



**SUTTON AND EAST SURREY WATER plc**

**Access Code**

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## **List of Appendices**

**APPENDIX A DWI Letter 13/04**

**APPENDIX B Initial Application Form**

**APPENDIX C Confidentiality Agreement**

## 1. Overview

The full Glossary of Terms is included in Section 10 of this Access Code. Key Definitions include :

- Company : Sutton and East Surrey Water plc, the incumbent Water Undertaker to which this Access Code refers.
- Licensee : The new provider of water supply services to Customers in the Company's area of supply, through an Access Agreement.
- Access Agreement : An agreement between a Water Undertaker and a Licensee for access to a Water Undertaker's supply system pursuant to a Retail Authorisation (Wholesale Master Agreement) or a Retail Authorisation combined with a Supplementary Authorisation (Combined Access Agreement).
- Supply System : The Company's water supply and distribution system in its area of supply from time to time, which shall include but not be limited to the water abstraction facilities, the water treatment works, the pipework, the service reservoirs, the pumping apparatus, the control and monitoring systems.

**Contact Details** for access enquiries :

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- Telephone : 01737 772000
- Fax : 01737 766807

### 1.1. Role of the access code

This document comprises the Access Code for water supply licensing for Sutton and East Surrey Water.

The aim of the Code, for prospective Licensees seeking access to the Company's water supply and distribution system, is to:

- contain enough information to enable prospective Licensees to assess the viability of their Access proposals;
- clarify for the potential Licensee the standards that must be met
- explain the application process;
- explain the basis of charging that will be imposed;



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- explain the general legal terms and conditions that must be addressed in the Access Agreement
  - provide a framework for negotiation between the parties of the technical, economic and legal issues that must be addressed before a legal agreement (Access Agreement) is entered into with the Company

The principles set out in this Code can only be at general level, and further issues are likely to be identified when individual applications are considered. The Licensee is responsible for confirming with the Company that the version of the Access Code it is proposing to refer to for the purpose of making an application, is the most up-to-date version available, since the Access Code is subject to revision, generally at the Company's discretion and to reflect the guidance from time to time of Ofwat.

In developing the Access Code, the Company has built-in adequate safeguards to ensure that any system characteristics specific to its Supply System are preserved, and that cost comparisons are made on a 'like for like' basis.

This access code contains both the standard policies common to all Water Undertakers and any specific terms for access to the Company's particular water Supply System. Access Agreements (which will incorporate the terms and conditions set out in the access code) are required by section 66D WIA91 to be made in accordance with Ofwat guidance.

Ofwat guidance applies equally to:

- wholesale water supplies by Primary Water Undertakers to Licensees;
- the introduction of water into a Water Undertaker's Supply System ;
- water supplies by Secondary Water Undertakers to Licensees; and
- potable and non-potable supplies, unless stated otherwise.

An Access Agreement will be required each time the Licensee wants access to the Company's water Supply System. The Access Agreement is the contract between the Company and the Licensee and will take into account any local issues. The form of Agreement will vary on whether it deals with a wholesale water supply only or a wholesale water supply coupled with an introduction of water into the Company's Supply System, whether by the Licensee or a Secondary Water Undertaker. This is explained in Section 8.

The Company will not unduly discriminate when granting access, which means that like situations must be treated alike. So as not to discriminate, all Licensees will be charged in accordance with the costs principle and the pricing section of this Access Code. This does not mean that all Licensees will necessarily pay the same price, as various factors will influence the actual price (including point of entry and exit, the timing of entry and the relevant charge for the Licensee's Customer). Charges will be case-specific. Indicative access prices are included in this Access Code.

The Access Code has been generated in accordance with the Guidance on Access Codes issued by Ofwat in June 2005 and subsequently updated in September 2006, July 2007 and November 2008. It is based on the template developed by the WSL Technical Advisory Group, authorised for use by Ofwat.

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An overview of this Access Code is given in Section 1.

The application processes are introduced in Section 2, and then more specific issues are discussed under the following headings:

- Customer transfer protocol – (Section 3)
- Control and balancing of the system - (Section 4)
- Supply System maintenance and Emergency Procedures – (Section 5)
- Customer contact arrangements – (Section 6)
- Supply System connections – (Section 7)
- Legal contract, arbitration and disputes resolution - (Section 8)
- Access Pricing - (Section 9)
- Appendix A contains DWI Information Letter 13/04 : Common Carriage : Guidance on the Drinking Water Quality Aspects
- Appendix B contains a Preliminary Application Form, which should be submitted to the Company in accordance with the instructions in Section 2.0.
- Appendix C contains a Confidentiality Agreement, which must be signed as part of the application process as described in Section 2.0

The Company will review the Access Code at least annually (by 15<sup>th</sup> October), and reserves the right to modify it at any time should it consider such action necessary.

The Company will retain the latest version of its Access Code on its Internet site [www.waterplc.com](http://www.waterplc.com) which will indicate the date of the last update.

### **Key Points**

The Company will not permit its existing Customers to receive a reduced level of service as a result of an Access Agreement.

By definition, Customers can only be supplied if they are connected to the Supply System. Similarly, Section 17A(5) WIA91 provides that the supplementary authorisation is an authorisation to the Licensee to introduce water into the Company's Supply System, by means of which any particular retail supply of water is to take place. Hence, a physical link is required between the combined Licensee's introduction point and its Customer's premises. This will allow the Company to optimise the use of its and the Licensee's resources.

Under Sections 66A-66C WIA91, the Company is required to take steps to enable a supply to be made. These steps may include:

- the creation or reinforcement of a link or the connection of a new Customer or treatment works to the Supply System; and
- ensuring its Supply System remains in balance after the introduction takes place.

Licensees making use of the Company's Supply System for this purpose will be expected to pay access charges to the Company, including the costs of any steps taken by the Company to facilitate such use. These must be set in accordance with the costs principle outlined in Section 9 of this Access Code. It will be for Licensees to judge in the light of these charges whether it is economic for them to proceed with their proposals to supply Customers at eligible premises.

The Company will be responsible for the safe and efficient operation of its Supply System and will retain overall control of all aspects of distribution. The Company will continue to convey water to premises connected to its water Supply System (including premises of persons who are supplied by Licensees).

As explained in Section 2.1.4 below, the Company may not recover from the Licensee pre Access Agreement costs and expenses. However, the Company will require the Licensee to reimburse it for all costs and expenses incurred by the Company in complying with an Access Agreement. Such costs and expenses will cover, in particular, the use of the Company's Supply System and the Company's continuing statutory obligations in relation to the provision of back-up supplies to the Licensee's Customers as set out in Section 4.3.1 iii) below.

This Access Code provides indicative access prices for prospective Licensees. It does this by:

- explaining the costs principle that the Company will apply (based on Chapter 6 of the Ofwat Guidance on Access Codes);
- setting out a consistent and transparent pricing methodology; and
- confirming the treatment of various price components.

Sections 66D(7) and 66D(8) WIA91 allow Ofwat to require the parties to an Access Agreement to modify or terminate the agreement if it appears to Ofwat that the agreement has not been made in accordance with the Ofwat guidance, or if the charges to be made to the Licensee have not been fixed in accordance with the costs principle. Any such requirement is enforceable by Ofwat under section 18 WIA91. Ofwat will deal with issues on a case-by-case basis when making determinations, as explained in their procedure for handling water supply licensing determinations (the 'Procedure for handling water supply licensing determinations (November 2005)').

## **1.2. Relevant framework documents**

### ***Background***

This Access Code comprises a series of rules and procedures that should be followed by third parties wishing to gain access to the Company's Supply System and by the Company in granting such access. These rules and procedures are in accordance with the relevant Framework Documents referred to below. The application of these rules and procedures should not place the Company at a competitive disadvantage and/or threaten the quality of water supplied to existing Customers.

## **Legislation**

The Water Act 2003 (WA03) amends The Water Industry Act 1991 (WIA91) to extend opportunities for competition within England and Wales. Among other things, it provides a specific framework for access to the public water supply system within England and Wales. In this Access Code, references to WIA91 refer to WIA91 as amended by WA03.

WIA91 will thus permit a company that is the holder of a Water Supply Licence (referred as a Licensee) to have access to a Water Undertaker's supply system to enable the Licensee to supply water to eligible premises. Prospective Licensees will have to obtain a Water Supply Licence before they can supply water through a Water Undertaker's supply system in competition with the Water Undertaker. Ofwat guidance on the licence application process sets out the process and the information required from an applicant.

Ofwat has finalised two new conditions of appointment and Licence conditions for water supply Licensees. New conditions of appointment R and S (Provision of combined and wholesale water supplies, and the Customer Transfer Protocol) for existing Water Undertakers and Condition 6 of the Standard Licence Conditions for new Licensees, are intended to deal with those supply licensing issues that are not dealt with in the Ofwat guidance or have not been provided for specifically in the WIA91.

Further, new condition R ensures that Water Undertakers do not unduly discriminate between any actual or potential Customer or Licensee. This will further prevent unwarranted distinctions between:

- A Water Undertaker and Licensees. In effect, Ofwat would regard the Company's retail function as a hypothetical separate business unit competing with Licensees for supply to Customers.
- Different Licensees (or their Customers).
- Customers connected to the Water Undertaker's supply system, whether supplied by a Licensee or the Water Undertaker. A Water Undertaker cannot expect a Licensee's Customer to behave differently from its own Customers (unless specifically agreed as part of the Access Agreement). For example, in circumstances where there is a drought order or hosepipe ban, a Water Undertaker should not expect the Licensees' Customers to have to limit their water use in preference to limiting water use by its own Customers (unless it is part of the Access Agreement).

## **Licenses**

Prospective Licensees can apply to Ofwat for either of the following:

- **A retail licence** - a Water Supply Licence that authorises the holder to use a Water Undertaker's supply system for the purpose of supplying water to the premises of its Customers ('the retail authorisation'). A retail licence therefore permits the supplier to purchase a wholesale supply of water from a Water Undertaker and to retail it to Customers at eligible premises.
- **A combined licence** - a Water Supply Licence that gives the holder the 'supplementary authorisation' in addition to the retail authorisation. The supplementary authorisation allows the holder to introduce water into a Water Undertaker's supply system by means

of which any particular supply of water to the premises under the Licensee's retail authorisation is to take place.

Section 17A(3) WIA91 sets out the following three requirements that must be satisfied in relation to each of the premises supplied by a Licensee; whether supplied under a retail licence or a combined licence:

- the Customer's premises are not household premises;
- when the Licensee first enters into an undertaking with a Customer to give the supply, the total quantity of water estimated to be supplied to the premises annually by the Licensee is not less than 50 megalitres (Ml), (the 'threshold requirement'); and
- the premises are not being supplied by another Licensee (but may be supplied by a Licensee and one or more Water Undertakers).

### **Other relevant documents**

This Access Code should be read in conjunction with the following documents and Amendments thereof:

#### **i) Primary and secondary legislation**

Water Act  
2003.

[www.opsi.gov.uk/acts/acts2003/20030037.htm](http://www.opsi.gov.uk/acts/acts2003/20030037.htm)

The Water Supply (Exceptions from Supply System Prohibitions) Regulations  
2005 [www.opsi.gov.uk/si/si2005/20053075.htm](http://www.opsi.gov.uk/si/si2005/20053075.htm)

The Water Supply Licence (New Customer Exception) Regulations  
2005 [www.opsi.gov.uk/si/si2005/20053076.htm](http://www.opsi.gov.uk/si/si2005/20053076.htm)

The Water Supply Licence (Application) Regulations  
2005 [www.opsi.gov.uk/si/si2005/20051638.htm](http://www.opsi.gov.uk/si/si2005/20051638.htm)

The Water Supply (Water Quality) Regulations 2000 (for England)  
<http://www.opsi.gov.uk/si/si2000/20003184.htm>

The Water Supply (Water Fittings) Regulations  
1999 [www.opsi.gov.uk/si/si1999/19991148.htm](http://www.opsi.gov.uk/si/si1999/19991148.htm)

Competition Act  
1998.

[www.opsi.gov.uk/ACTS/acts1998/19980041.htm](http://www.opsi.gov.uk/ACTS/acts1998/19980041.htm)

#### **ii) Statutory and non-statutory guidance**

Guidance on Access  
Codes. [http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl\\_access\\_codeguidance310707.pdf/\\$FILE/wsl\\_access\\_codeguidance310707.pdf](http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl_access_codeguidance310707.pdf/$FILE/wsl_access_codeguidance310707.pdf)

Guidance on  
Eligibility [http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl\\_eligibility310707.pdf/\\$FILE/wsl\\_eligibility310707.pdf](http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl_eligibility310707.pdf/$FILE/wsl_eligibility310707.pdf)

Guidance on Applying for a Water Supply

Licence. [http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl\\_applying\\_licence310707.pdf/\\$FILE/wsl\\_applying\\_licence310707.pdf](http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl_applying_licence310707.pdf/$FILE/wsl_applying_licence310707.pdf)

Customer Transfer

Protocol [http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl\\_Customer\\_transfer\\_protocol041105.pdf/\\$FILE/wsl\\_Customer\\_transfer\\_protocol041105.pdf](http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl_Customer_transfer_protocol041105.pdf/$FILE/wsl_Customer_transfer_protocol041105.pdf)

Guidance on Strategic

Supplies [http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl\\_strategic\\_supplies\\_guidance.pdf/\\$FILE/wsl\\_strategic\\_supplies\\_guidance.pdf](http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl_strategic_supplies_guidance.pdf/$FILE/wsl_strategic_supplies_guidance.pdf)

Procedure for handling water supply licensing

determinations [http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl\\_determinations\\_procedure171105.pdf/\\$FILE/wsl\\_determinations\\_procedure171105.pdf](http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl_determinations_procedure171105.pdf/$FILE/wsl_determinations_procedure171105.pdf)

Office of Fair Trading Competition Act 1998 Application in the water and sewerage

sectors. [http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl\\_determinations\\_procedure171105.pdf/\\$FILE/wsl\\_determinations\\_procedure171105.pdf](http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl_determinations_procedure171105.pdf/$FILE/wsl_determinations_procedure171105.pdf)

### iii) Conditions of Appointment

The Company's Instrument of Appointment

### iv) Other relevant documents

DWI Information Letter 13/04 Common Carriage: Guidance on the Drinking Water Quality Aspects. [www.dwi.gov.uk/regs/infolett/2004/info1304.shm](http://www.dwi.gov.uk/regs/infolett/2004/info1304.shm)

DWI Guidance on the Water supply (Water Quality) Regulations 2000. <http://www.dwi.gov.uk/regs/pdf/GuidanceMay05.pdf>

DWI Guidance on the Notification of

Events. <http://www.dwi.gov.uk/regs/infolett/2004/info1204guidance.pdf>

Water Undertakers (Information) Direction

2004. <http://www.dwi.gov.uk/regs/infolett/2004/info0204a.pdf>

## 1.3. Role of key industry players

### 1.3.1. Water Undertakers

The Company is the appointed water undertaker to approximately 275,000 properties in parts of Surrey, West Kent and the London Boroughs of Sutton, Croydon and Merton, an area of approximately 850 km<sup>2</sup>. It is responsible for the public water supply network in this area. Chapter 2A, Part 3, WIA91 places duties and obligations on water undertakers subject to certain conditions. The Company is obliged to provide the following services subject to the conditions detailed below:

## **i) Primary Water Undertaker**

### **a) Wholesale water supply**

Where a Licensee requests the Company to provide a supply of water, under section 66A WIA91, and the premises are within the Company's area, the Company has a duty to take steps necessary to enable provision of the supply, and having taken those steps to provide the supply.

The terms and conditions on which the Company carries out these duties are agreed with the Licensee in accordance with Ofwat's access code guidance and the costs principle.

### **b) Introduction of water into water undertaker's supply system**

Where a Licensee requests the Company's permission to introduce water into its Supply System, under section 66B WIA91, and in line with the requirements of the retail authorisation aspects of the combined license, the Company has a duty to take steps to enable the Licensee to make the introduction of water into the Supply System and having taken such steps to permit the introduction of water into its Supply System, as requested.

Where a combined Licensee requests the Company to permit the introduction of water, as supplied by a neighbouring Secondary Water Undertaker, into its Supply System for the purposes of supplying its Customers within the Company area, the Company has a duty to take steps to enable the Licensee to make the introduction of the water into its system. This is in accordance with section 66C WIA91. These steps may include connecting the Company Supply System to the neighbouring Secondary Water Undertaker's supply system. Having taken such steps, the Company has a duty to permit the introduction of water into its Supply System, as requested. Where appropriate, the Licensee, Primary Water Undertaker and Secondary Water Undertaker may agree trilaterally the terms and conditions of access.

The terms and conditions on which the Company carries out these duties are agreed with the Licensee in accordance with Ofwat's access code guidance and the Cost principle.

## **ii) Secondary Water Undertaker**

Where a combined Licensee requests the Company to provide a supply of water to enable it to supply its Customers' premises by using a neighbouring Primary Water Undertaker's supply system, under section 66C and in accordance with its retail authorisation, the Company has a duty to take steps to enable the provision of the supply, and having taken those steps to provide that supply.

The terms and conditions on which the Company carries out these duties in its capacity as a primary or Secondary Water Undertaker are agreed with the Licensee in accordance with Ofwat's access code guidance and the costs principle. The introduction by a Licensee into the Company's water Supply System, of a supply obtained from a Secondary Water Undertaker involves two transactions, governed by separate agreements:

1. The Secondary Water Undertaker sells water to the Licensee
2. The Licensee introduces that water into the Primary Water Undertaker's water supply system.

Where appropriate, the Licensee, Primary Water Undertaker and Secondary Water Undertaker may agree trilaterally the terms and conditions of access.

Licensees shall identify and communicate at the earliest stages if a Secondary Water Undertaker is likely to be included within an application. This will enable potential Secondary Water Undertakers to consult at the earliest opportunity with relevant parties including the Primary Water Undertaker, the EA and the DWI, if necessary. The process for arranging secondary supplies is set out in Ofwat's 'Guidance on Secondary Supplies'.

The Secondary Water Undertaker will need to understand the demand requirements of the Licensee and an indication of the point to which connection to the Primary Water Undertaker's supply system is required. It will also need to discuss with the Primary Water Undertaker details of the transfer, including the design of pipework and any pumping arrangements that may be required, any water quality issues and whether any facilities need to be constructed.

If the Company is identified as a Secondary Water Undertaker within an access application, the Company expects to be involved as necessary in discussions with the Licensee and the Primary Water Undertaker. The Company expects to receive copies of relevant details during the initial and detailed application stages for comment and to be able to request further details as necessary.

### **iii) Conditions under which duties do not apply**

Section 66A WIA91 documents the circumstances under which the wholesale water supply duty by a Primary Water Undertaker does not apply.

The duty to provide a supply of water to a Licensee, or to take steps to enable it to provide such a supply do not apply if both the first and second conditions below are satisfied, or if the third condition below is satisfied.

The first condition is that:

- the premises to be supplied by the Licensee consist only of land, and do not include a building or part of a building; or
- the supply to be made by the Licensee to the premises is not for domestic purposes.

The second condition is that the provision of the supply by the Company would:

- require the Company, in order to meet all its existing obligations to supply water for domestic or other purposes, together with its probable future obligations to supply water to buildings or parts of buildings for domestic purposes, to incur unreasonable expenditure in carrying out works; or
- otherwise put at risk the Company's ability to meet any of those existing or probable future obligations.

The third condition is that there is a contravention of prescribed requirements of regulations made under section 74 WIA91 in relation to the water fittings used or to be used in connection with:

- the supply of water to the premises to be supplied by the Licensee; or



- the use of water in those premises.

Under sections 66B and 66C WIA91, a Primary Water Undertaker has no duty to permit the introduction of water by a combined Licensee into its supply system, and under section 66C WIA91 a Secondary Water Undertaker has no obligation to provide a wholesale supply of water, if either the first or second condition below is satisfied:

The first condition is that providing the supply or allowing the introduction of the water into the Primary Water Undertaker's supply system:

- would require the Company, in order to meet all its existing obligations to supply water for domestic or other purposes, together with its probable future obligations to supply buildings and parts of buildings with water for domestic purposes, to incur unreasonable expenditure in carrying out works; or
- would otherwise put at risk its ability to meet any of those existing or probable future obligations.

The second condition is that there is a contravention of prescribed requirements of regulations made under section 74 WIA91 in relation to the water fittings used or to be used in connection with:

- the supply of water to the premises to be supplied by the Licensee; or
- the use of water in those premises.

### **1.3.2. Licensee**

Licensees are responsible for obtaining a licence appropriate to the activities to be undertaken and will have undergone an assessment of their financial and technical compliance by the appropriate regulatory bodies (Ofwat/DWI). Licensees must comply with the terms of their licence, relevant legislation and the contractual arrangements as set out in Access Agreements.

Section 66I WIA91 prohibits use of a water undertaker's supply system for the purpose of supplying water to a Customer's premises, unless such use is by the water undertaker or by a Licensee under the terms of its licence. Under section 66I (3) WIA91, unauthorised use for the purpose of supplying water to a Customer's premises is a criminal offence. Licensees have a duty to satisfy themselves that the terms of their licence allow for the use of the Company's Supply System.

Section 66J WIA91 prohibits unauthorised introduction of water into a water undertaker's supply system. Introduction of water is only permitted by the Primary Water Undertaker itself, or by a Licensee under the terms of its licence, or by another water undertaker under an agreement for a bulk water supply. Under 66J WIA91, contravention of this prohibition is a criminal offence. Licensees have a duty to satisfy themselves that the terms of their licence allow for the introduction of water into the Company's Supply System.

Licensees share responsibility with the Company for compliance with the Water Quality Regulations for the water they input in the Supply System and for the water supplied to the Licensee's Customers.

Licensees have a duty to comply with the eligibility requirements as specified in section 17A (3) WIA91 relating to non-household premises, the threshold requirement, and supply by one Licensee only.

### **1.3.3. Ofwat**

The Water Services Regulation Authority (Ofwat) is the economic regulator of the water industry in England and Wales.

The Water Act 2003 imposed a new duty on Ofwat under WIA91 to “further the consumer objective” namely “to protect the interests of consumers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the provision of water and sewerage services.”

Ofwat is required to publish guidance on the operation of the WSL regime.

Ofwat is responsible for granting water supply licences for wholesale and combined services. In doing so, Ofwat will assess whether the applicant has the appropriate skills and competencies required.

Ofwat also has powers to determine disputes about the eligibility of premises, the terms and conditions of proposed Access Agreements and the conditions for refusing supplies. Further information is available on Ofwat’s website under Water Supply Licensing: <http://www.ofwat.gov.uk>.

