

December 2022

## **Decision under sections 8 and 12A to vary South West Water's area, modify its licence and terminate Bristol Water's licence**

## About this document

This document summarises the reasons for our decision to:

- vary the area served by South West Water Limited (South West Water) for water services so that it covers the area currently served by Bristol Water plc (Bristol Water) and terminate Bristol Water's Instrument of Appointment (licence), under section 7 of the Water Industry Act 1991 (WIA91); and
- modify various conditions of the licence of South West Water, under section 12A WIA91.

We [consulted](#) on these proposals in August 2022. This document also sets out the responses which we received to that consultation and how we have addressed them.

The variation of the area served by South West Water, the termination of Bristol Water's licence and modification of the South West Water's licence have effect from 1 February 2023.

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## 1. Summary of our decisions

### 1.1 Variation of the area served by South West Water and termination of Bristol Water's licence

We [consulted](#) on our proposal to vary the area served by South West Water for water services so that it covers the area currently served by Bristol Water (the Bristol area). We also proposed to terminate Bristol Water's licence because it will no longer provide water services to any area. As explained in our consultation, we are able to make a variation where the companies involved consent to the proposal, which is the situation in this case. We are also able to terminate a licence where another company has been appointed to provide services for the area served by the company whose licence we are terminating.

We received four responses to our consultation which referred to the area variation and we summarise those and our response to them in section 2 below. Having taken account of the consultation responses, we consider that the reasons we set out in our consultation in section 2.2 for proposing the variation and termination remain valid. Therefore, we have decided to make the variation to the area served by South West Water and terminate Bristol Water's licence.

The variation and termination will become effective on 1 February 2023. This is different from the date which we proposed in our consultation and the reasons for this are set out in section 3.

### 1.2 Modification of South West Water's licence

We also consulted on our proposal to modify South West Water's licence, primarily as a consequence of the variation to its area but we also took the opportunity to propose some other changes.

Two of the four responses we received on the area variation also covered the licence modifications and we summarise these responses in section 2 below. Having taken account of the consultation responses, we have decided to modify South West Water's licence. The modifications will come into effect on 1 February 2023, at the same time as the area variation set out above. This is different from the date which we proposed in our consultation and the reasons for this are set out in section 3. The wording of modifications we are making is set out in appendix A2.

The modifications we have decided to make are as set out in our consultation with one small exception, which is explained in section 3. This is a change for clarification purposes only and does not impact on the effect of the modifications which is to:

- ensure that the relevant price controls<sup>1</sup> which apply for South West Water and Bristol Water will continue to apply to customers in the areas currently served by those two companies for the remainder of the 2020–25 price control period;
- ensure that we can still make adjustments within the current price control period for the Bristol area for the relevant performance commitments which previously applied to Bristol Water and take into account the performance of Bristol Water when considering what, if any, adjustments to make in relation to these performance commitments;
- ensure that the revenue forecasting incentive formula which was notified to the two companies at the 2019 periodic review continues to apply to the separate price controls for the area currently served by South West Water (South West area) and the Bristol area;
- ensure that we can set separate price controls for Network Plus Water Activities and Water Resources Activities for the South West and Bristol areas going forward, starting with the next periodic review which will set price controls applying from 1 April 2025;
- amend the definition of both Standard and Excluded Charges in the South West Water licence so that the existing definition included in the Bristol Water licence will continue to apply in relation to the Bristol area;
- ensure that if do not conclude our next periodic review, which should be by 31 December 2024, South West Water will still have price controls in place;
- ensure that South West Water will not be in breach of condition E (Undue Preference/Discrimination in Charges) as a result of there being separate wholesale price controls for the South West and Bristol areas;
- ensure that business customers on the Isles of Scilly receive the same customer protection as household customers following the variation of the area served by South West Water to include the Isles of Scilly in March 2020;
- ensure that South West Water pays the correct licence fee to us by taking into account Bristol Water's turnover when making the calculation for South West Water<sup>2</sup>;
- require South West Water to hold an issuer credit rating which is investment grade by 31 March 2025 at the latest;
- clarify the definition of costs in respect of the information that the company must provide to us in relation to the costs of an associated company which provides services to it;
- introduce a definition of the 'Bristol Area' and amend that of the 'South West Area' which is necessary for several of the other modifications set out above;
- amend the numbering used in the definition of 'Relevant Index' which was incorrect and out of line with other companies' licences; and
- remove a redundant definition in condition A and a paragraph in condition E, introduced following the variation of South West Water's licence in association with the variation of

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<sup>1</sup> These are price controls for Network Plus Water Activities, Water Resources Activities and Residential Retail Activities as defined in Condition B of company licences.

