

August 2021

**Decision under section 13 of the
Water Industry Act 1991 on
proposed modification to Wessex
Water's licence**

About this document

On 1 July 2021 we published a [consultation under section 13 of the Water Industry Act 1991](#) on a proposed modification to Condition I of Wessex Water Services Limited's (**Wessex Water**) licence.

The consultation closed on 29 July 2021.

In this document, we summarise the background and responses to the consultation and confirm we have now modified Wessex Water's licence, coming into effect from 24 August 2021. We set out the full reasons for the licence modification in the consultation and we still consider those reasons to be valid.

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1. Background

Each water company's licence includes a series of conditions setting out obligations the company has in relation to its Regulated Activities as an appointed company. Condition I in Wessex Water's licence (or Condition P in most other companies' licences) relates to “**ring-fencing**” of the regulated business.

The purpose of the ring-fencing provisions is to protect customers and the regulated business and includes an obligation for the company to ensure there is no cross-subsidy between its regulated business and other business activities that that company or any of its Associated Companies may undertake. Further obligations include ensuring that any transfer of assets from the appointed company to Associated Companies does not adversely affect the appointed company's ability to fulfil or finance its functions as an appointed water company; and that the appointed company has adequate resources (financial and other) to carry out its Regulated Activities.

For most companies the requirement to ensure they have adequate resources to enable them to carry out their Regulated Activities explicitly describes those resources as financial resources and facilities; management resources; and systems of planning and internal control. Wessex Water's licence had previously included the first two of these but did not explicitly state the latter. This was an anomaly which was brought to light as a result of our regulatory work and engagement with the company.

On 1 July 2021 we consulted on a proposal to insert a new requirement relating to systems of planning and internal control into Condition I of Wessex Water's licence. Having this requirement in place will bring Wessex Water's licence in line with other large water and sewerage companies' licences.

2. Summary of responses received

We received two responses to the consultation: one from the Consumer Council for Water, and one from Wessex Water. The Consumer Council for Water welcomed and supported the proposed licence modification noting the importance of companies' licences being consistent and all customers being equally protected under the terms of the licence. Wessex Water gave its consent to the proposed licence modification.

3. Next steps

No concerns were raised regarding the proposed modification to Condition I of Wessex Water's licence, and we have not changed our view and reasons as set out in the consultation. We have therefore modified the licence of Wessex Water, which will come into effect on 24 August 2021. A [notice](#) setting out the final modification has been published separately, alongside this document.

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