### **1.3.4. Role of the Drinking Water Inspectorate (DWI)**

DWI will need to be satisfied that the Licensee is aware of, and understands, its regulatory duties and responsibilities in respect of drinking water quality at the initial licence application stage.

Where a Combined Licensee intends to treat a source of water for potable supply, the treated water cannot be introduced into the public Supply System until the DWI is satisfied that the treatment processes meet the relevant regulatory requirements and the works is being operated in a competent manner.

During access negotiations, DWI will advise Ofwat as *necessary* on drinking water quality issues relating to access, particularly in respect of dispute resolution.

Overall, Licensees will be subject to the same level of regulation as Undertakers. Further information can be found in the Water Supply Licensing section of the DWI's website at [www.dwi.gov.uk](http://www.dwi.gov.uk).

### **1.3.5. Environment Agency (EA)**

The Environment Agency has a duty to secure the proper use of water resources in England and Wales. They monitor water in the environment and issue 'abstraction licences' to regulate who can take water from the environment and how much they can take.

Water undertakers produce Drought Plans every 3 years, which identify how, during a period of drought, they will continue to meet their duties with as little recourse as possible to drought orders or drought permits. From October 2005 the production and publication of these plans became a legal requirement. The Environment Agency reviews these plans and advises the Government on their adequacy.

Water undertakers also produce Water Resources Management Plans every 5 years; which identify available resources, forecast demand and set out how future deficits may be addressed through either resource development or demand management options. The Environment Agency also reviews these plans and advises the Government on their adequacy. Whilst Water Resources Management Plans are produced at the moment, their production and publication will become a statutory requirement in 2006.

There is a duty on water supply Licensees to provide information to water undertakers for both Drought Plans and Water Resources Management Plans.

In most cases, combined water supply licence applicants will require a water abstraction licence from the Environment Agency to take water from surface water or groundwater. Every new proposal to abstract or impound water undergoes extensive scrutiny and investigation before a decision is made to grant or refuse an abstraction licence application. There is a need to ensure that water resources are safeguarded and that abstractions do not damage the environment.

Secondary supplies (under section 66C of the Water Industry Act 1991) are meant to encourage use of 'spare water', but the undertaker and the Licensee may not be able to agree on how much water the undertaker has 'spare'. In the absence of agreement, Ofwat may be asked to determine whether a supply under 66C should be made, and if so the terms of that supply.

In these instances, the Environment Agency will also play a role in advising Ofwat on whether the criteria for rejecting a proposal for a secondary supply under sections 66C(5) or (6) of the Water Industry Act 1991 are satisfied. Ofwat will then make a determination.

Further information is available on the Environment Agency's website. <http://www.environment-agency.gov.uk/subjects>

### **1.3.6. Department for the Environment, Food and Rural Affairs (DEFRA)**

DEFRA is the government department responsible for WSL legislation.

The Secretary of State has issued statutory instruments which govern the competition regime. The Secretary of State may issue further instruments in the future which may affect the regime. Where this is the case, the Company may revise this Access Code to reflect relevant changes.

Further information is available on DEFRA's website: <http://www.defra.gov.uk/environment/water/index.htm>

### **1.3.7. Consumer Council for Water (CCWater)**

The function of the Consumer Council for Water (CCWater) is to represent and protect the interests of all Customers. The CCWater will represent the interests of both the Company's Customers and the Licensee's Customers under the new competitive regime. CCWater is independent of Ofwat.

### **1.3.8. Validation of data**

Regulations, guidance notes and alike are often revised and updated by the relevant authorities. The Licensee is responsible for confirming with the Company that the versions/revisions/issues it is proposing to refer to or use for the purpose of making an application, are the most up to date versions/revisions/issues available.

## **1.4. Definition of services**

The Company will offer services to a Licensee for the purposes of supplying water to the Licensee's eligible Customers, subject to terms and conditions agreed with the Licensee in accordance with Ofwat's access code guidance and the Costs principle. These services are defined in terms of the Company being either the Primary Water Undertaker (section 66A and 66B of the WIA91) or a Secondary Water Undertaker (section 66C of the WIA91).

### **1.4.1. Primary Water Undertaker**

#### **i) Wholesale water supply**

The Company will take steps to enable the provision of the supply, and having taken those steps, provide the supply of water in accordance with section 66A of the WIA91 to the Licensee for supply to the Licensee's eligible Customers.

#### **ii) Introduction of water into the Supply System**

The Company will take steps to enable the Licensee to make the introduction of water into the Supply System, and having taken such steps permit the introduction of water into its Supply System, in accordance with section 66B of the WIA91 for the purposes of supply to the Licensee's eligible Customers.

The Company will take steps, and having taken such steps, permit the introduction of water, as supplied by a Secondary Water Undertaker, into its Supply System, in accordance with section 66C of the WIA91, for the purposes of supply to the Licensee's eligible Customers. In some circumstances, steps may include laying such pipes and constructing such other works as are necessary to connect the supply with the pipes in the area of the Secondary Water Undertaker.

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### **1.4.2. Secondary Water Undertaker**

The Company will make available a supply of water to a Licensee, for supply to the Licensee's eligible Customers, within the area of appointment of another water undertaker in accordance with section 66C of the WIA91. The Company will lay such pipes and construct such other works as are necessary to connect the supply with the pipes in the area of the Primary Water Undertaker.

## **2. Application for access to the Water Undertaker's supply system**

This section outlines the procedures the Company expects to be followed in negotiating and concluding Access Agreements. Each application will be considered on its own merits taking into account, where applicable, the local characteristics of the Licensee's water, and the proposed Entry Point thereof.

The Access Code sets out:

- the Company's procedure for dealing with a Licensee that makes an application to it under sections 66A-66C WIA91;
- any feasibility studies which the Company might undertake in response to applications; and
- the terms (including indicative prices) upon which the Company will perform its duties under sections 66A-66C WIA91.

On the last requirement, the Access Code includes indicative access prices which will help a potential Licensee to consider a proposed application (see Section 9 of this Access Code).

It is emphasised that the Company will not permit connection to nor use of its Supply System until an Access Agreement is in place.

### **2.1. Process requirements**

#### **2.1.1. Confidentiality agreements**

Condition R of the Company's and Standard Licence Condition 2 of the License for new Licensees impose obligations on the Company and Licensee respectively not to use or disclose information inappropriately. Condition R also requires the Company to ensure that legally-enforceable terms exist about the confidentiality of information provided to or by it in connection with its sections 66A-66C WIA91 duties. The Licensee will agree with the Company a pre-contract confidentiality agreement at the start of negotiations. The purpose of this is to ensure that neither party discloses without consent or misuses information received. The Licensee must also agree with the Company the confidentiality terms in individual Access Agreements. This Access Code includes in Appendix C, the Confidentiality Agreement that the Company will require Licensees to provide at the start of negotiations.

The Confidentiality Agreement will not prohibit the Company from communicating with the sewerage undertaker.

The Company will take account of its obligations under the Environmental Information Regulations 2004 (which implements Council Directive 2003/4/EC on public access to environmental information) so as to ensure that the confidentiality obligations under such agreements are subject to the requirements of the Regulations in relation to public access to environmental information.

Licensees might need to consider whether separate confidentiality agreements are required with a Secondary Water Undertaker and with the sewerage undertaker, if the sewerage undertaker will have access to detailed information about access negotiations. The Licensee shall make such agreements available to the Company prior to signing of same, so that the Company can be sure that its interests are protected.

Ofwat expect these arrangements to be made at the beginning of the negotiations. The Licensee should consider the draft confidentiality agreement in the light of the particular circumstances and parties involved, and negotiate appropriate terms with the other parties. Where no agreement can be reached, the Licensee may refer the matter to Ofwat for determination.

### **2.1.2. Information requirements**

The Access Code sets out clearly the information required at each stage of the application process. The Company will only ask for the information needed to progress the application at each stage, but should not be expected to process an incomplete application. The Company will set out the specific information requirements at the initial contact stage and explain, if necessary, why it is needed. The Company will justify instances where information requirements are different from the requirements set out in this Access Code.

It is intended that all delays in the application process shall be minimised. These are more likely if an application is incomplete. The Licensee is responsible for submitting satisfactory information, although the Company may help the Licensee by notifying it, where reasonable and practicable, of missing, conflicting or inaccurate information.

A Licensee may not be asked to re-submit current information it has already provided about non-Customer specific aspects of an application. This applies also to repeat applications to the Company, although it may require updated information if circumstances have changed. The amount and type of updated information that the Company requires will depend on the time that has passed since the submission of the previous application.

During the customer transfer process, Licensees may need to re-submit Customer information they have already provided during the access application process.

The Licensee may be required to provide information that the Company reasonably needs to determine whether a facility to which the Licensee seeks access is essential. For example, the Company may ask the Licensee to show that it has properly considered alternative ways of supplying its prospective Customers.

In considering applications for an Access Agreement, the Company will place great emphasis on health and safety issues.

### 2.1.3. Timescales

The Company's timescales for each stage of the application process are set out below. Timescales will be adhered to whenever practical, although it is recognised that some technical investigations may take longer than the timescales prescribed. Such prolongations may be due, for example, to discussions and negotiations with other utility companies regarding service diversions, or with highway authorities regarding work in or near major roads.

Each Application will be considered on its own merits taking into account the local characteristics and requirements of the Company's Supply System, the characteristics of the Licensee's water, and the proposed Entry Point thereof.

The application process described below shall be followed in all cases including applications from previous or multiple Licensees.

Applications shall be based on this Access Code, the latest revision of which is available on the Company's website.

It is envisaged that, after initial contact between the Licensee and the Company, the procedure for dealing with an application will be as stated below.

The following summarises the Combined Supply application process and timescales. Section 2.3 covers both the Combined Supply and Wholesale Supply processes in more detail.

#### Stage 1 : Initial Contact :

- The initial contact between the Licensee and the Company could take the form of a meeting where the Licensee could outline his scheme and clarify its understanding of the application process. The Company can outline what information will be required with an application. The meeting will be within **10 working days** of request.
- The Company will confirm the basic information needed in the Initial Application within **10 working days** of the initial meeting.
- The Company reserves the right to require the Licensee to move to Stage 2 or to exchange signed Confidentiality Agreements, at any time during Stage 1, where it is satisfied that it has provided, or been asked to provide, the Licensee with sufficient information to justify this.
- Any Licensee contemplating making initial contact with the Company is directed to Section 2.1.5 Credit provision and credit limits below, to ensure the requirements set out in that section are understood before contact is made.



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## Stage 2 : Initial Application

### Stage 2a : *The Licensee to :*

- Submit Initial Application Form (Form IA1), including signed consent from the Customer, signed declaration that the Licensee believes the premises are eligible, and signed Confidentiality Agreement (see Appendix C) if not previously signed.

### Stage 2b : *The Company to :*

- Acknowledge receipt of Initial Application Form.
- Return one copy of Confidentiality Agreement signed by the Company
- Consider submitted details
- Confirm or deny basic feasibility of Licensee's proposal
- Provide non binding indication of price and non-price terms
- Request additional information, as necessary
  - within **20 working days** of receipt of Initial Application Form.

### Stage 2c : *The Licensee to :*

- Forward additional information as requested.

## Stage 3 : Detailed Application

### Stage 3a : *The Licensee to :*

- Discuss scheme with the Company at the Company's offices

#### *The Company to :*

- Prepare Initial Assessment Report and send to DWI for observation / assessment
- Provide the Licensee with all relevant information so that the Licensee can complete his Detailed Application
- Provide the Licensee with an estimate of any case specific costs (including the cost of any known required connections and network extension/reinforcement)
- Highlight any likely difficulties with the proposed scheme
- Highlight areas where technical information will be required at a later date
- Advise anticipated duration and programme for Stage 4.
  - within **10 working days** of receiving all necessary information.

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*Stage 3b : The Licensee to :*

- Submit Detailed Application

Note : This Licensee activity is not within the prescribed 50 days for the Stage 3 Detailed Application process as Figure 2.1, the 50 days comprising the 10 days for Stage 3a (above) and the 40 days for the Company to complete its activities within Stage 3b following submission of the Detailed Application by the Licensee. The Licensee must however, submit the Detailed Application within 60 days, else the Company reserves the right to terminate the process and request the Licensee to commence again at Stage 1.

*The Company to :*

- Complete technical evaluation of proposal and provide Licensee with results (including network modelling results), findings of the evaluation (including details of any required mains reinforcements), and decision on the Detailed Application (including the reasons for the decision, if appropriate)
- Provide the Licensee with proposed charges of any case specific costs (including the cost of required connections and network extension/reinforcement)
- Advise Licensee of any further queries, if any
- Provide Draft Access Agreement
  - within **40 working days** of receipt of the Licensee's Detailed Application.

*Stage 3c : The Licensee to :*

- Respond to queries, if any
- Comment on Draft Access Agreement

**Stage 4 : Detailed Contract Negotiations**

*The Company and the Licensee to :*

- Complete detailed contract negotiations
- Discuss / negotiate final terms of the Access Agreement (including validity period for acceptance of the Access Agreement by the Licensee)
  - within **40 working days** of provision of Draft Access Agreement.

Throughout the application and evaluation process, the Company reserves the right to request further information from the proposed Licensee providing such information is applicable and relevant to the application.

If a Licensee has made an earlier successful application to the Company, both parties may agree to omit some of these stages. It is also recognised that some applications may take longer to process, for example, where technical information is required from other parties such as DWI or the Environment Agency. In these circumstances, the Company and the Licensee may agree to 'stop the clock' until the relevant information is received.

#### **2.1.4. Application fees**

The Company may not recover from the Licensee any costs of processing a wholesale or combined application for access. These irrecoverable costs include any costs relating to discussing, negotiating and agreeing terms and conditions of a Wholesale Master Agreement (WMA) or Confidentiality Agreement and any costs related to processing premises-specific applications for both wholesale and combined supplies, including any costs for feasibility studies.

Also, the Company will not charge for providing its Access Code or clarifying its policy and information requirements.

The Company has no responsibility for supplying information relating to any other parties involved in the application process, such as Secondary Water Undertakers and Sewerage Undertakers. Should such information be required, the Licensee should seek to obtain it from the other parties direct. Any costs of obtaining it shall be by agreement(s) directly between those other parties and the Licensee.

#### **2.1.5. Credit provision and credit limits**

It is anticipated that the Licensee will hold a retail or combined licence, or will demonstrate that it is in the process of obtaining one. In this event, although bonds or other financial security may be required to be provided by the Licensee in particular circumstances to cover, for example, costs incurred by the Company in undertaking reinforcement works, the Company would normally rely on the financial checking processes inherent in the licence application process to determine the financial standing of the potential Licensee.

In the event that a party wishes to initiate an application before it has been granted a licence, the Company shall be entitled to require the party to comply with such requirements as it deems necessary, in its discretion, to determine that the financial standing of the party is satisfactory. Any party contemplating any such action should anticipate that such requirements are likely to be equivalent to those specified for a licence application.

## **2.2. Confirming eligibility**

Section 17A (3) WIA91 sets out the following three requirements that must be satisfied in relation to each of the premises supplied by a Licensee:

- The Customer's premises are not household premises;
- When the Licensee first enters into an undertaking with a Customer to give the supply, the total quantity of water estimated to be supplied to the premises annually by the Licensee pursuant to the undertaking is not less than 50 megalitres (the 'threshold requirement'); and

- The premises are not being supplied by another Licensee (but may be supplied by the Licensee and one or more water undertakers).

Further information can be found in Ofwat's guidance on eligibility. [http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl\\_eligibility\\_310707.pdf/\\$FILE/wsl\\_eligibility310707.pdf](http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl_eligibility_310707.pdf/$FILE/wsl_eligibility310707.pdf)

### **2.2.1. Responsibilities**

In all cases and for all aspects of eligibility, it is the Licensee rather than the Company which must ensure that the premises of a potential Customer are eligible in accordance with the statutory requirements for and Ofwat's guidance on, eligibility.

Unless doing so in pursuance of its licence, it is a criminal offence for a Licensee to use the Company's Supply System for the purpose of supplying water to any premises of a Customer, or for a Licensee to introduce water into the Company's Supply System. It is therefore a criminal offence for a Licensee to breach any of the eligibility requirements set out above.

In addition, any Licensee that contravenes these requirements could face enforcement action by Ofwat under section 18 WIA91, may incur financial penalties under section 22A WIA91, and could face revocation of its License in accordance with the Standard Conditions of Water Supply Licences.

A set of premises may change in such a way as to require the initial satisfaction of the threshold requirement to be reconsidered. For example, a Customer may sell part of its premises so that the original premises are split and are occupied by different Customers. However, provided the threshold requirement is met at the time the Licensee first enters into the undertaking to supply a set of premises, and those premises do not change, those premises can continue to be supplied by the same Licensee for the duration of the undertaking even if consumption falls below the threshold requirement.

A Licensee should seek its own legal advice if it is unsure whether a Customer's premises are eligible.

### **2.2.2. Boundary definition**

When assessing eligibility, the Licensee shall confirm the extent of the Customer's premises to ensure that it is a single set of premises. This is a question of law and fact and should be based on the criteria set out in the Ofwat Guidance on Eligibility.

The WIA91 does not define 'premises' for the purpose of assessing eligibility. Premises can include buildings or land. Licensees can only supply Customers at individual eligible premises. Each of the premises supplied must be eligible. Customers cannot aggregate consumption at more than one set of premises in order to achieve eligibility, although some groups of properties may constitute a single set of premises in certain circumstances.

There will be a single set of premises in the following circumstances:

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- i. The premises are located within a single boundary and a single Customer occupies the premises and is liable for water bills in respect of those premises (single boundary premises);
  - ii. The premises consist of co-located buildings, other similar structures and/or land which have adjoining boundaries or which are separated only by transport infrastructure and a single Customer occupies the premises and is liable for water bills in respect of those premises (common occupation co-located premises); or
  - iii. The premises consist of a single building or co-located, separately occupied buildings, other similar structures and/or land with all four of the following characteristics:
    - They have a common landlord or managing agent in respect of the totality of the premises;
    - They have adjoining boundaries or are separated only by transport infrastructure;
    - They are served by a self-contained common water supply system that does not belong to a water undertaker; and
    - A single Customer is liable for water bills in respect of the totality of the premises (common management co-located premises).

If premises meet the criteria in paragraphs ii and iii, the criterion in paragraph i cannot be applied to any part of the premises as a means of reducing the area in order to bring the reduced premises within the eligibility requirements.

### **2.2.3. Household / non household premises**

Premises that satisfy the single set of premises eligibility requirement must also satisfy the requirements in section 17A (3) (a) WIA91 that the premises are not household premises.

Section 17C WIA91 defines household premises as those in which, or in any part of which, a person has his home. The fact that a person has his home in, or in part of, any premises does not mean that the premises are household premises unless the principal use of the premises is as a home. In its guidance on eligibility, Ofwat sets out what it considers to be household and non-household premises for the purpose of the WSL regime.

### **2.2.4. Threshold requirement**

When assessing eligibility, the Licensee shall confirm that the quantity of water to be supplied to the Customer's premises will not be less than the threshold requirement. This assessment should be based on the criteria set out in the Ofwat Guidance on Eligibility.

The threshold requirement is that, at the time the Licensee first enters into an undertaking with a Customer to supply the premises, the total quantity of water estimated to be supplied annually to the premises by the Licensee pursuant to the undertaking is not less than 50 megalitres. The threshold requirement relates to the amount of water that is supplied by the Licensee using one or more water undertakers' supply systems. The amount of water that a Customer receives by means of private supplies does not count towards assessing whether the threshold requirement is satisfied.

## 2.2.5. Supply arrangements for Licensees

Section 17A WIA91 prohibits the supply of an eligible premises by more than one Licensee. However, a premises may be supplied by a single Licensee and one or more undertakers.

## 2.2.6. Attachment to the Supply System

Customers can only be supplied by Licensees if they are connected to the Supply System. The Supply System is defined in section 17B (5) WIA91. It can be summarised as any water mains and other pipes used for the purpose of conveying potable water from the Company's treatment works to Customer's premises and any water mains and other pipes used to convey non-potable water from any source to premises that are not connected directly or indirectly to any water mains or pipes connected to those treatment works.

Section 17A (5) WIA91 provides that the supplementary authorisation is an authorisation to the Licensee to introduce water into the Company's Supply System, by means of which any particular retail supply of water is to take place. In its access code guidance, Ofwat interprets this to mean that a physical link is required between the combined Licensee's introduction point and its Customer's premises.

## 2.2.7. Customers in debt

If the Company is the Primary Water Undertaker, the Licensee may request details of any outstanding debt owed by Customers in relation to the premises named in an application. Outstanding debt is defined in Condition S of the Company's Instrument of Appointment and Standard Licence Condition 6 of the Licensee's Licence as charges in relation to water supplied to the premises of a Customer, which have remained unpaid for 30 days or more after the date that the old supplier has served notice on the Customer demanding payment.

If there is outstanding debt prior to the proposed customer transfer taking effect, an objection to the Customer transfer can be raised by the old supplier in accordance with the Customer Transfer Protocol (see Section 3 below). To allow the transfer to continue, it may be possible to allow the debt to be assigned to the new supplier. Such arrangements would need to be agreed between the new supplier, the Customer and the old supplier. Further information is available in Ofwat's Customer Transfer Protocol

(CTP). [http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl\\_Customer\\_transfer\\_protocol041105.pdf/\\$FILE/wsl\\_Customer\\_transfer\\_protocol041105.pdf](http://www.ofwat.gov.uk/aptrix/ofwat/publish.nsf/AttachmentsByTitle/wsl_Customer_transfer_protocol041105.pdf/$FILE/wsl_Customer_transfer_protocol041105.pdf)

As the debt position or negotiations about its payment might change throughout the application process, the debt position should be checked both immediately following completion of the Confidentiality Agreement and again immediately before the transfer to the new supplier is due to take place.

Outstanding debt owed to the Sewerage Undertaker by a transferring Customer and other debts of the Customer cannot comprise reasons for objection to a Customer transfer.

It is for the Licensee to decide whether they wish to take on a Customer, having considered its credit record.

## 2.3. Application process

The administration required to consider applications for wholesale and combined supplies is sufficiently different to require separate procedures. This section first sets out the procedures separately and then deals with common matters that apply to both procedures.

### 2.3.1. Combined supply arrangements

This section expands on the information given in Section 2.1.3 above. These stages are also set out in Figure 2.1.