<sup>2</sup> We separately consulted on changes to all companies' licences, including South West Water's, in relation to the licence fee cap. We announced our [decision](#) in October 2022 to make these changes with effect from 1 January 2023. These changes to South West Water's licence do not change the need for, or the wording of, the change referred to here.

its area to cover the area formerly served by Bournemouth Water, which are no longer applicable.

## 2. Summary of consultation responses

We received responses from South West Water, CCW, Fair Water Connections and an individual. We have published the responses on our [website](#).

South West Water and CCW were supportive of the changes we proposed. South West Water suggested a clarification to the wording of proposed paragraph P29A, which sets out a transitional arrangement relating to the requirement to hold an issuer credit rating that is investment grade. The suggested change would make clear, in line with our original intention, that it would be the holding of a public issuer credit rating that would trigger the change in application of the relevant licence provisions, if this happens before 31 March 2025 (when the change will have effect anyway). We agree that this clarification should be made and explain our decision further in section 3.

Fair Water Connections, which describes itself as an association which provides support to self-lay providers<sup>3</sup>, was concerned that the proposed area variation would allow connection charging arrangements in the South West area to apply to the Bristol area. The respondent raised concerns about the South West Water connection charging arrangements and suggested that the current Bristol Water arrangements should continue for the time being in the Bristol area.

South West Water has confirmed that the current intention is for separate connection charges to continue for the two areas, at least in the near term, with the charges for the Bristol area for 2023-24 being in line with Bristol Water's [published](#) indicative charges for 2023-24. This addresses the respondent's concern in the near term.

Companies serving areas wholly or mainly in England are required to comply with the [English New Connection Rules](#) in setting their charges and therefore South West Water must set its charges, including those in relation to the Bristol area, in compliance with these rules and we consider that this requirement should provide appropriate protection. Where companies are not complying with these rules we can issue a direction requiring them to do so.

An individual noted the intended extension of WaterShare+ to the customers of Bristol Water and asked if it would apply to new appointees<sup>4</sup> or to customers of new appointees in the area for which Bristol Water is currently the incumbent water company. The respondent considered that if WaterShare+ is not extended to such customers, these customers would

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<sup>3</sup> These are companies which provide certain water and/or sewerage infrastructure at new developments instead of the water company.

<sup>4</sup> New appointees are water companies that have successfully applied to replace an existing company as the provider of water and/or wastewater services in a specific geographical area in England and Wales.

appear to be missing out on a benefit which would be available to them if they were customers of the incumbent<sup>5</sup> rather than a new appointee.

The situation that will apply in Bristol area in relation to WaterShare+ is no different to that which currently applies in the South West area. WaterShare+ is an optional benefit which South West Water chooses to provide to its own customers. It does not extend to the customers of other companies (new appointees) which have replaced it as the water and wastewater provider in the areas for which it is the incumbent, although new appointees are free to offer their customers such benefits. Where new appointees receive services from South West Water, they will get a benefit as a customer of South West Water. However, this benefit is only equivalent to that received by all other customers, e.g. a single household, and the size of the benefit means it is not likely to be practically possible for new appointees to share it directly with their customers in a meaningful way.

We have considered the responses above and do not consider that we should amend our proposals, except for the minor clarification set out above.

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<sup>5</sup> The incumbent is the existing provider of water and/or sewerage services to an area prior to replacement by the new appointee.

## 3. Changes from our consultation

### 3.1 Effective date of the changes

In our consultation we proposed that if we decided to proceed with the area variation, licence termination and licence modifications, these would all have effect from 1 November 2022. In the case of the licence modifications we explained that this would have meant us using our powers under section 12B WIA91 to reduce the period between the publication of our decision to make the modifications and the modifications having effect in less than the minimum of 56 days usually required.

