

# Code for Adoption Agreements

## Water sector documents: Change proposal 011

<b>Modification proposal</b>	Water Sector Guidance Appendix H – Panel Terms of Reference: Update to reflect actual working practicalities
<b>Independent Water Adoption Panel Recommendation</b>	The Panel recommended approving the change proposal
<b>Decision</b>	Ofwat has approved this change proposal
<b>Publication date</b>	24 01 2023
<b>Implementation date</b>	31 01 2023

### Background

The Independent Water Adoption Panel (**the Panel**) submitted this change proposal to Ofwat on 19 October 2022 with the Panel publishing the proposal on its website on the same day. The function of the Panel is to consider change proposals to the [water sector guidance and model water adoption agreement](#) (**the Water Sector Documents**) which apply to companies operating wholly or mainly in England. These documents were developed by companies as required by the [Code for Adoption Agreements](#) (**the Code**) and came into effect in January 2021. A change proposal is defined in the Code as a proposed change to the sector guidance or the model adoption agreements. In the case of this change proposal, the Panel itself submitted the proposal.

The change proposed by the Panel concerns the terms of reference in Appendix H of the Water Sector Guidance – Panel Terms of Reference (**ToR**), under which the Panel operates. The main change is to incorporate a recent change we made to the Code to increase the length of time by which the Panel is required to make recommendations to us on proposed changes to the water sector documents (**the Panel Review Period**). The Panel has proposed several updates to the appendix to the ToR to better reflect the practicalities of how the Panel operates; however the changes to the appendix to the ToR can be made without our approval.

## The change proposal

In its change proposal, the Panel set out the following proposed changes to the ToR. The key change proposed is an update to paragraph 11.1 to reflect the recent change to the Code that increases the Panel Review Period from three to four months. There are also consequential changes to the ToR as a result of this, such as the need to increase the number of times per year Panel members can appoint an alternative person to attend Panel meetings on their behalf. The Panel also proposed some minor updates to the definitions of "Water Company", "Secretariat" and added a definition for "Quorum".

The Panel has also taken the opportunity to make several additional changes to the Appendix to the ToR. As the Panel does not require Ofwat approval to make changes to this appendix, we have not assessed them as part of this decision.

We have published a version of the ToR alongside this document which shows in track changes where the proposed changes have been made to both the main body and the Appendix.<sup>1</sup>

## Consultation and assessment

Ofwat publicly consulted on a proposal to change the Panel Review Period in the Code from three to four months on 23 August 2022, prior to this proposed change to the ToR.<sup>2</sup> None of the respondents to Ofwat's consultation to revise the Code objected to the proposed change. Further consultation was therefore not required in respect of the Panel's proposed change to align paragraph 11.1 of the ToR with the updated Panel Review Period in the recently revised Code.

The Panel's change proposal also included several other changes to ToR that were not directly related to the Panel Review Period, as detailed in the previous section. These changes were not included in our August consultation. These changes were discussed at two Panel meetings in June and October 2022 and the Panel provided Ofwat with a draft version of the changes to review in August 2022.

We also consulted the Drinking Water Inspectorate on this proposal. It did not have any material concerns about the proposal, but did ask for some clarifications over the changes the Panel made to the Appendix to the ToR, which the Panel provided.

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<sup>1</sup> [Water Sector Guidance \(Appendix H\) – Panel Terms of Reference](#)

<sup>2</sup> [Consultation on our proposal to issue a revised version of the Code for Adoption Agreements – Ofwat](#)

## **Panel recommendation**

On 19 October 2022, the Panel recommended to us, by unanimous decision, that we approve its proposed change to the Water Sector Guidance. The Panel proposed this change because it concluded that it is necessary to optimise the Panel's operation and ensure it runs effectively and efficiently, which would also enhance the governance arrangements. Furthermore, it considers that the change will ensure that the Water Sector Guidance accurately reflects how the Panel works in practice and will provide more certainty for customers as to the Panel's processes.

The Panel stated this recommendation was made on the basis that it improves services for customers and supports consistency across the Code documentation, while not unduly restricting innovation by undertakers in their own processes.

## **Our decision and reasons**

We agree with the proposed changes to the ToR. The changes to the ToR relating to the change to the Panel Review Period are a necessary update to reflect the change we made to the Code. These changes should help to ensure that the process of making changes to the Water Sector Documents are predictable and transparent. Additionally, we have no concerns with the proposed changes to the definitions in the ToR.

## **Decision notice**

In accordance with paragraph 3.9.4 of the Code Ofwat approves this Change Proposal.

**Emily Bulman**  
**Director, Performance and Outcomes**