#### i) Stage 1 : Initial Contact

Initial contact allows a Licensee to express an interest in applying for an Access Agreement. The Licensee may wish to contact the Company and, if necessary, a Secondary Water Undertaker, to discuss issues regarding their wholesale supply or combined supply application. At this point, the Licensee may also wish to notify the Sewerage Undertaker of the possibility of the Customer transferring to another supplier. Standard Licence Condition 5(8) of the Water Supply Licence (Provision of information to relevant undertakers) requires the Licensee to inform any third party Sewerage Undertaker who provides or will provide services to any premises which are connecting to the Company's Supply System for the first time, to enable the Sewerage Undertaker to start billing the new Customers. Please also refer to the 'Guidance on Customer Transfer Protocol' (CTP).

The Licensee should inform the Company of the type of licence held and contact details (such as telephone number and postal address). The Company will confirm the basic information requirements outlined in its Access Code. Any Secondary Water Undertaker and the Sewerage Undertaker should also be able to confirm their information requirements at this stage, either directly to the Licensee or via the Primary Water Undertaker.

If the Licensee requires a meeting with the Company to discuss its request for a combined supply, the Company will arrange a meeting within **10 working days** of the request. At that stage, the Licensee will not be expected to reveal the identity of its Customers, their consumption or location. If the Licensee requires a meeting with a Secondary Water Undertaker, and/or the Sewerage Undertaker, it must make arrangements for such meetings direct with the undertaker(s) concerned.

This introductory stage is not mandatory. For example, where a Licensee applies for access to the Company's Supply System a second time, they may feel less need to discuss procedural issues. The Licensee can choose to go to Stage 2 (initial application) at any time.

## ii) Stage 2 : Initial Application

An Initial Application Form is included in Appendix B.

The proposed Licensee should complete the Initial Application Form and return it to the Company in accordance with the written instructions. The Form requests basic details from the Licensee such as its company status, initial details of the proposed Entry Point, Exit Point, quantities of water involved and source and quality of entry water. It also requests confirmation that the Customer is aware of, and in agreement with, the proposal for the Licensee to supply water to his premises under an Access Agreement.

The application should include written evidence in the form of a signed consent from each Customer, stating that the named Customer has expressed an interest in the Licensee becoming its new supplier. The consent should contain a waiver by the Customer of any restrictions on disclosure by the Company to the Licensee of information held by the Company which is necessary to disclose to the Licensee for the purposes of the proposed new supply arrangements. Only Customer Consent Forms that have been signed, or verified by the customer as in force, no more than two months prior to being submitted at the Initial Application Stage, shall be accepted.

Once the Licensee has its Customer's consent, it will let the Company know the type of premises to be supplied and confirm that it believes its Customer's premises to be eligible to be supplied (see 'Guidance on eligibility' for more detail) and the basis of this belief. If the Licensee subsequently makes a successful application to the Company, it is the Licensee's ongoing responsibility to monitor and ensure that any premises it supplies are eligible.

The Licensee should set out in detail what it will require from the Company in order to provide its specified level of service to its Customers. For example, during the period of any Access Agreement, the Licensee will require information from the Company in order to be able to advise its Customers of possible changes in water quality or pressure, or, in the event of drought, the risk of supply restrictions. The Licensee and Company should agree how frequently, and in how much detail such operational information is to be provided. Also, where facilities need to be constructed, for example in order to introduce water into the Company's Supply System, the Licensee should prepare an outline scheme of the proposed design. It will be beneficial to the Licensee to produce the initial proposal as soon as possible in order to start the Access Agreement process.

The sewerage undertaker should have the opportunity to comment on aspects of the proposal that could affect its ability to acquire details for billing, or that may have an impact on its other operational processes.

The Company will comment on the initial applications and specify any further information it requires in order to assess the initial application. The Company will, as far as possible, confirm or deny the basic feasibility of the Licensee's proposal. If the Company finds that a feasibility study at the detailed application stage is not necessary because the information provided at the initial application stage is sufficient, it will advise the Licensee accordingly to help prevent any further costs being incurred from unnecessary feasibility studies at a later stage. If the Company believes that the Licensee's proposal is not feasible at this stage, it will set out the reasons in writing to the Licensee. If the Licensee does not agree with the Company's reasons, it can refer the matter to be resolved by Ofwat as part of a determination under Section 66D(1) WIA91.



Any feedback on the initial application shall include preliminary price and non-price terms proposed by the Company. These terms will not be binding on the Company, but should be as accurate as possible in order to provide the Licensee with enough certainty to enable formulation of indicative proposals to supply prospective Customers. It is therefore important for the Company to base its proposals on as clear an understanding as possible of the required combined supply arrangements.

If the Company considers that the supply is likely to constitute a Strategic Supply, it will discuss this with the Licensee at this stage. This does not stop the Company from applying to Ofwat for a Strategic Supply designation at a later date. Identification and designation of a Strategic Supply will be in accordance with WIA91 and Ofwat Guidance.

### iii) **Stage 3 : Detailed Application**

#### - **Stage 3a**

The Company will meet the Licensee at this stage to clarify any issues arising from the initial feedback and to clarify what information is required in the specific detailed application, as set out in the Company's access code.

#### - **Stages 3b and 3c**

On the basis of a detailed application, the Company should be able to carry out any feasibility studies and testing required to determine proposed terms for access. However, feasibility studies for secondary supplies should not be undertaken until the Company has agreed, in principle, to allow the Licensee and the Secondary Water Undertaker access to the Supply System. The Company should approach DWI if there are any water quality issues arising from the studies. The Licensee should keep DWI fully informed where it proposes to make a combined supply in potable Supply Systems. Due regard should be given to the guidance given by DWI contained in its guidance on Access (see Appendix A), and any updated versions of that or other relevant guidance that DWI may produce.

To assess the technical feasibility of an application for a combined supply, the Company may require the following information (this is not an exhaustive list), as far as it is available:

- the location of each Customer's premises;
- estimates of each Customer's demand;
- forecasts of each Customer's demand for the duration of the proposed contract or some other agreed duration;
- the location of the points of entry and exit, and hydraulic requirements;
- supply and demand data – which might include average and peak deployable outputs of the Licensee's source, the supply pattern and variations in demand, details of any supply or demand management contingency arrangements for drought periods;
- water resource details – which might include the type of water resource being used, its reliability and any back-up mechanisms which may exist; a thorough risk assessment by the Licensee of any proposed source, ie an assessment of security issues (ie fences, CCTV, telemetry and alike), and of exposure to pollution incidents, vandalism, terrorism

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and other risks; evidence of any applicable abstraction licence including any associated conditions;

- water quality assessments – which might include the predicted quality of water entering the system, history of contamination (where available) of the raw water source; the level of treatment proposed, with particular attention to disinfection practices and any additional treatment requirements such as plumbosolvency control and fluoridation, details of the Licensee's cryptosporidium testing process; the safeguards and procedures in the event of treatment failure; the water quality requirements of the potential Customer(s); proposals for monitoring to ensure compliance with water quality regulations; and
- evidence to demonstrate the Licensee's systems for informing Customers of emergencies.

Sewerage undertakers may also require information from the Licensee in some cases. In applications under section 66C, the Company may ask the Secondary Water Undertaker for information on water quality.

The Licensee should keep the Company informed if any of the information previously supplied has changed, or if further relevant information has become available. If the Company considers the changes require further investigation and may require modification of the price or non-price terms previously quoted, they will inform the Licensee as soon as possible.

In subsequent successful access applications by the Licensee, the Company will review the information and inform the Licensee of any additional information it requires.

Parties should agree the scope for any feasibility studies or tests before they are started. The Company and Licensee should also agree how the results will be shared. The Company is expected to provide the Licensees with a copy of all relevant findings, if the Licensee requests them, and to set out the decision on feasibility and the reasoning behind it before discussing what action is needed to take an application forward.

After the Company has carried out the necessary investigations in response to a detailed application and reported the results, including confirming the feasibility of the Licensee's proposals (with any necessary modifications), to the Licensee, it will, subject to the application satisfying all legal and regulatory requirements applicable thereto, make a firm offer of access (price and non-price terms) in writing to the Licensee within **10 working days**. The offer will be subject to the execution (or modification in writing) by both parties of a formal written combined Access Agreement, within the meaning of the WIA91.

The Company will aim to complete the Stage 3b assessment of the application for a combined supply within **40 working days** of receiving the Detailed Application and required information from the Licensee and other parties, such as DWI and Environment Agency. A Combined Access Agreement may take longer to set up than a Wholesale Access Agreement if it requires a feasibility study and input from the DWI, Environment Agency and, possibly, Strategic Health Authorities and DEFRA.

#### iv) Stage 4 : Detailed Contract Negotiation

##### **Contract**

The contract, which will be known as the Combined Access Agreement, will include clauses dealing with:

- payment terms including frequency;
- arrangements for dealing with any outstanding debt; and
- a service level agreement setting out the specific support services to be provided by the Water Undertaker to the Licensee.

It will also take account of any quality issues that both parties need to agree and accept. The contract will comprise the Standard Combined Access Agreement referred to in Section 8, which is based on the Company's Access Code and the Ofwat Guidance. A transfer date will also be included in the contract, making due allowance for completion of actions under the CTP.

##### **Terms accepted/rejected**

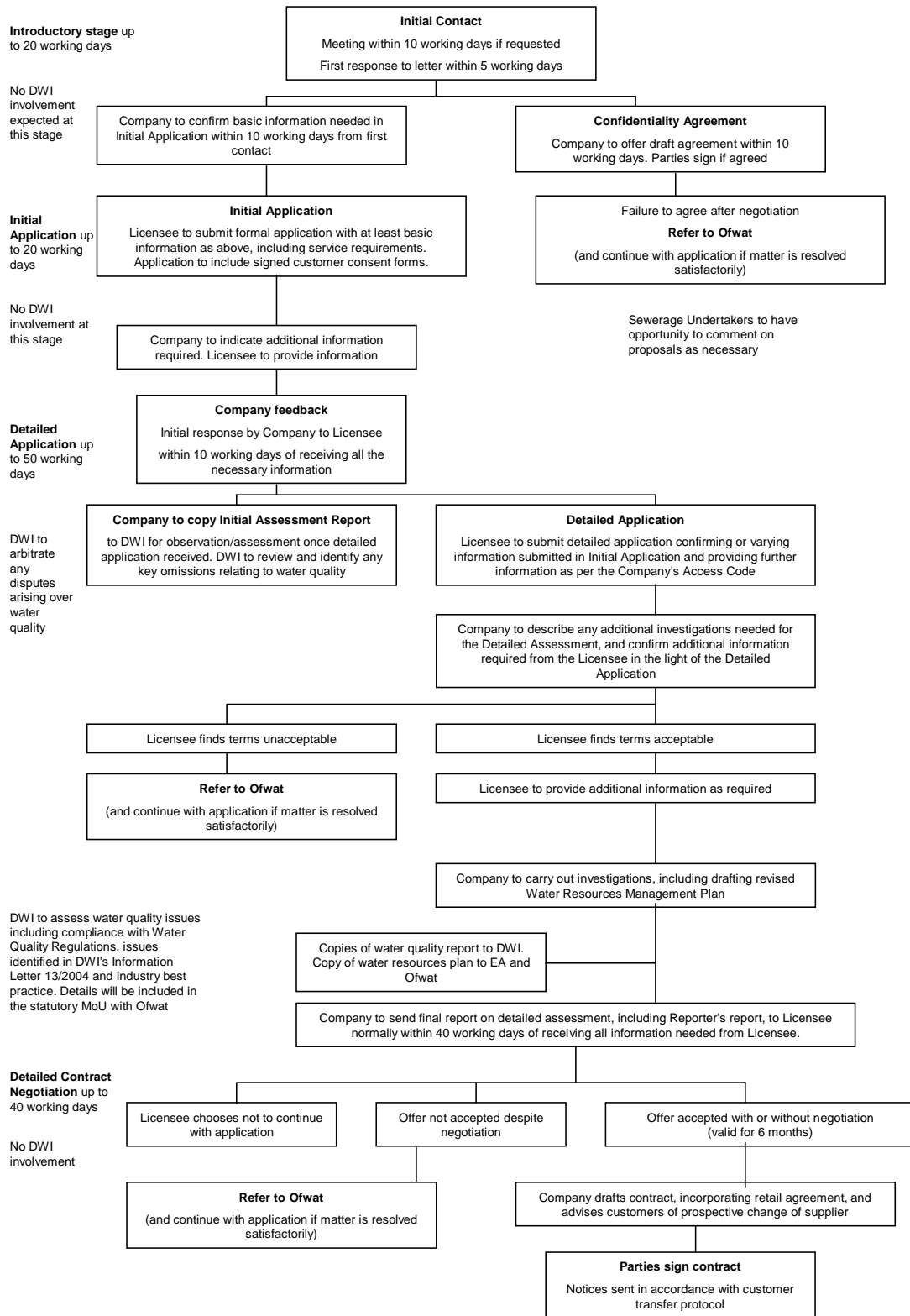
The terms offered by the Company will be open to discussion between the parties involved for up to **15 working days**. Where a change is requested by the Licensee, the Company will modify the Standard Combined Access Agreement to include the new terms offered. The offer made to the Licensee by the Company shall remain open for acceptance by the Licensee for a minimum of 6 months. The Company can make an offer to another Licensee, if requested, during this time. The Company may vary an offer in the event of a material change in circumstances, in which case any changes to the offer and the reasons for these should be communicated to the Licensee. A subsequent offer supersedes an earlier offer; a Licensee can only accept the most recent offer from the Company at any time.

If the Licensee accepts the terms, the Company will send the Licensee a signed Combined Access Agreement, normally within **10 working days**. The Licensee should sign the Agreement and return it within a further **10 working days**.

If, despite negotiations, the parties are unable to agree the period, terms and conditions specified in section 66D(2) WIA91, the Licensee may refer the matter to Ofwat for determination.

It is expected that detailed contract negotiations will be completed within **40 working days**.

The Company will advise the Licensee's Customer of the intended change of supplier and expected transfer date once there is a final acceptance of a firm offer.



**Figure 2.1: Combined Supply Application Process**

**v) Role of the Secondary Water Undertaker (where applicable)**

The Licensee may use a Secondary Water Undertaker to deliver water to the Company's Supply System. If this is the case, then the Company will require full details of the water and its sources as if the water was produced directly by the Licensee, and as detailed in this Access Code. Refer also to Section 2.4 below.

**vi) Provision of information to the Sewerage Undertaker**

The Company will inform the Sewerage Undertaker the relevant details of the Licensee's proposed supply arrangements, as noted throughout this Access Code.

Standard Licence Condition 5 of the Licensee's Water Supply Licence requires Licensees to inform the Sewerage Undertaker of any premises connecting to the distribution system for the first time, to enable it to start billing the new Customer(s).

**2.3.2. Wholesale supply arrangements**

Supplies made by retail Licensees are not expected to involve changes to physical supply arrangements. Because of this, the application process is mainly concerned with administrative changes and can usually be concluded with fewer stages and in a shorter time than combined supply applications.

At the appropriate time as indicated in i) below, the Company will provide the Licensee with the Company's Wholesale Master Agreement (WMA), as referred to in Section 8 below. This covers all the main terms and conditions of wholesale supply arrangements between the parties, except for Customer or site specific conditions. When a wholesale supply application is made, the Customer-specific and site-specific details will be added to the Wholesale Master Agreement by way of an additional Contract Schedule.

The application process for a wholesale supply by a Primary Water Undertaker comprises two main stages:

- First, the Licensee and Company should agree a WMA incorporating the main contract terms and general conditions that will apply to wholesale Access Agreements between them.
- Second, for each Customer, the Licensee and Company should exchange the information and data necessary to complete the Contract Schedule to the WMA, containing the period, terms and conditions relating to the specific Customer and premises.

The Sewerage Undertaker should have the opportunity to comment on aspects of the proposal that could affect its ability to acquire details for billing, or that may impact on its other operational processes.

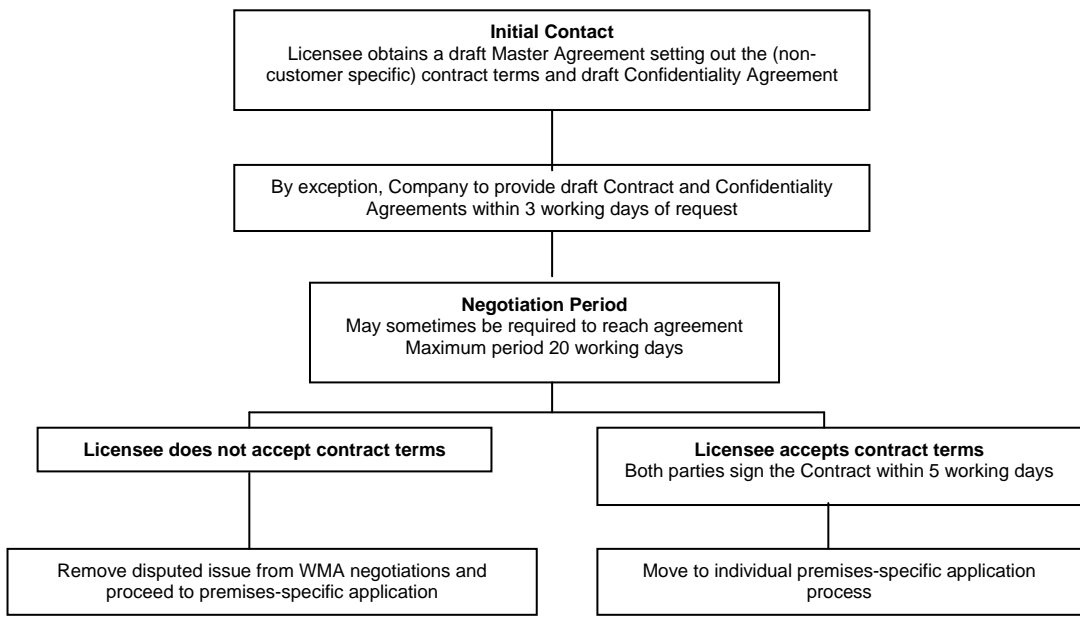
**i) Wholesale Master Agreement process**

The Wholesale Master Agreement (WMA) process should consist of the following stages.

- Initial contact – the Licensee contacts the Company about a possible access request and obtains copies of the Company’s draft WMA and draft Confidentiality Agreement from the Company directly or from its website.

The Licensee should also notify the Sewerage Undertaker at this point of the possibility of the Customer transferring to another supplier. The Sewerage Undertaker should then be able to confirm their information requirements at this stage. Alternatively, the Company may request information on their behalf.

- Provision of draft documents – by exception, (if, for example, the Company’s website is unavailable) the Company will provide these documents within **3 working days** of the Licensee’s request.
- Negotiation – a period of discussion and negotiation may be required to reach agreement on the WMA and/or confidentiality issues. These discussions should be concluded within **20 working days** of receipt by the Licensee of the draft documents.
- Acceptance – both parties sign the WMA and the Confidentiality Agreement (if not already signed) and the process moves to the wholesale application process described below.



**Figure 2.2: Wholesale Master Agreement process**

## ii) Information exchange to create contract schedules for wholesale applications, including the proforma developed by the industry

The second stage of the wholesale application process for each Customer, following the signing of the Confidentiality Agreement will consist of the following main stages, which are shown in Figure 2.3. The Company and Licensee will agree how the information should be provided, and may use the proforma developed by the industry at <http://www.ofwat.gov.uk>.

- **Initial application** – the Licensee submits to the Company sufficient premises specific terms or Customer specific information to enable the Company to prepare a draft contract schedule relating to those premises. This information should include the Customer's consent to expressing an interest in switching supplier. Only Customer consent forms that have been signed, or verified by the Customer as in force no more than two months prior to being submitted at the initial application stage, will be accepted.

It is the Licensee's responsibility to ascertain and satisfy itself that it supplies water only to eligible premises. Whilst there is no need for the Licensee to provide proof of eligibility to the Company, a signed declaration from the Licensee at this stage, to the effect that it believes the premises are eligible, may be useful.

The Sewerage Undertaker should have the opportunity to comment on aspects of the proposal that could affect its ability to acquire details for billing, or that may impact on its other operational processes. The Licensee should therefore notify the Sewerage Undertaker at this point that the Customer may transfer to another supplier.

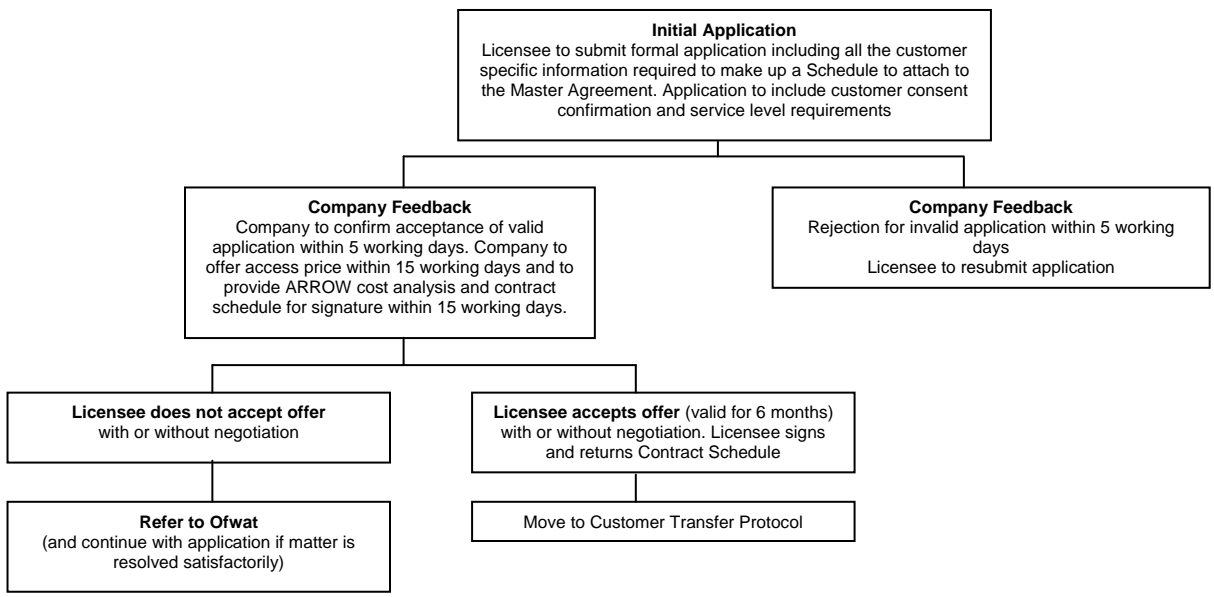
- **Company's acceptance and offer** – the Company determines whether or not the premises-specific application is valid. The Company will confirm to the Licensee within **5 working days** if it accepts the application as valid. The Licensee will be given an access price within **15 working days**, with a schedule that shows in detail how it has been calculated. The draft premises-specific contract schedule to the WMA should also be provided to the Licensee, containing the following information :
  - Customer's name;
  - Customer's premises details;
  - unique premises reference number;
  - expected start date for the supply;
  - supply duration;
  - estimated annual consumption;
  - usage proportion relating to non-household;
  - special service level requirements; and
  - access price, expressed as a discount in either pence per cubic metre or a fixed charge for each year of the duration, and indicating the relevant price base.