South West Water told us that it was no longer ready for the area variation to come into effect on 1 November 2022. The variation to South West Water's area and the modification of its licence, and the termination of Bristol Water's licence, will now have effect from 1 February 2023. In the case of the licence modifications this is more than the 56 days from publication of the decision to make the modifications required under WIA91.

### 3.2 Changes to the proposed licence modifications

As explained in section 2, South West Water asked us to make a change to clarify the wording of paragraph P29A , which sets out a transitional arrangement relating to the requirement for it to hold an issuer credit rating that is investment grade. In our consultation, we explained that the intended effect of this arrangement was to allow South West Water a reasonable time to obtain an issuer credit rating (by 31 March 2025 at the latest) in order to ensure that Bristol Water's customers continue to enjoy the same level of protection as they do now, and to bring South West Water's licence into line with that of other companies.

South West Water asked us to clarify that paragraph P29A is referring to when the company (or an associated company that issues corporate debt on its behalf) first holds a public issuer credit rating that is investment grade. We confirm that this is the intention of paragraph P29A: private credit ratings are not suitable for regulatory monitoring purposes and all other companies hold public issuer credit ratings, in line with their licence requirements. We have therefore clarified the wording of paragraph P29A by inserting the word 'public' before 'Issuer Credit Rating'. The final licence modification wording is set out in appendix A2.

## A1 Variation and termination notice

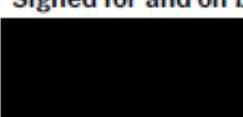
**WATER SERVICES REGULATION AUTHORITY  
WATER INDUSTRY ACT 1991, SECTIONS 7 TO 9**

**Variation of the Appointment of South West Water Limited as a Water Undertaker  
and termination of the Appointment of Bristol Water Plc as a Water Undertaker**

**Made on 5 December 2022  
Coming into effect on 1 February 2023**

1. On 27 June 1995, the Secretary of State for the Environment and the Secretary of State for Wales acting jointly and pursuant to sections 6(1) and 7(2) of the Water Industry Act 1991 authorised the Director General of Water Services<sup>1</sup> to make variations such as those contained in paragraph 5 below.
2. South West Water Limited and Bristol Water Plc hold appointments as water undertakers for their respective areas.
3. South West Water Limited has applied to the Water Services Regulation Authority for a variation of its appointment as a water undertaker to include the whole of the area for which Bristol Water Plc is the water undertaker. Bristol Water Plc has consented to the making of the variation and to the consequential termination of its appointment as a water undertaker.
4. After giving notice stating that it proposes to make the variation, as required by section 8 of the Water Industry Act 1991, and considering the representations that were made with respect to the proposed variation, the Water Services Regulation Authority has decided to make the area variation.
5. Therefore, as provided by sections 7(2) and 7(4)(a) of the Water Industry Act 1991, and with the consent of Bristol Water Plc, the Water Services Regulation Authority –
  - (a) varies the appointment of South West Water Limited as water undertaker so that it includes the whole of the area for which Bristol Water Plc is the water undertaker, and
  - (b) terminates the appointment of Bristol Water Plc as a water undertaker.

**Signed for and on behalf of the Water Services Regulation Authority**

  
**Jenny Block**  
**General Counsel**

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<sup>1</sup> With effect from 1 April 2006 the functions of the Director General of Water Services were transferred to the Water Services Regulation Authority in accordance with section 36 of, and Schedule 3 to, the Water Act 2003.

## A2 Licence modifications

We set out below the changes to conditions A, B, E, G, N and P of South West Water's licence. We are not making any modifications to the provisions of the conditions set out above that are not listed in this appendix.

