energy and water consumption by 3% annually. It considers this will be achieved through adopting environmentally friendly technologies and reusing water.

Arla Foods states it has a requirement to have a clean data set. In order to do this to the highest level, Arla Foods considers that it needs complete visibility of each site's water consumption and associated costs. It also has responsibilities regarding on-site boreholes and trade effluent discharge. Arla Food states that having a self-supply licence will provide it with the requisite level of visibility, and the data and control it needs to focus and deliver on its strategy of protecting the environment and safeguarding its business from water scarcity.

In order to facilitate this application, Arla Foods has entered into a partnership agreement with Waterscan to take on the role and responsibilities for the retail functions, including meter reading, Central Market Operating System transactions, wholesaler management and finding further water efficiency savings. As such, Waterscan will act as the managing agent for Arla Foods and provide technical support and services while the business will build on our key relationships with wholesalers and pay water and sewerage charges through the settlement process. This partnership will take the form of a contractual agreement between the parties and will be submitted as part of the licence process.

Standard licence conditions

Under sections 17H and 17HA of the Water Industry Act 1991 (“**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 at <https://www.gov.uk/government/publications/water-supply-and-sewerage-licencing-regime-standard-licence-conditions>.

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 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 24 November 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/>.

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