- Licensee’s acceptance** – the Licensee may accept the offer, with or without further negotiation, in which case it should sign and return the contract schedule to the Company. The offer made to the Licensee by the Company shall remain open for acceptance by the Licensee for a minimum of **6 months**. The Company can make another offer to another Licensee, if requested, during this time.. The Company may vary an offer in the event of a material change in circumstances, in which case any changes to the offer and the reasons for these will be communicated to the Licensee. A subsequent offer supersedes an earlier offer; a Licensee can only accept the most recent offer from the Company at any time.

If there is no agreement between the Licensee and the Company, the Licensee may refer the matters in dispute to Ofwat for determination under section 66D(2)(b) WIA91.

Once terms have been agreed, or the Licensee has accepted an Ofwat determination, the process moves to the CTP.

In the case of wholesale supply to the Licensee by a Secondary Water Undertaker, the time taken to respond will reflect the need for liaison with the Company over water transfer arrangements. This will normally take approximately **10 working days**, in addition to the response time set out above. Timescales for liaison between Primary and Secondary Water Undertakers will be factored into the time it takes for the Company to provide a written response to the Licensee to its application.



**Figure 2.3: Wholesale application process (Wholesale Master Agreement already in place)**



### **2.3.3. Provision of information to the Sewerage Undertaker**

The Sewerage Undertaker should be able to confirm their information requirements at the Initial Contact Stage. It is not anticipated the Company will request information on their behalf.

Under Standard Licence Condition 5(8), where the Licensee intends to supply water to the premises of a Customer which were not previously connected to the Company's Supply System, the Licensee shall, as soon as reasonably practicable, inform any Sewerage Undertaker which provides or will provide services to those premises of:

- the date of connection;
- the address of the premises; and
- the name and address of the Customer with respect to those premises.

### **2.3.4. Objections and rejection process**

The Company, Licensees (in the case of a Customer transferring from one Licensee to another), DWI, and other relevant parties may discover during any stage of the application process that an application can not be progressed. As well as statutory conditions in sections 66A-66C WIA91, the following list gives examples of the types of objection that might arise during the application process.

- The incoming supplier has provided insufficient or incorrect details to the relevant parties to allow the Customer to transfer.
- Refusal by the Licensee to provide necessary information.
- The Company or earlier Licensee considers that the Customer's premises are not eligible (a signed declaration from the Licensee, to the effect that it believes the premises are eligible, may be useful).
- An application by another Licensee to supply the Customer has been accepted.
- The Licensee's proposals are impracticable, for example unfeasible hydraulic conditions.
- Unacceptable water quality implications.
- Concerns over source risk assessment.
- National security reasons.

The applicant will be provided with the full reasons for the objection in writing, where the Company is the objector. The Company will comply with any reasonable request for a meeting to discuss the objections and for parties to seek to negotiate solutions to enable, where possible, the application to progress. If the Company has concerns about the legality of the proposed supply, the matter may be referred to Ofwat under s.17E(1) WIA91.

### **2.3.5. Application process - arbitration and disputes resolution**

If an objection is made to an access application, the Licensee may ask Ofwat for a determination where agreement cannot be reached. Refer to Ofwat's 'Procedure for handling water supply licensing determinations (November 2005)' on how Ofwat will handle disputes.

## **2.4. Access criteria**

This Access Code discusses the technical considerations and conditions of entry which will require to be considered in relation to all Access proposals.

Neither exact design parameters nor full management procedures are given in the Access Code, since these will vary dependent upon that part of the Supply System that is directly affected by the Access proposal. The Access Code does, however, provide positive guidelines regarding the technical and management standards required.

### **2.4.1. Water quality input specification**

The Company will not permit connection to or use of its Supply System unless it is fully satisfied that there is no adverse risk to the health and safety of its employees, its Customers and the public.

The DWI Information Letter 13/04 dated 23 November 2004 includes Guidance on Drinking Water Quality Aspects of Access. The Company concurs with the contents of this letter, and will be entitled to apply any items noted therein to any appraisal of a Licensee's application for an Access Agreement. A copy of DWI Letter 13/04 is included in Appendix A of this Access Code.

#### **Sampling**

Sampling requirements will match those implemented by the Company for commissioning its own new or upgraded treatment works. As a minimum it would comprise :

- Evidence of daily operational testing for all parameters relevant to the raw water source/treatment process throughout the treatment plant as well as the treated water, under varying conditions of plant throughput, in accordance with the expected operating regime of the treatment works, for a continuous 28 day period. The parameters to be tested are to be agreed with the Company and testing must have been within the six months immediately prior to the water being supplied. The results must comply with the Company's operational requirements.
- On-going operational testing through the treatment process and in the treated water at a minimum frequency of twice per week for parameters agreed with the Company, and evidence of continued compliance with the Company's operational requirements.

#### **Laboratory accreditation**

All analysis must be carried out at a laboratory with UKAS (United Kingdom Accreditation Service) accreditation, and preferably at a laboratory that is also then accredited by UKAS for the Drinking Water Testing Specification (DWTS).

## **i) Quality parameters**

The Company supplies its potable water in compliance with The Water Supply (Water Quality) Regulations 2000 (for England) (see Section 1.2.of this Access Code).

The relevant Access Agreement will specify the minimum water quality standards for the Licensee's water treatment works and treated water based on the regulatory requirements and the existing operational requirements, together with the required regulatory and operational monitoring.

Where specific local requirements apply, these will be advised to the Licensee to ensure the Licensee is aware of and complies with them. Examples of current requirements are indicated below in relation to water treatment.

The following is an indicative list of the parameters that will be covered in the Access Agreement :

- a. Aesthetic parameters
- b. Aluminium
- c. Biological parameters – algae/ bacteria
- d. Biological parameters - macro-organisms
- e. Cryptosporidium
- f. Disinfection residuals
- g. Fluoridation
- h. General microbiological quality
- i. Hardness and carbonate stability
- j. Iron and manganese
- k. Lead
- l. Nitrate
- m. pH - Acidity and Alkalinity Stability
- n. Pipework operating regime - stagnation
- o. Polycyclic aromatic hydrocarbons (PAHs)
- p. Trihalomethanes (THMs) and chlorine
- q. Turbidity
- r. Sulphate
- s. Regulation 31 - application and introduction of substances and products

- t. Water discolouration
- u. Other parameters referred to in the quality regulations as defined above.

Responsibility and procedures for reporting to Ofwat, the DWI and the EA shall remain with the Company unless otherwise agreed in the Access Agreement, and the Licensee shall provide to the Company the necessary information to support this reporting on an adequate basis.

**- Water quality characteristics**

The anticipated impact of introducing a new source of water into the Supply System shall be fully assessed and reported upon prior to commencement of any Access Agreement. The assessment shall include the likely impact of the proposals, the risks, and the measures required to avoid consequential breaches of the drinking water quality standards and other requirements of the regulations, and other adverse impacts on the quality of water supplied to Customers.

If and when the Company grants permission to commence introduction of the new source water into the Supply System, the commissioning process will be agreed between the Licensee, the Company and the DWI. The process will be based on the Company's standard procedures for commissioning, taking account of the result of the risk analysis carried out for the purpose of the commissioning (in turn based on vulnerability of the source, likelihood of an incident and consequence of an incident).

An agreed water quality monitoring and sampling programme shall be undertaken, and shall continue until the implications of the introduction are fully apparent and the risks are adequately quantified. The programme will include source water assessment in accordance with regulation 15 of the Regulations, and that evidence that works operators are appropriately trained to operate the water treatment works.

The investigation and monitoring work shall include but not be limited to the effects of the new source on Supply System water taste, odour, discolouration, age, particle resuspension, particle deposition, disinfection requirements and trihalomethane concentrations. A Customer perception survey shall be included if deemed necessary by the Company.

The investigation and monitoring will cover the Licensee's raw water system, its water treatment processes and its treated water system upstream of the Entry Point, in addition to the Company's Supply System. Any new Water Treatment Works, change in supply to an existing Water Treatment Works or change in capacity of an existing Water Treatment Works will require a risk assessment to be carried out to establish whether there is a significant risk from cryptosporidium. An appropriate risk assessment will require to be carried out to the Company's and DWI's satisfaction.

If the Licensee is intending to supply raw water to the Supply System, then the Licensee must supply sufficient information and data to the Company to ensure that the Company can provide adequate water treatment facilities. In this scenario, an appropriate risk assessment will require to be carried out on the security of supply of the water resource and treatment facilities to the Company's satisfaction.

The cost associated with all commissioning processes shall be to the account of the Licensee. The cost of disposal of commissioning water shall be to the account of the Licensee until the water is acceptable to the Company for introduction into the Company's Supply System.

Should the Licensee become aware that water quality operating limits have been breached it shall inform the Company immediately by telephone, and confirm the information by email as soon as possible thereafter. The Licensee shall also then provide 'Incident Reports' to the Company. Incident Reports shall summarise the problems experienced, the effect of the incident on the water quality in the Company's mains, and the Licensee's proposal for overcoming the problem (including timetable). The frequency of Incident Reports will depend on the severity of the problem, and the time needed to investigate the problem and recover the operation. The first Incident Report should be submitted to the Company in writing within two hours of the problem being identified, and thereafter at intervals defined by the Company, based on the severity of the incident.

The DWI audits the Company periodically to check compliance with its duties in respect to drinking water quality. The Licensee shall provide all necessary assistance and all necessary data relevant to the Licensee's facilities to assist the Company in responding to these audits. Particular issues relating to the Licensee's facilities which may be addressed by the DWI in these audits include:

- treatment works water quality audit to assess appropriateness of the process
- effect of treatment works on water quality in distribution
- plumbosolvency control by treatment at the treatment works
- risk that cryptosporidium may be present in the treated water has been eliminated or reduced to permitted levels

- **Water treatment**

Treated water supplied by the Licensee into the Supply System shall meet the Company's obligations in the area of introduction. The following specific items are noted for information, but this list should not be considered exhaustive:

***Water Softening:***

The Company has statutory obligations to soften water in particular areas of supply. The Licensee's water inputs to the Supply System shall therefore be softened to the same extent necessary to ensure that they comply with the Company's statutory obligations to soften water to all recipients thereof.

***Plumbosolvency Control:***

Plumbosolvency Control is currently achieved by the addition of orthophosphoric acid to the final treated water at all of the Company's Water Treatment Works. It is likely that future elements of control will also include tighter regulation of final treated water pH and mineral content. The Licensee's new water should have suitable treatment applied to ensure that there is no deterioration in plumbosolvency.

***pH control:***

Mixing of waters that have been subject to different treatments may tend to dissolve other metals – notably copper and zinc – from plumbing systems. Effective treatment, such as pH correction or blending, applied to one water, may be undone if another water is subsequently mixed with it. The Licensee's new water should therefore have suitable treatment applied to ensure that stability of the required pH is maintained.

***Fluoridation:***

At the present time, the Company does not fluoridate any of its water supplies. If, at the time of the Access application or any time after the commencement of an Access Agreement, the Company enters into an agreement with a local health authority to fluoridate water, then the Licensee will also have to comply with these local arrangements.

The Company will not allow the Licensee to supply water into the Supply System if the Licensee's water is fluoridated and the Company's water is not.

***Disinfection:***

The Licensee shall ensure that all water entering the Supply System is chloraminated. in the same way and to the same level as the existing water. Residual disinfectant levels vary across the Company's area, but in all cases the disinfectant regime must not increase the potential for microbiological contamination of the Supply System, and must not result in any increase in the number of taste and odour complaints.

***Blending:***

The need for installation, operation and maintenance of specific water blending facilities shall be identified by the Company.

If the introduction of a new water source is likely to lead to a mixing of incompatible waters which would be detrimental to the quality of the water supply to either or both of the Company's Customers and the Licensee's Customers after the implementation of a Access proposal, then the Company shall be entitled to reject the proposal on such basis.

If such a difficulty arises after a proposal has been implemented, the Company shall be entitled to investigate the problem(s) and to require the Licensee to modify the Access Agreement, at the Licensee's cost, in whatever manner is necessary to avoid such detrimental effect.

**ii) Special circumstances relating to water quality standards**

Overall responsibility for control of the Supply System shall remain with the Company at all times.

In the case of all water introduced, the Access Agreement will include an additional entitlement for the Company to shut down the input at any time in the event of any actual or threatened failure by the Licensee to comply with any requirements for water quality applicable thereto.

If exceptional circumstances arise where the water supplies to the Licensee's Customers or the Company's Customers are put at serious risk in consequence of the Licensee's conduct, the Company shall be entitled to take whatever action it considers necessary or desirable to ensure that such supplies are maintained, to terminate the Access Agreement forthwith (as referred to in Section 8.1.8 below), and to recover the resultant costs, charges and expenses from the Licensee.

A full Risk Assessment of the new mode(s) of operation shall be undertaken by the Company to the account of the Licensee. This assessment shall be made before the Access Agreement is implemented and shall include a mains burst vulnerability and risk exercise and a contamination/ pollution risk analysis, including determination of the effect of an incident spreading to a larger area than would have been the case prior to such implementation.

#### **2.4.2. Water flow and pressure**

The Company's policy is to operate a stable Supply System. The Supply System is structured by controlled pressure zones which all include reservoir storage, and for which a single mode of supply is typically maintained throughout the year. Additionally a network of larger diameter transfer mains provides the flexibility to enable a residual volume of treated water to be moved around the area as necessary.

The Supply System includes permanently configured District Meter Areas (DMA). Any alterations to the boundaries of these DMA are rigorously controlled and hence flow patterns in the Supply System are consistent throughout. Pressure control valves are installed adjacent to District Meters where appropriate, to further enhance the principle of the stable Supply System. Approximately 60% of the properties supplied by the Company are supplied via pressure control valves.

An analysis of the effect of the new flow regimes on water mains pressure and on deterioration (or improvement) in water quality shall be undertaken. This analysis shall include pressure variations, time decay deterioration and the effect of changing velocities. Such analysis work shall be carried out by the Company and shall be to the account of the Licensee.

#### **2.4.3. Water quality sampling and monitoring**

In general, the Company treats its water to a higher standard than specified in the Water Supply (Water Quality) Regulations 2000 to allow for variations in water quality in the distribution system and to ensure that the water is compliant at the point of supply. Combined Licensees must ensure that the water they introduce into the Company's Supply System is compatible with the water already in supply.

The Company undertakes a sampling regime and quality testing schedule which is fully compliant with the regulations.

The Licensee shall be responsible for compliance and operational water quality sampling at the entry point. However this does not preclude the Company from conducting its own sampling and monitoring at the entry point.

If the quality of water in distribution changes significantly after a scheme goes 'live', Licensees will change their inputs to ensure compatibility. The Licensee will bear any associated costs. The Company will tell the Licensee during the application processes about known forthcoming changes to operational standards that might affect compatibility. If the Company does not communicate that information properly and as a result the Licensee incurs unnecessary costs, the Company will bear those costs.

The Company reserves the right to suspend, without prior notice, the introduction of water into its Supply System if it has reasonable cause to suspect that continued introduction would put it at risk of supplying unwholesome water or at the risk of committing an offence under section 70 WIA91 (that is, the offence of supplying water unfit for human consumption).

The Licensee is required to notify the Company immediately if there is a risk that continued introduction of its water may result in a breach of the standards at the point of supply.

The Company will permit a Licensee to carry out its own monitoring and testing activities, as long as it uses a laboratory that meets the requirements set out in the Regulations. (ie sampling and monitoring in accordance with DWI protocols, analyses carried out by DWI accredited laboratories and analyses compliant in full with the requirements of the Water Quality Regulations). A Licensee must, in compliance with the Standard Conditions of Water Supply Licences, provide information to the Company regarding all reasonable sampling information requests where this relates to the Company fulfilling its statutory duty to supply wholesome water. The Company may provide sampling and monitoring services to a Licensee for a reasonable charge, calculated on a commercial basis. These charges will be made available to the Licensee upon application to the Company's Water Quality Director at its Redhill offices.

Any organisation seeking a combined licence to introduce water into the Company's Supply System must satisfy DWI during the licence application process that it is suitable to do so. The conditions of the licence will prohibit the Licensee from introducing water into the Supply System until it can demonstrate to DWI that it is meeting the Regulations. The conditions of the licence will also require ongoing compliance with the Regulations and other relevant water quality provisions.

The Company will use network modelling to assess the potential effects of a proposed combined supply on both hydraulic and water quality issues and will follow DWI's guidance as appropriate.

If, after the network modelling exercise, the parties are still in doubt about the effect of a proposed combined supply on water quality issues, the DWI will be consulted, and will review the available evidence and assess the implications.

Some Customers have business processes that are particularly sensitive to changes in the source of the water they receive or to significant fluctuations in water quality, for example in hardness or conductivity. Licensees and the Company will need to take such matters into account when agreeing a combined supply.

#### **2.4.4. Volume measurement**

Meters shall be provided at the Entry Point(s) and at the Exit Point(s). These metering facilities shall be installed, commissioned, maintained and owned by the Company.



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Practical meter locations and configurations (including by-pass arrangements and possible check meter facilities) shall be agreed between the Company and the Licensee.

The costs of supplying, installing and commissioning the meter(s) shall be included in the Connection Charge to the Licensee.

The new metering facilities will be specified by the Company. The Company will specify the type and size of meter, the range of meter accuracy, and the procedures and methodologies for maintenance including recalibration checks.

A meter on the Company's Supply System will remain the property of the Company. Ordinarily, the Company will retain ownership of the meter (or meters) at a Customer's premises. That will avoid the need for a Licensee to sell or lease the meter(s) if a Customer chooses to revert to the Company or to take supplies from another Licensee. The Company is not required to sell or lease its meter to the Licensee.

The Licensee will be responsible for reading meters on its Customer's premises, but it will have to share meter and meter reading information with the Company (section 205 WIA91). The Company will still have access to the meter and it will be responsible for maintenance (as it is part of the Supply System).

The Access Agreement will set out the process for dealing with disputes about meter readings. Licensees and the Company may wish to agree an arbitration route along the lines of that open to Water Undertakers and their Customers in the Water (Meters) Regulations 1988.

### 3. Customer transfer protocol (CTP)

For detailed information refer to the Ofwat Customer Transfer Protocol (CTP) available on Ofwat's website <http://www.ofwat.gov.uk>.

#### 3.1. Principles

Standard licence condition (SLC) 6 and Condition of Appointment S require Licensees and Water Undertakers, respectively, to comply with Ofwat's CTP. Relevant sections of the Water Industry Act 1991 (as amended by the Water Act 2003), Condition of Appointment R and SLC 4 also place a duty on the Licensee and the Company to exchange certain information.

Ofwat has developed the CTP with the assistance of Customer representatives, potential Licensees and Water Undertakers. The CTP provides a clear, simple and standardised process for the timely and efficient transfer of Customers between:

- (a) any Water Undertaker and any Licensee; and
- (b) any two Licensees.

#### 3.2. Rules of behaviour

The Licensee and the Company are required to comply with the rules of behaviour of the CTP, as specified in the CTP as issued by Ofwat and as amended from time to time.

#### 3.3. Data transfer

The CTP specifies the data flows, the data items required within each data flow and the timescales that apply for transmission of those data flows. All Licensees and water undertakers must comply with those requirements.

The Licensee and the Company must give details of the name and contact details (which must include an e-mail address) of the person to whom Licensees and the water undertakers should send all CTP data flows in the data format prescribed by the CTP. For example :

Company details:	Sutton and East Surrey Water plc
Contact name	Mr M Hegarty, Operations Director
E-mail	CTP@waterplc.com
Telephone	01737 772000

### **3.4. Registration and operational processes**

The Company and the Licensee must follow the operational processes in the CTP for effective Customer transfer and the resolution of disputes on transfer.

## 4. Control and balancing of Supply System

### 4.1. Supply System management

The Company will retain responsibility for the operation, maintenance and control of its Supply System in its Area of Appointment.

The Licensee must co-operate with the Company in its role as Supply System operator to ensure that Supply System operations are not compromised and can be carried out with optimum efficiency. The Licensee must therefore carry out the activities authorised by its licence in a manner which does not actually or potentially jeopardise the proper, efficient and economical performance by the Company of its functions, including the Company's management of its Supply System.

The Licensee must comply with the Company's monitoring requirements to ensure that the safe and efficient management of the Supply System is maintained. It may be appropriate for the parties to link their telemetry to enable the Company to monitor on the Licensee's behalf. Where this is not appropriate the Licensee must provide information as set out in this Access Code, which generally fall into the following categories for combined supplies:

- daily monitoring information;
- planned maintenance/interruption arrangements;
- ongoing system balancing;
- emergencies and incident management;
- metering information;
- water quality data as appropriate, including contamination issues;
- levels of service feedback from the Customer; and
- notice of changes in operation or water quality at the Licensee's plant and any failures or out of specification performance.

The Sewerage Undertaker may also require similar or additional information to ensure the safe and efficient management of its system, and this information must be provided by the Licensee.

#### 4.1.1. Unbilled water

##### i) Leakage

##### Leakage

The Licensee shall supply to the Company's Supply System at the Entry Point (s) a quantity of water equal to that taken by its Customer(s) at the Exit Point(s).

The Company will review the effect of the new mode(s) of operation on the Company's leakage levels. This review will consider the effect of pressure changes in that part of the Supply System directly influenced by the Access Agreement.

### **Leakage monitors**

The Licensee shall liaise with the Company regarding appropriate leakage monitors, reporting and targets, and shall provide to the Company relevant data as requested by the Company for this purpose.

### **Per Capita consumption monitors**

The Licensee shall liaise with the Company to identify appropriate consumption monitors in order to determine per capita consumption (pcc).