### Condition A: Interpretation and Construction

1. The definition of the term "Bournemouth Area" in paragraph 3 of Condition A: Interpretation and Construction is deleted.
2. The following definition is inserted in the appropriate place determined alphabetically in paragraph 3 of Condition A: Interpretation and Construction:

"**Bristol Area**" means the area for which Bristol Water Plc was the water undertaker immediately prior to 1 February 2023;"

3. The definition of the term "Relevant Index" in paragraph 3 of Condition A: Interpretation and Construction is deleted and replaced with the following text:

"**the Relevant Index**" means –

- (a) for any period before 1 April 2020, the Retail Prices Index,
- (b) for any period including, or after, 1 April 2020, the Consumer Prices Index (H),
- (c) in any year where the Statistics Board has not published the index to be applied by 31 December, such index for such month as Ofwat may not later than the following 7 January determine to be appropriate in all the circumstances after such consultation with the Appointee as is reasonably practicable;"

4. The definition of the term "South West Area" in paragraph 3 of Condition A: Interpretation and Construction is deleted and replaced with the following text:

"**South West Area**" means the area for which South West Water Limited was the water undertaker immediately prior to 1 February 2023;"

## Condition B: Charges

5. The following text is inserted at the end of the definition of "Excluded Charges" in paragraph 2 of Condition B: Charges:

"but so that where this Condition is relevant to the Bristol Area and requires reference to be made to Excluded Charges in a Charging Year prior to that starting on 1 April 1990 the expression "Excluded Charges" shall be read and construed as though:

- (a) there were added to sub-paragraph (2) of this definition the words "and charges for a supply of water provided by the Appointee under section 37 of Schedule 3 to the 1945 Act", in respect of the Bristol Area; and
  - (b) there were added to sub-paragraph (9) of this definition the words "and any agreement entered into by the Appointee under section 81 of the Water Resources Act 1963 with respect to any of the matters referred to in sections 81(1)(b) and 81(1)(d) of that Act", in respect of the Bristol Area;"
6. The definition of the term "Standard Charges" in paragraph 2 of Condition B: Charges is deleted and replaced with the following text:

**""Standard Charges"** means

- (1) charges fixed under any such charges scheme as is referred to in section 143 of the Water Industry Act 1991;
- (2) charges fixed by the Appointee in respect of its Water Resources Activities, Bioresources Activities and Network Plus Activities;
- (3) charges payable under any such agreement as is referred to in section 142 of the Water Industry Act 1991 (including any such agreement made or entered into by the Water Authority under section 30 of the Water Act 1973 as, in accordance with a scheme under Schedule 2, is transferred to the Appointee) under or for which all the charges payable are in accordance with standard charges published or fixed by the Appointee or, as the case may be, the Water Authority;
- (4) charges payable where a discharge is made in pursuance of a consent given by the Appointee for the purposes of Chapter III of Part IV of the Water Industry Act 1991 under or for which all the charges payable are in accordance with standard charges published or fixed by the Appointee;
- (5) charges determined by agreement in respect of a supply of water provided by the Appointee for non-domestic purposes where all the charges so determined in

respect of that supply are in accordance with standard charges published or fixed by the Appointee;

- (6) charges fixed under any such charges scheme made by the Water Authority under section 31 of the Water Act 1973 as, by virtue of paragraph 16(1) of Schedule 26 of the Water Act 1989, had effect on and after the transfer date as if it were a charges scheme made under section 76 of the Water Act 1989 by the Appointee;
- (7) charges payable under any such consent or agreement under the Public Health (Drainage of Trade Premises) Act 1937 as, by virtue of paragraph 13 of Schedule 26 of the Water Act 1989, has effect on and after the transfer date as if it were given or entered into by the Appointee under which all the charges payable are in accordance with standard charges published or fixed by the Water Authority or, as the case may be, the Appointee;
- (8) charges in respect of any such supply which the Water Authority was under a duty to make under section 27 of the Water Act 1945 as, by virtue of paragraph 8 of Schedule 26 of the Water Act 1989, is a supply which the Appointee is under a duty to make on and after the transfer date where all charges in respect of such supply are in accordance with standard charges published or fixed by the Water Authority or, as the case may be, the Appointee;
- (9) charges payable under any agreement made or entered into by the predecessor to the Appointee in relation to the Bristol Area under any local statutory provision or under any other power conferred on the Appointee, or predecessors if applicable, otherwise than by virtue of the Water Industry Act 1991, under which all the charges payable are in accordance with standard charges published or fixed by the Appointee or its predecessors if applicable; and

provided that no part of this definition shall apply to any charge which is for the time being an Excluded Charge by virtue of (7A) of the definition of Excluded Charges;

but so that where this Condition is relevant to the Bristol Area and requires reference to be made to Standard Charges in a Charging Year prior to that starting on 1 April 1990 the expression "Standard Charges" shall be read and construed as though:

- (a) there were added to sub-paragraph (5) of this definition the words "and any charges scheme made by the Appointee under section 31 of the 1973 Act" in respect of the Bristol Area; and
- (b) there were added to sub-paragraph (6) of this definition the words "and any such supply which the Appointee was under a duty to make under section 27 of the 1945 Act, where all the charges in respect of such supply

were in accordance with standard charges published or fixed by the Appointee" in respect of the Bristol Area.