#### **ii) Unauthorised use of water**

The Company has a clear policy on extraction of water from the Supply System by third parties, which is in accordance with the 'Code of Practice for the Control of Access to the Pressurised water network' issued in November 2002 by the Water Industry representative body Water UK. Actions in breach of the Company's policy are taken extremely seriously as it not only constitutes theft but can also cause water quality and sufficiency issues in the distribution system.

Where illegal connections to the network are identified, they are subject to immediate disconnection without notice.

The Licensee must not take or introduce unauthorised water, and must advise the Company immediately if it believes or is aware that another party is taking or introducing unauthorised water.

#### **iii) Fire water**

The Company will retain responsibility for flows required for fire fighting in relation to both the effect on the Supply System and the ownership of such water.

If the Licensee's Customer makes a special request for a fire hydrant near its premises under section 58 WIA91, the Company will consider the effect of this fire supply on the Supply System and the Customer will be liable to pay for this in the ordinary way.

### **4.1.2. Drought and Water Resource Plans**

The Company remains solely responsible for the security of supply to its Customers, and by doing so, preparing and maintaining drought and water resources management plans. The Licensee has a duty (under sections 37C and 39C WIA91) to provide the Company with such information as required for the purposes of preparing or revising the Company's drought and water resources management plans. The Company will give the Licensee one months notice before it starts the updating process and the Licensee must co-operate with the Company in its duties to produce such plans.

As part of its detailed application process (Stage 3), the Licensee must provide a thorough outage risk assessment of any proposed source and the criteria by which any risks are assessed, such as an assessment of exposure to pollution incidents, vandalism, terrorism and other risks. The information requirements for that assessment will be similar to those the Company uses for its own water sources. Access terms will set out the information requirements for the outage risk assessment and the Company will provide further clarification where necessary.

Risk assessment of water resource reliability is also important. Access terms will set out the information required in order to carry out a risk assessment. Licensees must comply with reasonable requests for information that are necessary for the Company to fulfil its statutory duty to supply. The information required should be similar to that used by the Company in assessing the yield of its own resources.

Licensees' negotiations with their Customers, and subsequently with the Company as part of the access application, must cover the degree of resource reliability and drought protection required. It must be clear to the Customer how they will be treated in such circumstances compared with other water Customers in the locality.

#### **i) Drought plans**

Consistent with their statutory duty to supply, the Company will retain responsibility for drought planning and the ability to apply for drought orders restricting non-essential use.

The Plans are reviewed annually (to coincide with regulatory reporting periods) and at other times when supply difficulties are threatened.

It is envisaged that the EA will require a single drought contingency plan for each water resource zone, whether or not it is under the control of a single undertaker or includes a number of Licensees under Access Agreements.

The Licensee shall co-operate fully with the Company in the preparation and implementation of drought contingency plans, which will include identification of trigger levels for the implementation of PR campaigns, restrictions, and provision of alternative sources of supply.

In the event of there being any shortage of water in the Company's area of supply, the Company shall consult with the Licensee if the Licensee's Customers are likely to be affected thereby but shall be entitled to determine any action to be taken in consequence thereof whether under the Water Resources Act 1991, the Water Industry Act 1991 or otherwise. Action plans will take into account water availability and shall include consideration of the nature, extent and duration of any water supply restrictions affecting the Licensee's Customers.

In implementing any such restrictions, the Company shall treat the Licensee's Customers on an equal, fair and non-discriminatory basis with its own. The Licensee will be solely responsible for any compensation payable or allowable to its Customers in consequence of any such restrictions; this responsibility will include any service level agreement or non standard agreement made between the Licensee and the Customer. To the extent that the Company incurs any costs, charges and expenses in imposing such restrictions, the Licensee shall reimburse to the Company that proportion of such costs, charges and expenses as relate to such imposition upon the Licensee's Customers.

In accordance with the Standard Licence Condition 4 (emergencies and drought) of the Licensee's License, the Licensee shall comply with reasonable instructions from the Company in relation to matters specified in statutory drought plans which are not the subject of a drought order or drought permit for a number of specified purposes. The Standard Conditions of Water Supply Licences also requires the Licensee to comply with any instructions given to it by the Company during any emergency, for the same specified purposes.

## **ii) Water Resource plans**

The Company has a responsibility to produce water resource management plans, and the Licensee has responsibility to provide information. Once established, the Licensee must notify the Company promptly of any proposed changes to the Licensee's agreed demand and resources plans.

The Plans are reviewed annually (to coincide with regulatory reporting periods) and at other times when supply difficulties are threatened.

## **Abstraction Licenses**

The Licensee must be able to demonstrate to the Company that it has sufficient access to authorised and adequate water resources to meet its obligations under the Access Agreement.

Any proposed variation to an existing licence or application for a new licence will be considered in accordance with appropriate factors, including prevalent Environment Agency (EA) policy, both at Regional and National level, in respect of the availability of resources which, in turn, will include assessment of environmental impacts and derogation of existing abstraction rights.

Implications of Catchment Abstraction Management Strategies (CAMS) must be accommodated in the Access Agreement. In March 1999, the Government published Taking Water Responsibly, which sets out its decisions for changes to the abstraction licensing system in England and Wales. These decisions are resulting in far-reaching changes to the system including the introduction of time-limited licences. To implement these decisions, the EA has developed CAMS at a local level following consultation. The implications of CAMS on existing abstraction rights, and any variations that may be required for or during the implementation of an Access Agreement, must therefore be accepted and accommodated by the Licensee.

The Company is entitled to object to any application for a new licence to abstract by the Licensee or to any proposed variation of an existing licence of the Company by the Licensee, which may result, in either case, in the conversion of any existing licence of the Company to a time-limited licence or otherwise reduce the benefit of the licence to the Company. The Company is also entitled to object to any such application for a licence which may reduce the future availability of water from a source which is required to enable the Company to meet its statutory obligations of supply. These entitlements will apply notwithstanding any application for access being made and will be incorporated into any Access Agreement resulting therefrom together with, in the latter case, an exclusion of liability for the Company in respect of the consequences of the exercise of such entitlement.

The Access Agreement will recognise that the Company needs to maintain capacity against the risk that in consequence of any statutory obligation in relation to the Interim Duty to Supply as referred to in Section 4.3.iv) below or for the provision of back-up supplies (or non-statutory standby services) as referred to in Section 4.3.iii) below, it is or may be required to assume responsibility for supplying water to the Licensee's Customer(s). In any such event and for the duration thereof, the Licensee will be required to make available to the Company, any water resources to which it is entitled but for which it has no immediate requirement.

### **Treatment capacity**

The Licensee shall make available to the Company full technical details of its water source and water treatment facilities. These shall include details of the Licensee's ability to meet its supply and treatment obligations and details of its related Operation and Maintenance Procedures.

The Company will consider the Licensee's treatment capacity together with its own in order to determine overall capacity, overall security and the operational flexibility of the System.

The Company will consider the consequence arising from the outcome that its WTW throughput may decrease if the total demand throughout the System does not increase, but is merely reallocated or reprofiled, with the Licensee now supplying part of the water.

The Company may, in certain circumstances (such as extreme dry weather conditions or loss of supply by the Licensee due to pollution events), offer standby supplies to the Licensee although it may not be possible to guarantee such supplies where the Company's resources are constrained.

The Company may, in certain circumstances if the Licensee's supplies are insufficient, offer top-up supplies to the Licensee, if and to the extent available.

The Company will consider whether its existing treatment capacity needs to be increased or decreased, if it is to meet its Interim Duty to Supply obligation or if it is required to retain provision for back-up supplies (or non-statutory standby services) referred to above.

### **Pumping capacity**

The Company will review the pumping capacity at its Water Treatment Works and within the Supply System, to determine the effect of any alternative mode(s) of operation of the Supply System.

The Company will determine where the Access arrangement results in changes to flows and pressures, to pump operating regimes, to pump efficiencies, and to opex costs.

The Company will consider whether its pumping capacity needs to be increased or decreased, if it is to meet its Interim Duty to Supply obligation or if it is required to retain provision for back-up supplies (or non-statutory standby services) referred to above.

### **Pipeline capacity**

The Company will determine whether the changes in flow quantities, diurnal flow profiles and flow velocities are acceptable, and whether the maximum and minimum carrying capacities are exceeded as the modes of operation of the Supply System are changed.



The Company will determine whether the changes in pressure are acceptable, taking into account parameters such as the pressure range, the average pressure, the night time pressure and the Company's pressure management system.

The Company will determine the subsequent effects of the proposed modes of operation on overall capacity, pressure and water quality, and the need for additional analysis and/or monitoring.

#### **Demand/flow rates/flow balancing**

The Company will review the new modes of operation, and the effects of the introduction of new sources. Pipe flows (as per pipeline capacity commentary above), and flow balancing / buffer storage, will be re-evaluated using the new design data.

#### **4.1.3. Telemetry requirements for Supply System control**

The Company shall retain overall control of the operation of the Supply System, both during routine operation and emergency situations.

The Licensee shall provide and maintain adequate data collection, data analysis and control systems. These shall be compatible with and be linked to the Company's systems, as required by the Company in order to maintain adequate control.

Monitoring requirements will be stated in the Access Agreement. It is envisaged that monitoring will be required until sufficient data has been collected to give the Company confidence that a standard monitoring programme is adequate.

The level of monitoring that will be required for a particular site will be dependent upon the risks associated with the new resource input. Any enhanced monitoring deemed to be required will be consistent with the approach the Company takes to introducing its own new supplies. For instance, in the past the Company has used in-line turbidity monitors in the network when implementing source alterations.

This enhanced monitoring shall be to the account of the Licensee.

#### **4.1.4. Secondary connections**

The Access Agreement will be based on pre-agreed Entry Point(s) and Exit Point(s) and these will be scheduled in the Access Agreement. No other Entry Point or Exit Point shall be used unless prior agreement of the Company has been given and the Access Agreement duly amended.

#### **4.1.5. Supply System maps and plans**

The Company maintains a comprehensive GIS which stores substantial information about its infrastructure assets.

If the Company consider it appropriate, relevant copies of the Company's mains plans will be provided to the potential Licensee, normally at the detailed application stage (subject to objectively justifiable conditions about security and copyright).

The GIS is used to generate network data for use in hydraulic models which are constructed on an 'as required' basis and also utilise data available from other Company databases. Any model used to assess an application from a Licensee will be amended or updated by the Company to reflect the proposed Access arrangements. The Company may share information from Supply System modelling, for example, to clarify specific aspects during the negotiation of connection costs (such as mains reinforcement), and to determine operational practices such as regular flushing programmes. It will also be important to highlight known areas at risk of discolouration incidents due to flow or pressure fluctuations during routine and non-routine use of the system, for example, firefighting.

The Licensee will provide such information as is necessary to support the newly constructed or updated network models, and the Company may, as it considers appropriate, store this information in its corporate information systems, such as the GIS.

#### **4.1.6. Point of entry controls and failure modes**

As noted in Section 4.1 above, the Company retains full responsibility for the operation, maintenance and control of its Supply System in its Area of Appointment, and the Licensee must comply with the Company's monitoring requirements to ensure the safe and efficient management of the Supply System. The Licensee must advise the Company immediately it becomes aware of any fault or failure of the Supply System.

Flow, pressure and water quality sampling shall be undertaken as Section 2.4. The Licensee shall ensure that the Company has access to all required sampling points for both routine and emergency sampling purposes.

The Company must have full access to the Licensees system monitoring data, including control systems, so that problems can be detected and appropriate action taken particularly in case of emergency. The Company must also have access and authority to intervene in the Licensees processes to protect the Company's Supply System and Customers at any time.

Reverse flows (back to the Supply System from the Licensee's Customer's system, and at Entry Points and other Exit Points) shall be avoided under all conditions, by provision of appropriate devices such as non-return valves and air gaps at tanks and cisterns in accordance with the Water Supply (Water Fittings) Regulations 1999.

## **4.2. Metering services**

This Section to be read in conjunction with Section 2.4.4.

### **4.2.1. Meter asset management**

Meters shall be provided at the Entry Point(s) and at the Exit Point(s). These metering facilities shall be specified, installed, commissioned, maintained and owned by the Company, to the account of the Licensee in accordance with the Company's charging scheme (refer to the Company's website [www.waterplc.com](http://www.waterplc.com) ).

**i) Metering solutions available**

The new metering facilities will be specified by the Company. The specification will include the type and size of meter, and the range of meter accuracy. The metering facilities selected will take account of current technology and compatibility with the Company's existing system(s).

**ii) Meter installation**

The Company will arrange for the meter installation(s) to be completed, and the work will, where applicable, be to the account of the Licensee via the Connection Charge.

**iii) Meter maintenance**

Meter maintenance shall be specified by the Company. The procedures will take account of the meter manufacturer's written instructions (where available) and of other considerations if problems may or do occur. Meters will be replaced from time to time in accordance with the Company's meter replacement programme.

**4.2.2. Meter calibration and verification**

The Company will specify the procedures and methodologies for meter recalibration checks. These will generally be in accordance with the meter manufacturer's written instructions (when available), and at pre-agreed intervals as specified in the Access Agreement. If either the Company or the Licensee believe any meter at either the Entry Point(s) or the Exit Point(s) is, at any time, erroneous, then either may request a calibration check which will be carried out by the Company. The costs of such interim checks will, when applicable, be to the account of the Licensee.

**4.2.3. Meter reading and meter reading verification**

The Licensee will be responsible for reading meters on its Customer's premises, but it will have to share meter and meter reading information with the Company (section 205 WIA91). The Company will still have access to the meter and it will be responsible for maintenance (as it is part of the Supply System).

The readings must be taken at pre-agreed intervals currently envisaged as monthly. The Company will compare the recorded flows with the expected flow profiles and the Licensee must fully co-operate with any investigation, analysis and action required by the Company if the meter reading(s) do not reflect the pre-agreed values and profiles scheduled in the Access Agreement.

The Access Agreement will set out the process for dealing with disputes about meter readings. Licensees and the Company may wish to agree an arbitration route along the lines of that open to Water Undertakers and their Customers in the Water (Meters) Regulations 1988.

The Licensee must make provision to share meter readings with the Sewerage Undertaker. If the Sewerage Undertaker requires more frequent readings than provided by the Licensee, it can seek to make alternative arrangements (subject to paying the Licensee's costs). If the parties cannot agree they can refer the matter to arbitration. Ultimately, the Undertaker has a right of access to read meters under section 172 WIA91 and can make its own arrangements to take a reading.

### **4.3. Supply System balancing**

#### **4.3.1. Strategic balancing**

##### **i) Annual supply planning**

The Company maintains a delicate balance between supply and demand by operating its Supply System in close harmony with its water resource plan. The water resource planning includes annual assessment of the available resources and the robustness of those resources throughout the year, with respect to reliability of yield, water quality, planned outages and headroom.

The Company will provide, operate and maintain system optimisers and schedulers as it considers necessary. The Licensee must provide any information about its system to support these management tools.

The Company will also review the impact of the Licensee's intervention on the energy and chemical balance. This review may include optimisation of energy requirements and treatment facilities. The Licensee must provide any information about its system to support this review.

The Licensee must provide any information on its forecast flow quantities, flow profiles and water quality issues as requested by the Company, in order that the Company can plan the effective operation of the Supply System. These forecasts will be required at least annually, but may be required more frequently. Such requirements will be specified in the Access Agreement

##### **ii) Use of strategic supplies**

Sections 66G and 66H WIA91 allow designation as strategic one or more introductions of certain water supplies by a Licensee into the Company's Supply System.

The trigger for designation as a strategic or collective strategic supply is that, without the introductions being made, there is a substantial risk that the Company would be unable to maintain supplies to its own Customers with water for domestic and non-domestic purposes as well as supplying the Licensee's Customers with water for domestic purposes.

The Company has a statutory duty to supply water to existing and new Customers for domestic and non-domestic purposes. These duties are relevant where a Licensee ceases to supply a Customer because the Company then has certain obligations to continue to supply that Customer, as explained in paras iii) and iv) below.

While an application for a strategic supply designation can be made at any time, the Company will discuss with the Licensee, in the initial stage of each application for access, whether (and when) a supply might be, or become, strategic as this may affect the access charge. There will also be provision within the Access Agreement for discussion of strategic supply status at any time during the life of the agreement.

### **iii) Back-up supplies (non-statutory standby service)**

The obligation of the Company to take over responsibility for supplying the Licensee's Customers if the Licensee fails to do so, which used to be known as the Supplier of Last Resort Obligation (SLRO), has now been replaced by a new Interim Duty to Supply (see para iv) below) introduced into WIA91 by the WA03.

In the event that the Licensee wishes the Company to accept any obligation of supply to the Licensee or the Licensee's Customers in addition to the Interim Duty of Supply, as a non-statutory standby service, this will be a matter for negotiation between the parties to ensure that the Company has the necessary ongoing resources to enable it to accept such an obligation and that any additional costs to the Company are recovered.

In the event that the Licensee goes out of business for any reason, the Company shall be entitled, in the absence of any other arrangements which, in the Company's absolute discretion, are sufficient to ensure that its obligations of supply to the Licensee's Customers are not compromised in any way, to assume immediate control of the Licensee's assets. Such control shall continue for so long as is necessary, in the Company's absolute discretion, to enable the Company to discharge its obligations of supply to the Licensee's Customers. All costs incurred by the Company in fulfilling these requirements will be for the account of the Licensee (as Section 9 of this Access Code).

### **iv) Interim Duty to Supply**

In consequence of the new Interim Duty to Supply introduced into the WIA91 by the WA03, following the transfer of a Customer from the Company to a Licensee, the Company's statutory duty to supply that Customer, for domestic and/or domestic purposes, as the case may be, is interrupted until the Customer reapplies to the Company for a supply. Reapplications for a supply for non-domestic purposes are subject to its effect on the Company's ability to meet its current and future supply obligations. Where a Licensee ceases to supply a transferred Customer and the Customer does not notify the Company that he has made other arrangements or otherwise does not want a supply from the Company, the Company has an interim supply duty to continue to supply the Customer for a limited period. That period is until the Customer applies to the Company for a supply under section 52 or 55/WIA91 and such supply has been made, or the expiration of not less than 3 months' notice by the Company that it intends to discontinue the supply, whichever is the earlier. However, to ensure the Company is able to take over responsibility for supplying the Licensee's Customers, whether on an interim or permanent basis, without affecting its existing and future responsibilities to its own Customers, the Company is likely to need to keep water in reserve and to plan and make provisions for the infrastructure necessary for such purpose.

As indicated in para iii) above, in the event that a Licensee wishes the Company to accept any obligations of supply to the Licensee's Customers over and above those imposed by statute, this will be a matter for negotiation between the parties to ensure that the Company has the necessary ongoing resources to enable it to accept such an obligation and to ensure that any additional costs to the Company are recovered.

#### **v) Interruptible Customers and interruptions to supply**

The Company does not have any Customers on an interruptible tariff and currently has no terms on which such a tariff may be offered.

#### **4.3.2. Flow balancing and reconciliation processes**

The Company and Licensee will agree case-specific arrangements in Access Agreements on how to balance water flows over time. The Access Agreement will specify the information that each party will provide, depending on the method of balancing in each case. It is anticipated that the balancing will be based on one or more of the following :

- forecasts of supply and demand, including planned outages and maintenance;
- notification of deviation from forecasts;
- a requirement for the Licensee to introduce a volume of water, equivalent to its Customer's exact demand, into the Company's Supply System at agreed intervals and disregarding the Customer's actual consumption;
- reconciliation of input and demand at periods agreed between the Company and the Licensee; and
- financial adjustments for over-supply and under-supply as agreed between the Company and the Licensee.

It is noted that the Licensee should introduce into the Company's Supply System only sufficient water to meet the exact demand of its Customer, taking no account for potential leakage in the Supply System. As the Customer is responsible for on-site leakage, this is counted as part of its supply.

#### **i) Supply System usage forecasts for wholesale supplies**

##### **Water Undertaker's potable supply system**

The Licensee shall provide to the Company the following information :

- Average Annual Flow (Ml/annum)
- Details of proposed flow profiles (Daily, Weekly, Monthly, Annual)
- Number of days per year that Access flow will be required
- Average flow per day for days when Access occurs
- Instantaneous Maximum flow rate (litres/second)
- Instantaneous Minimum flow rate (litres/second)

Where more than a single Exit Point occurs, the above parameters for each location shall be provided by the Licensee.

This information shall be provided on the Initial Application Form, and must be updated as and when better information becomes available and/or forecasts are updated. The maximum period between updates by the Licensee shall be 12 months.

The actual usage will be recorded by the Exit meters.

### **Water Undertaker's non potable supply system (where applicable)**

The Licensee shall provide to the Company the following information :

- Average Annual Flow (Ml/annum)
- Details of proposed flow profiles (Daily, Weekly, Monthly, Annual)
- Number of days per year that Access flow will be required
- Average flow per day for days when Access occurs
- Instantaneous Maximum flow rate (litres/second)
- Instantaneous Minimum flow rate (litres/second)

Where more than a single Exit Point occurs, the above parameters for each location shall be provided by the Licensee.

This information shall be provided on the Initial Application Form, and must be updated as and when better information becomes available and/or forecasts are updated. The maximum period between updates by the Licensee shall be 12 months.

The actual usage will be recorded by the Exit meters.

### **ii) Supply System usage forecast for combined supplies**

#### **Water Undertaker's potable supply system**

The Licensee shall provide to the Company the following information :

- Average Annual Flow (Ml/annum)
- Details of proposed flow profiles (Daily, Weekly, Monthly, Annual)
- Number of days per year that Access flow will be required
- Average flow per day for days when Access occurs
- Instantaneous Maximum flow rate (litres/second)
- Instantaneous Minimum flow rate (litres/second)

Where more than a single Entry or Exit Point occurs, the above parameters for each location shall be provided by the Licensee.

This information shall be provided on the Initial Application Form, and must be updated as and when better information becomes available and/or forecasts are updated. The maximum period between updates by the Licensee shall be 12 months.

The actual usage will be recorded by the Entry and Exit meters.

### **Water Undertaker's non potable supply system (where applicable)**

The Licensee shall provide to the Company the following information :

- Average Annual Flow (Ml/annum)
- Details of proposed flow profiles (Daily, Weekly, Monthly, Annual)
- Number of days per year that Access flow will be required
- Average flow per day for days when Access occurs
- Instantaneous Maximum flow rate (litres/second)
- Instantaneous Minimum flow rate (litres/second)

Where more than a single Entry or Exit Point occurs, the above parameters for each location shall be provided by the Licensee.

This information shall be provided on the Initial Application Form, and must be updated as and when better information becomes available and/or forecasts are updated. The maximum period between updates by the Licensee shall be 12 months.

The actual usage will be recorded by the Entry and Exit meters.

### **iii) Imbalance accounting**

The following scenarios create potential for imbalances :

- Licensee forecast input and Customer forecast usage
- Licensee forecast input and actual input
- Licensee actual input and Customer actual usage
- Customer forecast usage and actual usage.

Imbalances will be most evident from the Entry Point and Exit point meter readings, but may also become evident from other data or information, whether or not the meter readings be previously suspected inaccurate. The Company will advise the Licensee as soon as it becomes aware of any imbalance and the Licensee must supply any additional information if requested by the Company to help investigate the reason for the imbalance. Likewise, the Licensee must immediately advise the Company if it becomes aware of an imbalance.

The imbalance will be investigated in the reconciliation process.



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**iv) Reconciliation process**

Actual meter readings shall be compared to forecasts and any significant variations identified by the Company to the Licensee.

Should Entry and Exit meters be considered inaccurate, then the Company may use any other information from other flow meters, pressure measurements, pumping operations, network modelling and alike, to investigate and resolve any anomaly.

Any reconciliation should take place as soon as is practically possible (typically within 20 working days after identification of the imbalance).

If the imbalance is proven (ie the difference between water entering the Supply System at the Entry Point(s) and water leaving the Supply System at the Exit Point(s) is greater than anticipated), then the Licensee must explain to the satisfaction of the Company the reason for the imbalance. The Licensee must then confirm to the Company any proposed change(s) to the flows and profiles scheduled in the Access Agreement.

If the imbalance is a short term event, the Company and Licensee may agree an imbalance fee. In agreeing this fee, it is noted that the Company will, most likely, have maintained the infrastructure capacity either to meet the pre-agree flow rates, or to deliver the additional water.

The Company or the Licensee may request an amendment to the Access Agreement if the considered necessary.

The associated costs shall be to the account of the Licensee, if the imbalance is not attributable to the Company.

**v) Peak season and off peak reconciliation (where applicable)**

The Company's Supply System experiences typical seasonal fluctuations in demand.

The Company's Supply System serves a range of environments from heavy urban to rural, and includes commercial and industrial consumption from small shops to large sites. As such, the diurnal profiles vary accordingly both daily and seasonally. The Company's assets are maintained and operated accordingly.

The effect of the Licensee's demand profile(s) on the Company's Supply System will therefore be considered during the application stages, so that the effective operation of the Company's Supply System can continue.

## 5. Supply System maintenance and Emergency Procedures

### Maintenance

The parties will:

- identify the Licensee's relevant assets required for access;
- agree the performance standards those assets must meet; and
- agree arrangements for regular review of those assets, to ensure they are maintained properly.

In this way, the Company will be able to ensure the integrity of the Supply System as a whole.

The Access Agreements will :

- cover the enabling of maintenance of the Licensee's assets so that the Company can be assured those assets meet the optimum standards of maintenance necessary to maintain a suitably reliable supply.
- define the procedures to follow (as well as each party's role) during planned and unplanned Supply System maintenance, including meter installation and essential repairs.
- contain a minimum notification period for planned work. This should include a process for notifying Customers of a reduced supply or interruptions and, where appropriate, confirmation of the return to normal service.

The Company will set the notice period, because it knows its own planning process and therefore how much notice it can give. The notice period will have due regard to the nature of the supply, for example quality, quantity, pressure, interruptability, storage and alternative supply arrangements available to either party.

The Company and Licensee will seek to agree when the maintenance is to be carried out, agree timescales for notifying each other of their intentions to carry out work that will disrupt the operation of the Supply System, the Licensee or its Customers and agree what to do if planned maintenance overruns (that is, it becomes unplanned).

The Company will, in specific circumstances, pay compensation to the Licensee. Whilst the Licensee is not entitled to any compensation under the GSS, any compensation issue will be treated as if in accordance with GSS.

The Access Agreement will also include circumstances in which the Licensee must pay compensation to the Company.

Access Agreements between Licensees and Secondary Water Undertakers must also cover the circumstances in which each will pay compensation to the other.

## **Emergency Procedures**

The Company and Licensee will conduct their businesses in such a way as to ensure the compliance with obligations under the Security and Emergency Measures (Water and Sewage Undertakers) Direction 1998, Security and Emergency Measures (Water Undertakers) Direction 2006, Security and Emergency Measures (Licensed Water Suppliers) Direction 2006, and with any subsequent supplementary direction.

The Licensee must cooperate fully with the Company in production and maintenance of a set of robust emergency procedures.

The methods by which the Company and Licensee exchange information, both as routine and emergencies, will be detailed in the Access Agreement.

### **Operational and Emergency Contact**

The Company's 24 hour Control Room at Redhill : Telephone : 01737 772000

## **5.1. Diagnosis of system issues**

### **5.1.1. Obligations with respect to diagnosis of Supply System problems**

#### **i) Responsibility of Water Undertaker**

The Company retains responsibility for the operation, maintenance and control of its Supply System in its Area of Appointment, and hence for meeting statutory Levels of Service from time to time.

The Company will normally retain responsibility for enforcement of the Water Supply (Water Fittings) Regulations 1999 on the Licensee's Customers.

#### **ii) Responsibility of Licensee**

The Licensee shall co-operate with the Company in adopting and maintaining procedures to meet the statutory Levels of Service (including, but not limited to, DG2 and DG3).

Should the Licensee suspect or become aware of any problem or potential problem with the Company's Supply System, or with his own system which may have an effect on the Company's Supply System or its Customers, then he must inform the Company without delay.

In the event of the Licensee having responsibility for the Water Supply (Water Fittings) Regulations 1999 on the Licensee's Customers, the Licensee will indemnify the Company for all consequences of any failure to fulfil it.

### **5.1.2. Quality Issues**

The Company is ultimately responsible for the quality of the water in its Supply System. The Licensee is responsible for maintaining the standard of water quality introduced into the Company's Supply System. It is important that any information which identifies any change to the expected quality of the water in the Supply System is made available by either party to the other at the earliest occasion.

Any delay to the provision of such information could put at risk the wholesomeness of supplies to the Customers of both the Company and the Licensee, and would contravene the requirements of the 'Water Quality Information Direction 2004 (and any subsequent revision)'. The liability for any incident resulting from any act or omission of the Licensee, will rest with the Licensee.

Equally, information on planned operational activities by the Company to maintain water quality, will be advised to the Licensee as appropriate. Such activities could include regular flushing of the Supply System in certain locations to remove sediment.

### **5.1.3. Hydraulic issues**

The Company is responsible for maintaining the hydraulics of the Supply System including compliance with DG2 (Inadequate Pressure) and DG3 (Supply Interruptions) service standards.

Pressure is continually monitored at District Meter and other strategic sites in the Supply System. Data is assessed annually to identify DG2 failures in the network. A register is maintained which identifies all properties at risk of receiving pressure at less than the threshold value.

Interruptions to supply are all recorded on the Company's in-house database. These include all planned and unplanned interruptions and detail the timing, duration and assessed cause. The records also provide details of the properties affected and any activities carried out to notify Customers prior to or during the interruption.

The Company will identify any sensitive areas likely to be affected by the Access Agreement, and the Licensee shall liaise with the Company to ensure that adequate Levels of Service are maintained. This liaison shall include day to day operations, and information on forecasts and items likely to impact on risk assessments.

### **5.1.4. 'Real' time information capture systems**

The Company uses its SCADA (**S**upervisory **C**ontrol and **D**ata **A**cquisition) and other operational monitoring systems to identify satisfactory performance and security of the Supply System. Such systems cover flow, level, temperature, pressure, quality and plant operation. Subsequent analysis of the data identifies whether the Company has breached any levels of service.

The speed and frequency of data exchange will depend on the assessment of risks. However, it is important that certain water quality data, and possibly hydraulic data, is passed between the parties very quickly so as to minimize risk to Customers, especially where there may be concern that the water may not be wholesome or may pose a risk to health.

The Licensee shall therefore cooperate with the Company in the provision of data (via telemetry or otherwise) as Section 4.2. Details of information required by the Company will depend upon the Licensee's water sources and Customers, hence the information capture systems (including data format, protocol and transmission speed) will be defined once the Licensee's proposals are evident to the Company during the access application process.

### **5.1.5. Reporting procedures**

All information to be provided by the Licensee in relation to the operation of the network following an appointment will be captured on a secure website. Equally, information for the Licensee will also be made available in this manner. Further details of this mode of data exchange will be provided in the Access Agreement. It is envisaged this secure website will be an extension of the Company's current website, and the associated set up costs will be free of charge to the Licensee.

The Company's point of contact for day to day management of operational issues will be the Company's Control Room at Redhill. The Licensee shall report all emergencies and network problems to this Control Room. Communication to the Control Room shall be by telephone in the first instance, and then followed up within 1 hour by email or fax. The Company will acknowledge receipt of the problem notification by similar means within a similar timescale. The Licensee shall co-operate with the Company and shall comply fully with the requirements of the Company in the case of an emergency or network problem.

The Licensee shall provide an emergency contact telephone number so that the Company can contact the Licensee at any time. The Licensee shall ensure that this number is manned throughout the Agreement period, unless such other arrangements are agreed and detailed in the Access Agreement.

## **5.2. Planned system maintenance**

### **5.2.1. Obligations with respect to planned maintenance**

#### **i) Responsibility of the Company**

Responsibility for day to day maintenance of the Supply System, together with evaluation of asset condition, the programme for capital maintenance, and (if any) capital enhancement investment, shall remain with the Company.

The Company will update its operating procedures to take account of the Access Agreement. The Licensee must comply with these procedures.

The Company will control and supervise the recovery of the Supply System after all outages.

The Company will notify the Licensee of the Company's procedures and requirements for implementing such recovery, and the Licensee shall take proper account of all such procedures, requirements and times, and at all times observe and comply with them.

The Company will :

- inform the Licensee when it will carry out work on assets within those parts of the Supply System used by both parties and whether this will affect supplies to the Licensee's Customer's premises or use of its sources.
- arrange to discuss with the Licensee regularly (every six months) their planned maintenance programmes
- co-ordinate with the Licensee on how to minimise disruption to Customers and/or water sources.

## ii) Responsibility of Licensee

The Licensee will cooperate with the Company in its planning and implementation of Supply System maintenance. The Licensee must be aware that this maintenance may involve temporary suspension of flow at the Entry point and/or at the Exit Point, or within the Supply System itself. It may also involve suspension of monitoring systems and alike.

The Licensee will :

- inform the Company of any planned maintenance to its water sources. Licensees already pay for system storage through access charges. In cases where this is not adequate to cover periods of maintenance, the Licensee is likely to require standby supplies.
- be responsible for informing its Customers of any disruption in supply as a result of maintenance carried out by either party.

### 5.2.2. Specification of assets

Any asset within the Company's Supply System may be subject to planned maintenance. Such assets include, but are not limited to, pipes, valves, pumps, reservoirs, meters, telemetry, computers, SCADA and buildings.

### 5.2.3. Maintenance standards

The Company is responsible for maintaining the hydraulics of the Supply System including compliance with DG2 (Inadequate Pressure) and DG3 (Supply Interruptions) service standards.

The Company operates in accordance with the Guaranteed Standards Scheme (GSS) and reports against the levels of service as defined. The Company generally makes compensation payments at the level required by the GSS, although in some instances payments are made at an enhanced level.

Licensees are not Customers of the Company for the purposes of the Government's Guaranteed Standards Scheme (GSS) and Customers of Licensees will not have the benefit of the GSS.

#### **5.2.4. Risk assessment processes**

The Licensee shall provide such information as required by the Company in order that adequate risk assessments can be carried out.

The Licensee shall co-operate with the Company in the management of the risks identified in the risk assessments which can be expected to include :

- vulnerability of the Supply System
- failure of the Supply System to meet required levels of service
- source vulnerability to pollution, including cryptosporidium
- overrun of work programme

Should the Licensee not cooperate with the Company during the risk assessment, the Company shall take whatever precautions it considers necessary to overcome or minimise the risk, and the costs shall be to the account of the Licensee. In the extreme event, the Company will reserve the right to suspend access to the Supply System.

### **5.3. Unplanned system maintenance**

#### **5.3.1. Obligations with respect to unplanned maintenance**

##### **i) Responsibility of the Company**

The Company will be responsible for repairing bursts and faulty infrastructure on its Supply System. The responsibility for repairing bursts and faulty infrastructure on the Licensee's system will be defined in the Access Agreement. The Access Agreement will also clearly define limits of responsibility and fallback in the event of failure to perform by either party.

The Company will control and supervise the recovery of the Supply System after all outages, bursts and/or other incidents, including faulty infrastructure.

The Company will notify the Licensee of the Company's procedures and requirements for implementing such recovery and of its repair times for strategic and distribution mains, and the Licensee will take proper account of all such procedures, requirements and times and at all times observe and comply with them.

The Company will review the impact of the Licensee's intervention on existing contingency and emergency plans.

The Company will review the existing plans and may update them to take account of the Access Agreement. In addition to emergency modes of operation of the System, the plans address specific procedures including mobilisation of standby bowzers and distribution of bottled water. The Licensee must comply with these plans, and, where appropriate, meet the costs of implementation.

## ii) Responsibility of Licensee

The Licensee must cooperate with the Company in its response to any unplanned maintenance event and shall comply fully with the requirements of the Company procedures. The Licensee must be aware that this maintenance may involve temporary suspension of flow at the Entry point and/or at the Exit Point, or within the Supply System itself. It may also involve suspension of monitoring systems and alike.

Unplanned maintenance is a normal operational situation for any water company and hence the Company may need to take appropriate action with minimal advance notice to the Licensee. The Company will notify its Customers in accordance with its policy for such events, and will notify the Licensee likewise.

The Licensee shall liaise with its supplier (if applicable) and with its Customers to ensure overall success of the maintenance operation.

### 5.3.2. Risk assessment processes

The Company will review its procedures for maintaining maximum possible supplies of water to Customers during an outage event, taking into account the Access Agreement. The Access Agreement will cover the allocation of costs during such an event, and the cost of any standby facilities.

The Licensee shall provide such information as required by the Company in order that an adequate risk assessments can be carried out to the above or any other event.

The Company shall retain overall responsibility for allocation of task responsibility at such outage events.

The Licensee shall co-operate with the Company in the management of the risks identified in the risk analysis which should be expected to include :

- vulnerability of Supply System
- failure of Supply System to meet required levels of service
- source vulnerability to pollution, including cryptosporidium
- work programme.

The risk assessments will also consider the Company's SLRO (if applicable), any strategic supply designation, and the non preferential Customer rule.



### **5.3.3. Emergency notices**

The Company retains responsibility for issuing all emergency notices in relation to a water quality failure, supply interruption or other situation affecting Customer supplies. The Company will make decisions on when to issue relevant notices based on information it possesses at the time of an incident combined with the views of medical professionals working on behalf of either the Company or the local health authority. The Licensee will be expected to provide the Company with any relevant information that might assist in informing a decision to issue an emergency notice.

## **5.4. Safety aspects of unplanned and emergency work**

### **5.4.1. Status classification**

The Company retains a schedule which describes the high level responses required for events of particular magnitudes. The classifications included in the schedule are based on the nature, scale and severity of an incident. The Company routinely refers to this schedule when determining actions to be carried out when an incident occurs. The schedule will be made available to the Licensee on request during the application process.

### **5.4.2. Standard emergency reporting procedures**

The Company's Standard emergency reporting procedures are described in the Company's Emergency Planning Manual which will be made available to an applicant at an appropriate time during an application.

The Company has a 24 hour Control Room which receives calls from staff and Customers and co-ordinates the Company's response to both normal operations and emergency incidents. A Licensee will be expected to comply with the procedure set out in Section 5.1.5 in respect of reporting emergencies to the Company.

The Company retains full responsibility for advising its Customers as appropriate during an incident. This might include direct verbal or written notifications either locally or throughout a larger area. The Company also makes use of its website to provide up-to-date information relating to supply interruptions and other emergencies. As noted in section 5.3.3, the Company retains responsibility for issuing of all emergency notices.

### **5.4.3. Major emergency reporting procedures**

The Company's Major emergency reporting procedures are described in the Company's Emergency Planning Manual which will be made available to an applicant at an appropriate time during an application.

The decision to invoke a Major Emergency response in the form of an Incident Control team is made by the relevant operational manager after receipt of information from the Control Room or other duty personnel. A Licensee will be expected to comply with the procedure set out in Section 5.1.5 in respect of reporting Major emergencies to the Company.

The Company retains full responsibility for advising its Customers and any other persons supplied by its Supply System as appropriate during an incident. This might include direct verbal or written notifications either locally or throughout a larger area. The Company also makes use of its website to provide up-to-date information relating to supply interruptions and other emergencies. As noted in section 5.3.3, the Company retains responsibility for issuing of all emergency notices.

## **5.5. Emergency procedures for dealing with specific events, issues and incidents**

An incident may occur when the quality of the Licensee's water falls outside the prescribed values, but there is no immediate risk to health and water continues to be supplied. However, a situation could occur where there is a risk to health and the introduction of water has to be suspended, in which case different procedures should be invoked.

The Company and Licensees (combined and retail) are required to notify the relevant bodies, as detailed in the Water Undertakers (Information) Direction 2004 (for Water Undertakers in England) and also the Water Supply (Water Quality) Regulations, of any incident that may affect drinking water quality or sufficiency of supplies. Due regard should also be paid to DWI's Information Letters 13/1999 and 12/2004, together with its Guidance on the Notification of Events.

Standard Licence Condition 5 of the Licensee's Licence requires Licensees immediately to inform the relevant Water Undertaker if they become aware of any actual or potential incident which affects or is likely to affect water quality. For those purposes, an incident includes regulatory infringements which would put the Licensee or the Company at risk of supplying water which is unwholesome or unfit for human consumption within the meaning of sections 67 and 70 WIA91. Licensees must adhere to the best practice procedures adopted by Water Undertakers to provide such information to the Consumer Council for Water (CCW).

If the Company has reasonable cause to suspect that an incident has or is likely to occur in relation to the Access Agreement, it will stop the further introduction of water by the Licensee until the incident is over. Ofwat consider that an indemnity is not required, provided the Company can demonstrate why it is cutting off the introduction. Supplies to the Licensee's Customer should continue under the interim supply duty in section 63AC WIA91. However, the interim supply duty will not apply if it would put at risk the Company's ability to meet its existing supply obligations for all purposes and its probable future obligations to supply water for domestic purposes or require unreasonable expenditure to do so.

The Company will brief the Licensee on any relevant emergency action plans before a live connection is made. The Licensee must provide to the Company details of the Licensee's emergency procedures and must demonstrate them to the satisfaction of the Company. The Licensee must agree with the Company appropriate testing procedures if so required by the Company. Responsibilities and procedures for local incident management teams will be defined in the Access Agreement. The Licensee must participate, when required by the Company, in the Company's emergency and incident exercises.

The Licensee's emergency plans and procedures will be audited each year under the requirements made under the WIA91. The Company will share its own plan to ensure compatibility. Under the direction, the plans have to be reviewed by both parties on a regular basis.

The Licensee must meet with the Company at least once a year to discuss emergency plans to foster co-operation and ensure compatibility.

Subject to statutory directions, and before live connection, the parties must agree responsibilities and procedures for:

- security of supply;
- failure of plant and machinery;
- hydraulic incidents;
- pressure incidents, such as depressurisation;
- water for firefighting purposes and fire hydrant flushing; and
- contamination or pollution incidents.

The Company and the Licensee must both liaise with the Environment Agency for pollution control and proper management of water resources. They should also work together to comply with nationally agreed security standards and, where appropriate, those measures required for specific local circumstances.

The Access Agreements will identify the circumstances when compensation may be payable to either party as a result of incidents or emergency events.

The Company is entitled to recover its costs where Licensees are found to be the cause of incidents or emergencies.

## **5.6. Customer protection**

The Licensee will be responsible for Customer services to its Customer unless it agrees otherwise with the Company. The Access Agreement will set out the services to be provided by the Licensee and those to be provided by the Company. Licensees are not Customers of Water Undertakers for the purposes of the Government's Guaranteed Standards Scheme (GSS) and Customers of Licensees do not have the benefit of the GSS.

The Access Agreement will specify all arrangements for Customer service that have been agreed by the parties. Any compensation agreed between the Licensee and its Customer shall be independent of any agreement between the Licensee and the Company.

The access charge will reflect the arrangements for Customer service and responsibility allocated between the Company and the Licensee. Where the Access Agreement provides that the Company shall continue to provide certain services to a Licensee's Customers, that will be taken into account appropriately in the access charge.

### **5.6.1. Special Consumers**

The Company retains a database of both domestic and commercial Special Consumers. The information held on the database is either used for billing purposes, or for planned and unplanned operations.

Persons or organizations included on the database do not have to be Customers of the Company although they will be supplied with water from the Company's Supply System. As such, a Licensee's Customer could still be included on the database for emergency response purposes.

The Licensee must inform the Company of relevant details if a Special Consumer occupies or is likely to occupy any premises that the Licensee supplies. These might include, for example, details of those living in eligible premises who require water for medical purposes. Similarly, the Company will inform the Licensee of relevant details if it is aware that a Special Consumer occupies, or is likely to occupy, any premises which the Licensee is proposing to supply. It is noted that the service of providing information to Customers can itself be outsourced by the Licensee, including outsourcing to the Company.

Further information on the database and its use will be provided to the Licensee during an application. It will be for the Licensee to determine with its Customer whether it wishes to be added/retained on the database and for providing up-to-date information on which the Company can base its response when necessary.

### **5.6.2. Large scale Customer warning procedures**

The Company's policy for notifying large numbers of Customers in the event of an emergency situation is described in the Company's Emergency Planning Manual and can be provided to a Licensee at an appropriate time during an application.

The Company retains full responsibility for advising its Customers and any other persons supplied by its Supply System as appropriate during an incident. A Licensee will be expected to provide up-to-date information in relation to its Customer's properties to enable the Company to provide notification in accordance with its policy.

### **5.6.3. Emergency compensation payments**

The Access Agreement will specify the basis of any compensation payable to the Licensee by the Company due to lack of adequate performance by the Company regarding the Access Agreement. Any compensation will be compatible with the GSS. The Company will not be liable for consequential loss of either the Licensee, its Customers or any third party.

### **5.6.4. Emergency operational planning exercises**

The Company carries out annual exercises to assess the suitability of its procedures in dealing with emergency incidents and the adequacy of its response. The Licensee will be expected to be involved in such exercises from time to time as appropriate to its Licence.