In this definition references to standard charges published or fixed by the Appointee or the Water Authority are to such charges, whether published or fixed under a charges scheme or otherwise;"

7. Paragraph 9.4 of Condition B: Charges is deleted and replaced with the following text:

- "9.4 (1) In respect of the Appointed Business's Water Resources Activities, Bioresources Activities, Network Plus Water Activities and Network Plus Wastewater Activities except for those activities for which there are Excluded Charges, the Water Services Regulation Authority shall determine separate Price Controls in accordance with this sub-paragraph (having regard to all the circumstances which are relevant in the light of the principles which apply by virtue of Part I of the Water Industry Act 1991 in relation to the Water Services Regulation Authority's determinations including, without limitation, any change in circumstance which has occurred since the last Periodic Review or which is to occur).
- (2) In relation to Network Plus Activities, the Water Services Regulation Authority shall determine:
- (a) one single Price Control for the South West Area in respect of the Appointed Business's Network Plus Water Activities, one single Price Control for the Bristol Area in respect of the Appointed Business' Network Plus Water Activities and one single Price Control in respect of the Appointed Business's Network Plus Wastewater Activities, each such Price Control consisting of, in each Charging Year:
- (i) the percentage change (expressed, in the case of an increase, as a positive number, in the case of a decrease, as a negative number, and in the case of no change, as zero) in the Relevant Index between that published for the month of November in the Prior Year and that published for the immediately preceding November; and
- (ii) a number, "K" which may be a positive number or a negative number or zero

which shall together be expressed as a percentage, and which shall limit the change in the charges to be levied by and/or revenue

allowed to the Appointed Business in each Charging Year in respect of the activities concerned; and

- (b) how the Appointee shall, in respect of each Network Plus Activities Price Control applicable to it, demonstrate the compliance referred to in subparagraph 9.1).
- (3) In relation to Water Resources Activities, the Water Services Regulation Authority shall determine:
- (a) what is the appropriate nature, form and level of the Price Control for the South West Area in respect of Water Resources Activities;
  - (aa) what is the appropriate nature, form and level of the Price Control for the Bristol Area in respect of Water Resources Activities; and
  - (b) how the Appointee shall demonstrate the compliance referred to in subparagraph 9.1 in respect of Water Resources Activities,

and in making any such determination will include an annual adjustment to reflect any percentage change in the Relevant Index between that published for the month of November in the Prior Year and that published for the immediately preceding November.

- (4) In relation to Bioresources Activities, the Water Services Regulation Authority shall determine:
- (a) what is the appropriate nature, form and level of the Price Control in respect of Bioresources Activities; and
  - (b) how the Appointee shall demonstrate the compliance referred to in subparagraph 9.1 in respect of Bioresources Activities,

and in making any such determination will include an annual adjustment to reflect any percentage change in the Relevant Index between that published for the month of November in the Prior Year and that published for the immediately preceding November."

8. Paragraph 9.7 of Condition B: Charges is deleted and replaced with the following text:

- "9.7 If, at any time after 1 April 2025, the Water Services Regulation Authority is unable to conduct a Periodic Review by 31 December in the Charging Year before the Review Charging Year, then:

- (1) in respect of Retail Activities, the previous determination pursuant to subparagraph 9.3 – in so far as that determination includes the matters decided under sub-paragraphs 9.3(1) and (2) – in respect of the final Charging Year of the period that was set in that previous determination pursuant to subparagraph 9.3(3), shall continue to apply for consecutive Charging Years until the next relevant determination under subparagraph 9.3 (or equivalent determination by the Competition and Markets Authority pursuant to paragraph 16) or the next relevant Interim Determination becomes effective;
- (2) in respect of Water Resources Activities, Bioresources Activities or Network Plus Activities, the previous determination pursuant to subparagraph 9.4 in respect of the final Charging Year of the period that was set in that previous determination shall continue to apply for consecutive Charging Years until the next relevant determination under subparagraph 9.4 (or equivalent determination by the Competition and Markets Authority pursuant to paragraph 16) or the next relevant Interim Determination becomes effective;
- (3) the Water Services Regulation Authority shall conduct a Periodic Review as soon as reasonably practicable thereafter, provided that the Appointee has not given a relevant notice under paragraph 16."

9. The heading of Part VIII. of Condition B: Charges is deleted and replaced with the following text:

"Part VIII. Price Controls in effect before 1 April 2025"

10. Paragraphs 20.1 and 20.2 of Condition B: Charges are deleted and replaced with the following text:

"20.1 In relation to the period from 1 February 2023 to 31 March 2025 this Condition and the determination dated 16 December 2019 made by the Water Services Regulation Authority in accordance with Part III of this Condition (the "PR19 Determination") shall have effect as if the PR19 Determination had been made in accordance with this Condition with the following modifications:

- (a) that the Price Controls for Network Plus Water Activities, Water Resources Activities and Residential Retail Activities included in the PR19 Determination, as adjusted by any changes to the levels of the Price Controls determined under Part 3A of this Condition, had been determined under this Condition as the Price Controls for the South West Area in respect of the

Appointed Business's Network Plus Water Activities, Water Resources Activities and Residential Retail Activities; and

- (b) that the Price Controls for Network Plus Water Activities, Water Resources Activities and Residential Retail Activities included in the determination dated 17 March 2021 made by the Competition and Markets Authority in accordance with Part V of Condition B of the appointment of Bristol Water Plc as a water undertaker, as adjusted by any changes to the levels of the Price Controls determined under Part 3A of Condition B of the appointment of Bristol Water Plc as a water undertaker, had been determined under this Condition as the Price Controls for the Bristol Area in respect of the Appointed Business's Network Plus Water Activities, Water Resources Activities and Residential Retail Activities.

20.1A Part 3A of this Condition shall have effect as if:

- (a) when the Water Services Regulation Authority notified the Appointee in December 2019 that Price Controls for Network Plus Water Activities, Water Resources Activities or Residential Retail Activities may be adjusted to reflect the Appointee's performance in relation to specific Performance Commitments it notified the Appointee that the Price Controls for the South West Area in respect of the Appointed Business's Network Plus Water Activities, Water Resources Activities or Residential Retail Activities may be adjusted to reflect the Appointee's performance in relation to those specific Performance Commitments;
- (b) the Appointee had been notified in December 2019 that the Price Controls for the Bristol Area in respect of the Appointed Business's Network Plus Water Activities, Water Resources Activities or Residential Retail Activities may be adjusted to reflect the performance of the Appointee in relation to the specific Performance Commitments set out in the notification to Bristol Water Plc in December 2019 that was made in accordance with Part 3A of Condition B of Bristol Water Plc's appointment as a water undertaker, as adjusted by the changes to those specific Performance Commitments set out in the determination dated 17 March 2021 made by the Competition and Markets Authority in accordance with Part V of Condition B of the appointment of Bristol Water Plc as a water undertaker; and
- (c) references to the performance of the Appointee included references to the performance of Bristol Water plc in relation to the specific Performance Commitments deemed to have been notified to the Appointee in December 2019 by virtue of sub-paragraph 20.1A(b).

20.2 In the event that the Water Services Regulation Authority is, in respect of the Appointed Business, unable to determine Price Controls, for the period or periods starting on 1 April 2025, under sub-paragraph 9.3 and sub-paragraph 9.4 of this Condition B by 31 December 2024,-the Price Controls in respect of the Charging Year starting on 1 April 2024 shall continue to apply for consecutive Charging Years until such time as a determination under sub-paragraph 9.3 and sub-paragraph 9.4 of this Condition B is made and takes effect."