Separately, a Licensee will be expected to carry out its own exercises to test the adequacy of its own response to an incident affecting its capability to supply, where relevant.

## **5.7. Support processes**

### **5.7.1. Arrangements for press liaisons**

The Company places great emphasis on public relations and Customer awareness and shall notify the Licensee of its approach in this regard from time to time. The Licensee is expected to support this approach, and shall not undertake any activity to damage the Company's public image. The Licensee shall comply with the Company's approach for maintaining adequate Customer confidence, both in the Supply System and in the Company. The Company from time to time uses an external consultant to assist with these external communications and the Licensee shall cooperate with that consultant in his work.

The Licensee will also be required to notify the Company of its own public relations and public awareness policies from time to time. The Licensee will also be required to ensure that the continuing obligations of the Company in relation to the Licensee's Customers, are acknowledged by the Licensee and communicated to its Customers, in accordance with the Company's reasonable requirements.

These arrangements may include contact with press and broadcast media in relation to a range of issues including major planned works, and major and emergency incidents.

### **5.7.2. Arrangements for the dissemination of severe weather warnings**

The Company will, whenever possible, advise the Licensee of any severe weather warning that it has knowledge of and which it considers may or will affect the Company's ability to supply and deliver water. This communication may be by telephone, email, fax or webpage (or as detailed in the Access Agreement) The Company shall have no liability for any failure to advise the Licensee of any such warning or of any inaccuracies in any warning given, whether arising from the Company's negligence or otherwise.

### **5.7.3. Emergency contacts**

#### **i) Responsibility on the Company**

The Company maintains a Control Room at its Redhill offices. This facility, which is manned 24 hour per day, will act as its emergency point of contact, and should be used for communications on operational matters. The Redhill office also has a fully equipped emergency response control and coordination room.

#### **ii) Responsibility on Licensee**

The Licensee must provide a 24 hour contact, who has the authority to deal with both routine issues and operational emergencies associated with the Access Agreement. Failure to maintain such a facility, without prior written agreement of the Company, will be considered a breach of the Access Agreement, and the Company will reserve the right to suspend the access, or to take appropriate action affecting the access as it thinks fit, in order to deal with the situation.

## **5.8. Reportable situations**

The Company reports situations to external regulatory bodies in accordance with the guidance issued by each body and any relevant legislation. The Licensee will comply equally with the requirements of the regulatory bodies relevant to the terms of its licence.

The Licensee will cooperate fully with the Company in any relevant situation that requires a regulatory body to be formally notified. This will include both the period during and immediately after an event, as well as any subsequent reporting requirement in accordance with the Regulations or other Codes of Practice

## **6. Customer contact arrangements**

This part should include, but not be limited to, the following sections. In turn, each section should include, but not be limited to, the information and issues identified.

### **6.1. Customer contact arrangements for operational queries and complaints**

#### **6.1.1. Customer meter reading**

As stated in Section 2.4.4 of this Access Code, the Licensee will be responsible for reading meters on its Customer's premises, but it will have to share meter and meter reading information with the Company. The Company should still have access to the meter and it will be responsible for maintenance (as it is part of the Supply System). Meter maintenance and reading can, however, be outsourced as part of the Access Agreement.

#### **6.1.2. Billing and debt collection**

The Licensee is responsible for billing and debt collection from its Customers. However, a Licensee may ask the Company to provide billing services on its behalf. The process for establishing the price for that non regulated service will be agreed as part of the Access Agreement.

Following a transfer between the Company and a Licensee, the Customer will receive a final invoice from the Company based on the meter reading at the time at which the change of supply took place.

Section 2.2.7 refers to situations where a Customer switching from the Company to the Licensee has a debt with the Company.

The Licensee shall be required to pay access charges to the Company irrespective of whether the Licensee's Customers pay their bills.

#### **6.1.3. Operational Issues**

##### **i) Water supply queries**

The Licensee must ensure that the Customer is aware of any instances when the Company should be the point of contact (if any, depending on what the Licensee and Company have agreed between themselves). The Licensee must also ensure that there are appropriate provisions in place to pass on queries between a Customer and the Company if necessary. Some business Customers may need day-to-day contact with the Company on water quality issues that affect the running of their business, for example an electronics factory might need daily information on the conductivity of water supplied.

## ii) Sewerage queries

The Company and the Licensee shall liaise with the Sewerage Undertaker as referred to in this Access Code, and as required by the Access Agreement.

Sewerage undertakers and/or billing agents will generally retain their existing relationships with their sewerage Customers. However, they may agree (with the Customer's involvement) a commercial arrangement for the Licensee to conduct some or all of the contact on behalf of the sewerage undertaker.

### 6.1.4. Complaint handling processes

The Company has established a set of procedures for logging, reporting and dealing with Customer complaints. The Company requires that this system remains and be extended, if necessary, to deal with Customer complaints associated with the Access Agreement. Amendments and additions to the system as a result of the Access Agreement will be to the account of the Licensee.

The Licensee shall be the first point of contact for all enquiries from its Customer(s). However the Company shall retain responsibility for investigating all complaints relating to the operational issues of the Supply System, including those of the Licensee's Customers. For example, the Company shall be responsible for informing all Customers whose premises are connected to its Supply System about emergencies such as 'boil water' notices.

Where the Licensee owns a supply system which is connected to the Company's Supply System, the Company shall continue to investigate all operational queries, and transfer the matter to the Licensee when the Licensee is responsible for the fault.

As referred to in Section 1.3.7, the Consumer Council for Water (CCWater) represents and protects the interests of all Customers. CCWater will represent the interests of both the Company's Customers and the Licensee's Customers under the new competitive regime. CCWater will consider complaints from Customers in the event that the Customers have exhausted the complaints procedure of the relevant supplier ie the Company or the Licensee, and still remain dissatisfied with the response.

### 6.1.5. Obligations on the Company

The Company will investigate any problem in its Supply System, and the Licensee and its Customer shall, if requested by the Company, participate fully in any investigation and problem resolution exercise. The Company will communicate with the Licensee and its Customer as appropriate. Refer also to Section 5.3 of this Access Code.

Administration of the Access Agreement on behalf of the Company will reside with the Operations Director to whom all correspondence shall be directed. The Operations Director may appoint other officers of the Company to liaise with the Licensee as necessary.

As stated in Section 5.1.5 of this Access Code, the Company's point of contact for day to day management of operational issues will be the Company's Control Room at Redhill. The Licensee shall report all emergencies and network problems to this Control Room.



### **6.1.6. Obligations on Licensee**

As stated in Section 5.7.3, the Licensee must provide a 24 hour contact, who has the authority to deal with both routine issues and operational emergencies associated with the Access Agreement.

The Licensee shall provide the Company with full contact details of its Customer, so that direct contact can be made if considered appropriate.

The Licensee must ensure that its Customer has the contact details of the Company.

The Licensee must retain a schedule of identifiable reportable issues, and this schedule shall be available for inspection by the Company at all times. It may be appropriate for this schedule to be retained on a secure website.

### **6.1.7. Disconnection**

Refer to Section 7.5.

## **6.2. Customer contact arrangements for emergencies and events**

Customer protection issues are also considered under Section 5 – Supply System Maintenance and Emergency Procedures.

### **6.2.1. Special Consumers**

Refer to Section 5.6.1.

### **6.2.2. Large scale Customer warning procedures**

Refer to Section 5.6.2

### **6.2.3. Obligations on the Company**

Refer to Sections 5.3.3, 5.6.2 and 5.7.3(i).

### **6.2.4. Obligations on Licensee**

Reference shall be made to relevant Sections of this Access Code including :

- Section 5.2.1(ii) : Obligations with respect to planned maintenance
- Section 5.3.1(ii) : Obligations with respect to unplanned maintenance
- Section 5.6.2 : Large scale Customer warning procedures
- Section 5.7.3(ii) : Emergency contacts

The Company routinely tests its alarms and procedures. The Licensee must actively participate in such tests. The Company will ensure that the Licensee is given adequate information regarding these procedures before access commences, and the Licensee shall attend any briefing and/or training sessions as requested by the Company.

## **7. Supply System connections**

The Water Industry Act 1991 as revised by the Water Act 2003 places new obligations on Water Undertakers to connect the Licensee's operational facilities and Customer premises to the Water Undertakers infrastructure.

This Section provides information on the processes for connecting to the Supply System, and includes details of Connection Charges and Termination Charges. Details of other charges to the account of the Licensee are included in Section 2 (charges during the application process) and Section 9 (Access Pricing).

Further information on mains and property connections to the supply system is given in the Company's 'Water Mains Requisition Procedures' document available on the website. <http://www.waterplc.com/userfiles/slp200704.pdf>.

### **7.1. Connection of Licensee's source to Supply System**

The location, size, metering requirements and other technical details of the connection will be agreed between the Licensee and the Company during the application process as described in Section 2.3 of this Access Code, and will be detailed in the Access Agreement.

The programme for the work will be agreed between the Company and the Licensee, and to ensure the Company's system is not compromised in any way, any connection to the Company's existing Supply System will be carried out by the Company. This work will be to the account of the Licensee as per the Company's charging scheme approved by Ofwat (refer to Section 7.4). The work will be carried out subject to free access to the site as when required by the Company. Any delays to the programme due to non availability of site or site access will be to the account of the Licensee.

### **7.2. Connection of qualifying premises to Supply System**

The location, size, metering requirements and other technical details of the connection will be agreed between the Licensee and the Company during the application process as described in Section 2.3 of this Access Code, and will be detailed in the Access Agreement.

The programme for the work will be agreed between the Company and the Licensee, and to ensure the Company's system is not compromised in any way, any connection to the Company's existing Supply System will be carried out by the Company. This work will be to the account of the Licensee as per the Company's charging scheme approved by Ofwat (refer to Section 7.4). The work will be carried out subject to free access to the site as when required by the Company. Any delays to the programme due to non availability of site or site access will be to the account of the Licensee.

The Licensee shall be responsible for notifying the Sewerage Undertaker of the date and other relevant details relating to the change of water supplier to the Customer, and/or of any new Customer connection(s).

### **7.3. Connection of Secondary Water Undertaker's supply system to the Primary Water Undertaker's Supply System**

The location, size, metering requirements and other technical details of the connection will be agreed between the Licensee and the Company during the application process as described in Section 2.3 of this Access Code, and will be detailed in the Access Agreement.

The programme for the work will be agreed between the Company and the Licensee, and to ensure the Company's system is not compromised in any way, any connection to the Company's existing Supply System will be carried out by the Company. This work will be to the account of the Licensee as per the Company's charging scheme approved by Ofwat (refer to Section 7.4). The work will be carried out subject to free access to the site as when required by the Company. Any delays to the programme due to non availability of site or site access will be to the account of the Licensee.

### **7.4. Connection Charges**

Reference shall be made to the Company's website : Water Charges Scheme : Section 6.4 : Connection Charges.

[http://www.waterplc.com/water\\_charges\\_200809\\_section6\\_other\\_charges.html#sec6-4](http://www.waterplc.com/water_charges_200809_section6_other_charges.html#sec6-4)

Where not previously published on the Company's website, Connection Charges will reflect the one-off costs associated with connecting the Licensee to its Customers via the Supply System and will be consistent with the costs principle. Costs associated with services that are also received by other Customers (for example, the Company's own Customers) will be recovered through the Access Charge. On this basis, Connection Charges could therefore comprise some or all of the following :

- the costs of linking the Licensee's water source to the Supply System
- the cost of any network reinforcement required as a result of the Access Agreement
- the costs of connecting the Supply System to the Licensee's Customers
- the costs of installing meters at the Entry and Exit Points

The Connection Charges will depend upon the equipment installed e.g. the meter size, the meter pit, the length and size of the pipes required, and the physical features of the site. There will also be costs associated with the initial operation of the Access Agreement – these might include an investigation of the impact of mixing different waters, and hydraulic modelling of the network to assess pumping and reinforcement costs.

Connection costs will be established on a case-by-case basis. Where there is capital investment associated with the connection, the standard practice will be for the Company to recover the expenditure directly from the Licensee as an up-front charge. If such expenditure is annuitised, the Company's charge will include a return on capital and a depreciation charge. The return on capital will be the pre-tax cost of capital as determined by Ofwat at the previous Periodic Review. Operating expenditure will be recovered on the basis of the direct cost incurred plus a standard overhead charge.

In some circumstances, connecting a Licensee to the Supply System may also require some reinforcement of the network to be undertaken. If the costs of this are directly attributable to the amount of water put into supply by the Licensee, then the cost of the reinforcement will be included in the connection charge.

In other circumstances, for example when the Access Agreement brings forward Supply System reinforcement that was already planned by the Company, then a pro rata allowance for the expenditure will be included in the Connection Charge.

For example, the Access Agreement may involve investment to expand the Supply System; e.g. to connect two separate distribution systems. If this investment has not been funded as part of the Regulator's determination of prices, then a charge will be levied on the Licensee consistent with the costs principle, the charge being limited to the extent by which the costs exceed any financial benefits to the Company.

This charge will be calculated based on the Licensee's usage of the new asset.

This approach to setting connection charges for Licensees is consistent with the approach used by the Company for determining the cost of connecting new Customers. As explained above, individual connection charges will be set on a case by case basis.

## 7.5. Disconnection

Should disconnection at the Entry Point or Exit Point be necessary for whatever reason(s), then the technical details of the disconnection will be specified by the Company.

As with any disconnection, be it of the Company's assets or of a Customer supply, the work will be specified and carried out to ensure that the Company's system is not compromised in any way.

The programme for the work will be agreed between the Company and the Licensee. Any disconnection from the Company's Supply System will be carried out by the Company to the account of the Licensee (ie a disconnection charge). The work will be carried out subject to free access to the site as when required by the Company. Any delays to the programme due to non availability of site or site access will be to the account of the Licensee.

Where the Company makes a supply of water to premises under section 52 WIA91 (domestic purposes), or section 55 WIA91 (non-domestic purposes), the Company's powers to disconnect or cut off the supply of water to premises are set out in:

- section 60 WIA91 (disconnection for the purpose of carrying out necessary works where it is reasonable to do so);
- section 61 WIA91 (disconnection for non-payment of charges by the occupier of certain premises);
- section 62 WIA91 (disconnection at the request of the 'consumer'); and
- in certain circumstances, section 75 WIA91 (disconnection to prevent contamination or waste).

Sections 52 and 55 are expressly subject to these disconnection rights.

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The Company's statutory powers to disconnect or cut off do not, however, apply to supplies of water made under Access Agreements. This is because the supplies in question are made under sections 66A-66C WIA91. These sections do not impose duties on the Company to provide supplies of water to premises. Rather, as a matter of law, they impose duties on the Company to provide a supply of water to the Licensee and to permit the Licensee to introduce water into their Supply Systems, to enable the Licensee to provide a supply of water to their Customers at eligible premises.

## **7.6. Disconnection Charges**

Upon the expiration or termination of the Access Agreement, any outstanding connection charges together with any reasonable costs incurred by the Company associated with such expiration or termination of the Access Agreement, including costs incurred in any disconnections of supplies or services and not recovered elsewhere, will be payable by the Licensee to the Company.

## 8. Legal contract, arbitration and disputes resolution

### 8.1. Contract terms

The contract terms which will regulate the access of the Licensee to the Company's Supply System will be set out in a legal contract between the Company and the Licensee. The form of this contract will depend upon whether the Licensee requires access for a wholesale water supply under a Retail Licence or for both a wholesale water supply and a right to introduce water into the Company's Supply System under a Combined Licence. If access is required for a wholesale supply only the contract will comprise the Company's **Wholesale Master Agreement (WMA)**. If access is required for both a wholesale supply and a right to introduce water in to the Company's Supply System, the contract will comprise the Company's **Combined Access Agreement**.

#### 8.1.1. Contents

The standard terms and conditions of both the Wholesale Master Agreement and the Combined Access Agreement will be set out under the following headings:

- i) Recitals**
  - Background and purpose of the Agreement.
- ii) Definitions**
  - Glossary of defined terms.
- iii) Conditions Precedent**
  - Conditions on which the Agreement is dependent.
- iv) Permission to access the Supply System in relation to the contract in question**
  - Grant of access to the Licensee to use the Supply System and agreement to supply water.
- v) Acceptance of the Access Code**
  - Agreement by the Licensee to be bound by the Access Code.
- vi) Modifications**
  - Provisions governing modifications to the Agreement.
- vii) Ownership of Supply System and Vesting**
  - Confirmation of the Company's ownership of the Supply System and of any additions thereto.

**viii) Material Change**

- Procedure for dealing with changes of circumstance which have a material impact on the Agreement.

**ix) Liability**

- Extent of liability of each party to the other.

**x) Force Majeure**

- The effect of events or circumstances beyond the control of either party.

**xi) Exclusions**

- Exceptions from the effect of Force Majeure.

**xii) Indemnity**

- Obligation of Licensee to indemnify the Company in specified circumstances.

**xiii) Duration**

- Period of the Agreement and procedure for extension (in accordance with section 4.2.2 of the Ofwat guidance).

**xiv) Termination**

- Circumstances in which each party may terminate the Agreement.

**xv) Emergency Suspension**

- Circumstances in which the use of the Supply System by the Licensee and the provision of water supplies to the Licensee can be suspended.

**xvi) Back-up Supplies**

- Provision of supplies by the Company to the Licensee's Customers.

**xvii) Payment**

- Payment terms for water supplies.

**xviii) Dispute Resolution**

- Procedure for resolving disputes between the parties.

**xix) Notices**

- Procedures for the serving of notices by one party on the other.

**xx) Assignment and Alienation**



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- Provisions regulating assignment and alienation by the Licensee of its rights and obligations under the Agreement.

**xxi) Variations**

- Procedures for effecting variations to the Agreement.

**xxii) Waiver**

- Provisions regulating the exercise of rights, powers and remedies under the Agreement.

**xxiii) Severability**

- Failure of part of the Agreement not to affect the whole.

**xxiv) Entire Agreement**

- Confirmation that the Agreement comprises the whole agreement between the parties.

**xxv) Confidentiality**

- Protection of confidential information of either party.

**xxvi) Jurisdiction**

- Application of English Law in the English Courts.

**xxvii) Insurance \***

- Obligation on both parties to effect the insurance.

**xxviii) Third Party Rights**

- Exclusion of rights of third parties.

**xxix) Compensation**

- Extent of liability of the Company to indemnify the Licensee for compensation due to the Licensee's Customers.

**xxx) Provision of bonds and guarantees on a non-discriminatory basis.**

- The provision of bonds and guarantees by the Licensee for the Company.
- It is important that Licensees should be aware, when considering an application for an Access Agreement, that they will be required to prove to the Company that in accordance with the Standard Licence Condition 2(3)(b), they have sufficient product and public liability insurance for the activities authorised by their Licence; and that the insurance covers instances in which they fail to meet the agreed standards.

### **8.1.2. Non-standard terms and conditions**

The standard terms and conditions in the Wholesale Master Agreement will be supplemented in each case by an additional Contract Schedule which, as recommended in paragraph 3.2.2 of the Ofwat Guidance, will set out the following information concerning premises-specific access arrangements:

- Customer's name;
- Customer's premises details;
- Unique premises reference;
- Expected start date for the supply;
- Supply duration;
- Estimated annual consumption;
- Usage proportion relating to non-household;
- Special service level requirements; and
- Access price, expressed as a discount in either pence per cubic metre or a fixed charge for each year of the duration, and indicating the relevant price base.

Some of the standard terms and conditions in each of the Wholesale Master Agreement and the Combined Access Agreement are likely to require amendment to reflect the particular circumstances of access sought by a Licensee. Other terms and conditions will be wholly dependent on such circumstances. Paragraphs 4.3 to 5.7 of the Ofwat Guidance, list and comment upon the items in these categories which comprise the following:

- Strategic supplies
- Customer protection
- Customer contact – queries and complaints
- Customer transfer and switching
- Billing and debt collection
- Termination of supply
- Water quality and sampling
- Supply System management and control
- Drought and resource planning
- Maintenance and serviceability of assets

- Metering
- Flow balancing
- Emergency procedures and contacts
- Contract changes to Access Agreements.

The Company's approach to each of these items in relation to one or both of the Agreements is set out in Section 3 above (Customer Transfer Protocol) and in paragraphs 8.1.4 to 8.1.15 of this Section (all other items), below.

### **8.1.3. Incorporation of the Access Code**

As a preliminary, it must be clearly understood that the Wholesale Master Agreement and the Combined Access Agreement each incorporate the Company's Access Code and accordingly the Access Code will apply to all access arrangements between the Company and the Licensee subject to any specific exclusions from or amendments to the Access Code which are contained in each such Agreement.

### **8.1.4. Strategic Supplies**

Designation of any water supplies to be introduced into the Company's Supply System as "strategic" for the purpose of the Water Industry Act 1991, as referred to in Section 4.3.1(ii), Use of Strategic Supplies of this Code and paragraph 4.3 of the Ofwat Guidance, would affect the terms and conditions of a Combined Access Agreement. If any such designation is made or contemplated at the time the Agreement is entered into, the Agreement will incorporate appropriate provisions to take account of such designation. If any such designation is made after the Agreement is entered into, it will require to be amended for the same purpose and the Agreement so provides.

### **8.1.5. Customer Protection**

As indicated in Section 5.6, Customer Protection of this Access Code, the Licensee will be responsible for Customer services to its Customers and the Wholesale Master Agreement and Combined Access Agreement each so provide. In the event that the Licensee wishes the Company to provide any of such services and the Company is happy to provide them, the relevant Agreement will require to be amended to include the terms of such agreed arrangements as commented upon in paragraph 4.4 of the Ofwat Guidance.

### **8.1.6. Customer Contact – Queries and Complaints**

The Wholesale Master Agreement and Combined Access Agreement each set out standard provisions in relation to:

- i) the provision of Customer contact information by the Licensee to the Company;
- ii) the provision of information concerning Customers with particular needs, by the Licensee to the Company and by the Company to the Licensee;

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- iii) the provision of Company contact information by the Licensee to its Customers;
  - iv) the role and responsibilities of the Company and the Licensee in dealing with complaints from Customers and the means by which such are communicated to such Customers.

It is anticipated that the Company and the Licensee will wish to agree amendments to some, if not all of these provisions, and any such amendments will be incorporated into the particular Agreements negotiated between the parties. The nature and scope of such separate arrangements are commented upon in Section 5.6, Customer Protection, Section 5.7, Support Processes and Section 6, Customer Contract arrangements, of this Access Code and in paragraph 4.5 of the Ofwat Guidance.