11. Paragraph 21 of Condition B: Charges is deleted and replaced with the following text:

"21. The formula notified to the Appointee for the purposes of sub-paragraph 9.1A of this Condition in relation to the Charging Years beginning on 1 April 2021, 1 April 2022, 1 April 2023 and 1 April 2024 shall have effect as if:

- (a) the definition of TBYA (the blind year adjustment to be announced by Ofwat) provided that the adjustment will be based on the items listed in the definition and the difference between the Appointee's forecast and actual performance for the Charging Year beginning on 1 April 2019 in relation to the revenue adjustments arising from the totex menu model applied in relation to Price Controls for the five consecutive Charging Years beginning on 1 April 2015;
- (b) the parts of the formula relating to Price Controls for Network Plus Water Activities and Water Resources Activities related only to the Price Controls for Network Plus Water Activities and Water Resources Activities for the South West Area; and
- (c) it included the formula notified to Bristol Water Plc in December 2019 for the purposes of sub-paragraph 8.1A of Condition B of its appointment as a water undertaker in relation to the Price Controls for Network Plus Water Activities and Water Resources Activities for the Bristol Area (and for the purposes of the formula references to "the company" include Bristol Water Plc as well as the Appointee and references to the "Appointed Business" include the business consisting of the carrying out by Bristol Water Plc of the functions of a water undertaker)."

## **Condition E: Undue Preference/Discrimination in Charges**

12. The heading of paragraph E5 of Condition E: Undue Preference/Discrimination in Charges is deleted and replaced with the following text:

"Customers in the Bristol Area"

13. Paragraph E5 of Condition E: Undue Preference/Discrimination in Charges is deleted and replaced with the following text:

"E5 Any difference between charges which the Appointee fixes or agrees in respect of customers or potential customers in the South West Area and the Bristol Area shall not be treated as amounting to a breach of paragraph E1."

## Condition G: Core Customer Information

14. The following text is inserted as a new paragraph after the "Introduction" paragraph in Condition G: Core Customer Information:

"For Customers of Eligible Premises on the Isles of Scilly, this Condition G must be read in the light of paragraph G15."

15. The following text is inserted after paragraph G14 in Condition G: Core Customer Information:

"Eligible Premises on the Isles of Scilly"

G15 Unless Ofwat notifies the Appointee otherwise, and until 31 March 2025, paragraphs G3, G4, G5 and G13 must be read as also applying to Customers of Eligible Premises on the Isles of Scilly."

## Condition N: Fees

16. The following text is inserted after paragraph N15 in Condition N: Fees:

"Appointed business turnover for any periods prior to 1 February 2023"

N16 For the purposes of this Condition and the definition of "Appointee's Turnover Share" in Condition A, the turnover of the Appointed Business in relation to any period prior to 1 February 2023 shall include the equivalent turnover of the Appointed Business of Bristol Water Plc as shown in the accounting statements prepared by it under Condition F of its appointment as a water undertaker."

## Condition P: Regulatory ring-fence

17. Paragraph P19 of Condition P: Regulatory ring-fence is deleted and replaced with the following text:

"P19 The Appointee must provide Ofwat with any Information about the costs of an Associated Company which provides services to the Appointee which Ofwat reasonably requests. For the purposes of this paragraph P19, reference to the provision of services includes references to anything (including the services of any employee) being made available."

18. Paragraph P24 of Condition P: Regulatory ring-fence is deleted and replaced with the following text:

"P24 The Appointee must demonstrate its ability to service its debt obligations by complying with paragraph P25."

19. Paragraph P26 of Condition P: Regulatory ring-fence is deleted and replaced with the following text:

"P26 [Not used]"

20. Paragraph P29 of Condition P: Regulatory ring-fence is deleted and replaced with the following text:

"P29 [Not used]"

21. The following text is inserted after paragraph P29 of Condition P: Regulatory ring-fence:

"P29A The provisions of paragraphs P24, P26 and P29 of Condition P of this instrument in the form that had effect immediately prior to 1 February 2023 shall continue to have effect until 31 March 2025 or, if earlier, the date on which the Appointee or any Associated Company which issues corporate debt on its behalf first obtains a public Issuer Credit Rating which is an Investment Grade Rating."

**Ofwat (The Water Services Regulation Authority)  
is a non-ministerial government department.  
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