#### **8.1.7. Billing and Debt Collection**

The Licensee shall be responsible for the billing and collection of all water charges of the Licensee's Customers which relate to any period from the point at which the change of supplier from the Company to the Licensee takes place. If the Licensee wishes the Company to provide billing services to its Customers, these will be subject to agreement with the Company as commented upon in Section 6.1.2 of this Access Code and paragraph 4.7 of the Ofwat Guidance. Any such arrangement will require appropriate provisions to be included in the Master Agreement or Combined Access Agreement.

#### **8.1.8. Termination of Supply**

The circumstances in which supplies of water under Access Agreements can be terminated are commented upon in paragraph 4.8 of the Ofwat Guidance. The Wholesale Master Agreement and the Combined Access Agreement contain standard termination provisions common to both Agreements and standard termination provisions relating to the Combined Access Agreement only, as follows:

- i) Standard termination provisions relating to both Agreements
  - The Company will be entitled to terminate either Agreement in the following circumstances:
    - the Licensee ceases to be the holder of a water supply licence;
    - the Licensee is in serious breach of the Agreement and fails to remedy the breach after notice;
    - the Licensee relies on Force Majeure to exercise performance of its obligations under the Agreement for more than 90 days;
    - the Licensee is to be wound up;
    - the Licensee is subject to an administration order;
    - a Receiver is appointed over the Licensee's assets;

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- the Licensee is unable to pay its debts within the meaning of S.123 of the Insolvency Act 1986;
  - The Licensee shall be entitled to terminate the Agreement by not less than [period to be agreed] notice at any time.
  - The Licensee shall be entitled to terminate the Agreement in respect of any one or more, but less than all, of its Customers for any reason by not less than [period to be agreed] notice at any time.
  - The Company shall be entitled to terminate the Agreement in respect of any one or more, but less than all, of the Licensee's Customers in the event of non-payment by the Licensee of the water charges due in respect of the supply to any of such Customers.
  - Any termination of the Agreement by the Company shall be without prejudice to any statutory duties of the Company to continue to supply the Licensee's Customers on an interim or permanent basis.
- ii) Standard termination provisions – Combined Access Agreement only
- The Company shall be entitled to terminate any right of the Licensee to introduce water into the Company's Supply System in the event of any failure by the Licensee to comply with the terms and conditions of the Agreement regulating such introduction.
  - The Licensee shall be entitled to terminate any right of the Licensee to introduce water into the Company's Supply System by not less than [period to be agreed] notice at any time.
  - Any termination of the Agreement by the Company shall be without prejudice to any statutory duties of the Company to continue to supply the Licensee's Customers on an interim or permanent basis.

### **8.1.9. Water Quality and Sampling**

The Wholesale Master Agreement and the Combined Access Agreement contain appropriate provisions as commented upon in paragraph 5.1 of the Ofwat Guidance relating to:

- Water quality
- Compatibility
- Suspension of introduction of water
- Fluoride
- Monitoring and sampling
- Supply System Management and Control

- **Drought and Resource Planning**

The Company's requirements in relation to these items are set out in Sections 2.4 Access Criteria and 4.1. Supply System management which indicate what specific arrangements need to be made between the Company and the Licensee in the Wholesale Master Agreement/Combined Access Agreement to deal with such requirements.

#### **8.1.10. Maintenance and Serviceability of Assets**

The Combined Access Agreement provides for the maintenance of the assets of the Licensee which are used for the introduction of water into the Company's Supply System. These provisions reflect the requirements specified in Section 5, Supply System Maintenance and Emergency Procedures of this Access Code and paragraph 5.4 of the Ofwat Guidance.

#### **8.1.11. Metering**

The Wholesale Master Agreement and Combined Access Agreement each set out standard provisions relating, as appropriate, to the metering of all water supplied by the Company to the Licensee's Customers introduced into the Company's Supply System by the Licensee which provisions supplement the detailed requirements for such metering set out in Section 4.2 of this Access Code.

As required by paragraph 5.5 of the Ofwat Guidance, the Agreements also provide that any dispute between the Company and the Licensee concerning the reading of any such meter shall be referred to the arbitration of a single arbitrator appointed by agreement between the Company and the Licensee or, in default of agreement, by the Secretary of State for Environment, Food and Rural Affairs.

#### **8.1.12. Flow Balancing**

The Wholesale Master Agreement and Combined Access Agreement each specify the flow balancing and reconciliation process information to be provided by the Licensee to the Company to enable the Company to achieve optimum operation of its Supply System as commented upon in Section 4.3 of this Access Code and paragraph 5.5 of the Ofwat Guidance.

#### **8.1.13. Emergency Procedures and Contacts**

As recommended in paragraph 5.6 of the Ofwat Guidance, the Wholesale Master Agreement and Combined Access Agreement each set out the procedures to be followed by the Company for notification to the Licensee and the Licensee's Customers of any actual or potential incident which affects or is likely to affect the quality of the water being supplied to the Licensee's Customers. These are in accordance with the provisions set out in Section 5 of this Access Code.

### **8.1.14. Contract changes to Access Agreements**

The Wholesale Master Agreement and the Combined Access Agreement provide that the Licensee shall not:

- i) assign all or any part of its rights under the Agreement;
- ii) sub-contract or delegate the performance of all or any of its obligations under the Agreement without the prior consent in writing of the Company;
- iii) without prejudice to the Company's entitlement to refuse consent to any proposed sub-contract or delegation, in its absolute discretion, it shall be a condition of any such consent which may be given that the Company shall be entitled to deal directly with the subcontractor or delegatee at all times and for all purposes and that notwithstanding any such consent and any such direct dealing, the Licensee shall at all times remain liable to the Company in relation to all such subcontracted or delegated obligations.

### **8.1.15. Access Charges**

By the time the Wholesale Master Agreement and Combined Access Agreement are to be entered into, the access charges should have been determined in accordance with the provisions set out in Section 9 of this Access Code and paragraph 6 of the Ofwat Guidance.

Depending upon the agreement reached between the Company and the Licensee on the access charges for the access granted, appropriate provisions will be included in the Wholesale Master Agreement or Combined Access Agreement to reflect these.

## **8.2. Arbitration and dispute resolution processes**

Ofwat has powers to determine disputes about the eligibility of premises, the terms and conditions of proposed Access Agreements and the conditions for refusing supplies. Refer also to Section 1.3.4.

### **8.2.1. Negotiation**

The Wholesale Master Agreement and Combined Access Agreement each impose obligations on both parties to seek to resolve any dispute between them by negotiations in good faith.

### **8.2.2. Conciliation**

There are no separate provisions for compliance with any conciliation procedure in either Agreement.

In the event that the parties are unable to resolve any dispute by negotiation, it will be clear that the matters are of some difficulty and time will have been spent in seeking to sort them out. Accordingly, the next stage should be to put the dispute before relevant experts to sort out (refer to Section 8.2.4).

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### **8.2.3. Mediation**

There are no separate provisions for compliance with any mediation procedure in either Agreement.

### **8.2.4. Arbitration**

Both Agreements provide for disputes between the parties which cannot be resolved by negotiation in good faith, to be referred to arbitration by an appropriate arbitrator. The appropriate arbitrator will be either :

- the Water Services Regulation Authority (Ofwat) or
- the Secretary of State for Environment, Food and Rural Affairs,

where Ofwat or the Secretary of State, as the case may be, has a statutory arbitration role in relation to the subject matter of the dispute, with specialist advice from the Drinking Water Inspectorate in relation to water quality issues, or an arbitrator appointed by the President of CIWEM (Chartered Institution of Water and Environmental Management) for residual matters.



## 9. Access Pricing

### 9.1. Indicative access prices

This section contains an overview of indicative access prices for the Company. It includes a full outline of the approach employed in calculating indicative access prices and a series of summary tables, which outline indicative access prices for each of the Company's tariff / water resource zones.

These indicative access prices should provide potential applicants with a sense of the price at which access can be obtained. Additionally, these indicative prices – and the discussion below – should give potential applicants a good overview of the principles underlying the Water Supply Licensing framework. However, it is important that potential applicants understand that these prices are, by their very nature, indicative, and will not translate to actual access paid by Licensees. In the event of an application for access, the Company will calculate case specific access prices, based on Company specific data and information. Details of how case specific access prices will be calculated can be found in Section 9.2.

The Indicative Access Prices will be reviewed on a periodic basis, typically annually or as otherwise defined by Ofwat.

#### 9.1.1. Summary of approach

This Section provides a summary of the approach taken in calculating indicative access prices. In calculating indicative access prices, the Company has followed the 'costs principle' as set out in the updated guidance published by Ofwat in November 2008. Indicative access prices have been calculated for the two forms of access licence prescribed by Ofwat.

**Wholesale access price.** The 'retail' Water Supply Licence allows a Licensee to purchase a supply of water from the Company – and to retail it to eligible Customers.

**Combined Supply access price.** The 'combined' Water Supply Licence is a retail licence with a supplementary authorisation that enables the holder to introduce water into the Company's Supply System and to retail that water to a Customer's eligible premises.

Ofwat has set out a 'retail minus' approach to calculating indicative access prices. This approach makes an adjustment in the amount that the Company can recover from the Licensee by taking account of costs that the Company will avoid as a consequence of the Licensee now supplying water to the Customer. Ofwat has defined these costs as those that can be "Avoided or Reduced; or any amount that is Recoverable in some Other Way." These costs are subsequently referred to as ARROW costs.

The retail minus approach also allows the Company to recover any costs that are additional as a result of competition. For example, in the event of retail access, the Company would have to bill a Licensee and would incur costs associated with this.

### 9.1.2. Indicative retail access prices

In calculating indicative retail access prices the Company has followed the 'costs principle' as outlined in the guidance set down by Ofwat. As indicated above, Ofwat has stipulated a retail minus approach to access prices where retail access prices can be defined as:

*Access price = any expenses reasonably incurred + retail charge – ARROW costs.*

In identifying what expenses may be reasonably incurred, the Company has assessed the retail costs of providing services to Licensees. These costs have been assigned across the 14 retail cost categories prescribed by Ofwat as a means to assess the ARROW costs. In accordance with the revised guidance, the incurred expenses have been calculated for each of four designated scenarios, representing increasing market share by the Licensee.

The retail charges by zone used to calculate indicative retail access prices are based on the Company's published tariffs for 2008/09, and are in 2008/09 prices. The Company's charging structure identifies large users as commercial users who use in excess of 250MI per annum. Therefore, the retail charges for users of 500MI per annum are based on the Company's large user tariffs and the charges for users of 50MI per annum are based on the Company's standard measured tariffs. In calculating case specific access prices, the relevant retail charge will be based on the tariffs actually paid by large users at the time of application.

The ARROW costs have been calculated in accordance with the three steps identified in the updated guidance. Firstly, the total cost for each of the 14 categories was identified, using financial data from the Company's accounting system. Secondly, these costs were allocated to each of 8 customer types, based on data relating to the physical drivers of those costs. Thirdly, a judgement was made to determine what proportion of these costs (fixed and variable) would be avoided (or recovered) in the event of access.

The following tables outline the Company's indicative retail access prices for each of the Company's three tariff zones. All the tables are in 2008/09 prices.

	Year	2008-09	2009-10	2010-11	2011-12	2012-13
Company specific large user K	%	-0.8%	-0.8%	0.0%	0.0%	0.0%
<b>For 50 ML per annum</b>						
Retail price	£/m3	1.0960	1.0870	1.0870	1.0870	1.0870
Wholesale price - first customer	£/m3	1.0935	1.0845	1.0845	1.0845	1.0845
Wholesale discount - first customer	£/m3	0.0025	0.0024	0.0024	0.0024	0.0024
Wholesale discount - second customer with same licensee	£/m3	0.0027	0.0027	0.0027	0.0027	0.0027
<b>For 500 ML per annum</b>						
Retail price	£/m3	0.8159	0.8092	0.8092	0.8092	0.8092
Wholesale price - first customer	£/m3	0.8136	0.8069	0.8069	0.8069	0.8069
Wholesale discount - first customer	£/m3	0.0023	0.0023	0.0023	0.0023	0.0023
Wholesale discount - second customer with same licensee	£/m3	0.0024	0.0024	0.0024	0.0024	0.0024
<b>Discounts for higher levels of market share</b>						
Average wholesale discount per customer for a licensee serving 50% of eligible customers by volume	£/m3	0.0028	0.0028	0.0028	0.0028	0.0028
Average wholesale discount per customer for a licensee serving 100% of eligible customers by volume	£/m3	0.0028	0.0028	0.0028	0.0028	0.0028

**Figure 9.1 Indicative retail access prices – Southern tariff area**

	Year	2008-09	2009-10	2010-11	2011-12	2012-13
Company specific large user K	%	-0.8%	-0.8%	0.0%	0.0%	0.0%
<b>For 50 ML per annum</b>						
Retail price	£/m3	0.8471	0.8401	0.8401	0.8401	0.8401
Wholesale price - first customer	£/m3	0.8446	0.8377	0.8377	0.8377	0.8377
Wholesale discount - first customer	£/m3	0.0025	0.0024	0.0024	0.0024	0.0024
Wholesale discount - second customer with same licensee	£/m3	0.0027	0.0027	0.0027	0.0027	0.0027
<b>For 500 ML per annum</b>						
Retail price	£/m3	0.8156	0.8089	0.8089	0.8089	0.8089
Wholesale price - first customer	£/m3	0.8133	0.8066	0.8066	0.8066	0.8066
Wholesale discount - first customer	£/m3	0.0023	0.0023	0.0023	0.0023	0.0023
Wholesale discount - second customer with same licensee	£/m3	0.0024	0.0024	0.0024	0.0024	0.0024
<b>Discounts for higher levels of market share</b>						
Average wholesale discount per customer for a licensee serving 50% of eligible customers by volume	£/m3	0.0028	0.0028	0.0028	0.0028	0.0028
Average wholesale discount per customer for a licensee serving 100% of eligible customers by volume	£/m3	0.0028	0.0028	0.0028	0.0028	0.0028

**Figure 9.2 Indicative retail access prices – Northern tariff area 1**

	Year	2008-09	2009-10	2010-11	2011-12	2012-13
Company specific large user K	%	-0.8%	-0.8%	0.0%	0.0%	0.0%
<b>For 50 ML per annum</b>						
Retail price	£/m3	0.8471	0.8401	0.8401	0.8401	0.8401
Wholesale price - first customer	£/m3	0.8446	0.8377	0.8377	0.8377	0.8377
Wholesale discount - first customer	£/m3	0.0025	0.0024	0.0024	0.0024	0.0024
Wholesale discount - second customer with same licensee	£/m3	0.0027	0.0027	0.0027	0.0027	0.0027
<b>For 500 ML per annum</b>						
Retail price	£/m3	0.8156	0.8089	0.8089	0.8089	0.8089
Wholesale price - first customer	£/m3	0.8133	0.8066	0.8066	0.8066	0.8066
Wholesale discount - first customer	£/m3	0.0023	0.0023	0.0023	0.0023	0.0023
Wholesale discount - second customer with same licensee	£/m3	0.0024	0.0024	0.0024	0.0024	0.0024
<b>Discounts for higher levels of market share</b>						
Average wholesale discount per customer for a licensee serving 50% of eligible customers by volume	£/m3	0.0028	0.0028	0.0028	0.0028	0.0028
Average wholesale discount per customer for a licensee serving 100% of eligible customers by volume	£/m3	0.0028	0.0028	0.0028	0.0028	0.0028

**Figure 9.3 Indicative retail access prices – Northern tariff area 2**

### 9.1.3. Indicative combined access prices

Indicative combined access prices are calculated in the same way as indicative retail access prices. In addition, however, Ofwat's guidance indicates that the Company may benefit from cost savings associated with avoided operating or capital expenditure. For example, the Company may make savings in operating expenditure for reduced costs for pumping and chemicals. Additionally, there may be savings for being able to either reschedule or avoid capital expenditure.

Potential Licensees should be aware that the calculation of combined access prices are driven largely by case specific information, such as:

- 
- the point of access;
  - the duration of access;
  - the Customer to be served
  - quality of water provided by the applicant, and
  - the Company having an Interim Duty to Supply, and /or having to retain provision for back-up supplies (non-statutory standby services).

For the purposes of calculating indicative combined access prices therefore, a number of assumptions have been made. It is important that potential Licensees understand that as a result, the indicative access prices reported here will not translate to actual access prices in the event of an application. The main assumptions underlying the indicative combined access prices are outlined below.

- 1) Indicative access prices assume that access could occur at any point in the Supply System. On a case-by-case basis, both the avoided and additional costs will depend partly on the point of access.
- 2) The Company assumes that there is a direct operating expenditure saving arising from a Licensee supplying water to an eligible Customer. As such, the operating expenditure saving that arises in the event of combined access is the per m3 variable operating expenditure cost (the production cost of water), multiplied by the amount of water now supplied by the Licensee. The Company's reported indicative access prices assume that only resource and treatment costs are avoided in the event of access. However, on a case-by-base basis it is possible that some distribution related costs would also be avoided. For example, the extent to which power costs are avoidable will depend on the point at which access occurs relative to pumping stations and additionally, on the extent to which new water impacts on existing water flows throughout the network.
- 3) The calculation of indicative combined access prices for the Company does not include any deferral of capital expenditure. This is because for the period 2008/09 to 2012/13 there are no water resource schemes in the Company's capital programme that are due to come online between those dates. If there were any schemes due, the deferral of capital expenditure would be based upon the following factors:
  - the duration of the contract;
  - the point of entry to the Company's system;
  - growth in demand;
  - the Company having an Interim Duty to Supply, and /or having to retain provision for back-up supplies (non-statutory standby services);
  - the Company's ability to adopt assets in event of a default; and
  - Customer numbers.

The impact of combined supply on capital expenditure will vary on a case-by-case basis according to these factors. Any deferral will be included in the assessment of case specific access prices as appropriate.

The following tables show the Company's indicative combined access prices for each tariff / water resource zone. The tables show access prices based on an assumption of access beginning in the year 2008/09, with all figures at 2008/09 prices.

#### WRZ: East Surrey, Tariff zone: Southern Area

Access start date:	2008/09					
Water Resource Zone:	East Surrey	2008/09	2009/10	2010/11	2011/12	2012/13
Tariff Zone:	Southern Area					
Price base:	2008/09					
Forecast supply surplus without licensee's water or water undertaker's investment* (-ve is deficit)	MI/d	14.33	14.07	13.77	13.61	13.16

<b>50MI per annum</b>		<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Retail price	£/m <sup>3</sup>	1.0960	1.0870	1.0870	1.0870	1.0870
Combined supply discount	£/m <sup>3</sup>	0.0617	0.0617	0.0617	0.0617	0.0617
Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	14.59	14.42	14.38	14.48	14.28

<b>500MI per annum</b>		<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Retail price	£/m <sup>3</sup>	0.8159	0.8092	0.8092	0.8092	0.8092
Combined supply discount	£/m <sup>3</sup>	0.0615	0.0615	0.0615	0.0615	0.0615
Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	15.82	15.66	15.61	15.71	15.51

**Figure 9.4 Indicative combined access prices – East Surrey WRZ / Southern tariff Area**

#### WRZ: Sutton, Tariff zone: Northern Area 1

Access start date:	2008/09					
Water Resource Zone:	Sutton	2008/09	2009/10	2010/11	2011/12	2012/13
Tariff Zone:	Northern Area 1					
Price base:	2008/09					
Forecast supply surplus without licensee's water or water undertaker's investment* (-ve is deficit)	MI/d	2.00	1.85	1.69	1.44	1.21

<b>50MI per annum</b>		<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Retail price	£/m <sup>3</sup>	0.8471	0.8401	0.8401	0.8401	0.8401
Combined supply discount	£/m <sup>3</sup>	0.0648	0.0647	0.0647	0.0647	0.0647
Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	2.29	2.28	2.37	2.39	2.43

<b>500MI per annum</b>		<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
Retail price	£/m <sup>3</sup>	0.8156	0.8089	0.8089	0.8089	0.8089
Combined Supply Discount	£/m <sup>3</sup>	0.0646	0.0646	0.0646	0.0646	0.0646
Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	3.52	3.51	3.61	3.63	3.66

**Figure 9.5 Indicative combined access prices – Sutton WRZ / Northern tariff area 1**

**WRZ: East Surrey, Tariff zone: Northern Area 2**

Access start date:	2008/09					
Water Resource Zone:	East Surrey					
Tariff Zone:	Northern Area 2	2008/09	2009/10	2010/11	2011/12	2012/13
Price base:	2008/09					
Forecast supply surplus without licensee's water or water undertaker's investment* (-ve is deficit)	MI/d	14.33	14.07	13.77	13.61	13.16

50MI per annum		2008/09	2009/10	2010/11	2011/12	2012/13
Retail price	£/m <sup>3</sup>	0.8471	0.8401	0.8401	0.8401	0.8401
Combined supply discount	£/m <sup>3</sup>	0.0617	0.0617	0.0617	0.0617	0.0617
Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	14.59	14.42	14.38	14.48	14.28

500MI per annum		2008/09	2009/10	2010/11	2011/12	2012/13
Retail price	£/m <sup>3</sup>	0.8156	0.8089	0.8089	0.8089	0.8089
Combined supply discount	£/m <sup>3</sup>	0.0615	0.0615	0.0615	0.0615	0.0615
Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	15.82	15.66	15.61	15.71	15.51

**Figure 9.6 Indicative combined access prices – East Surrey WRZ / Northern tariff area 2**

## 9.2. Case specific access prices

As outlined in Section 9.1, the indicative access prices reported here are based on a number of assumptions and consequently, will not necessarily translate to actual access prices offered to Licensees. This section provides a short summary of how, in the event of an application, the Company will calculate case specific access prices.

### 9.2.1. Case specific retail access prices

The overall approach for calculating case specific retail access prices will be consistent with that described for indicative retail access prices. Specifically, the Company will ensure that the calculation of all case specific prices follows the 'costs principle' and are consistent with Ofwat's published guidance. As outlined in Section 9.1, this will mean that all case specific prices are based on the following formula:

*Access prices = any expenses reasonably incurred + retail charge – ARROW costs + additional capital costs.*

Retail charges will be based on the current terms of supply for the specific Customer identified in the application. This will usually be based on our large user tariffs or, where applicable, a special agreement.

The Company view of case specific ARROW costs will usually be based on the average retail ARROW costs that have been calculated for indicative access prices. However, if the Company identifies specific reasons for a particular Customer's ARROW costs to differ from the indicative costs, then they will take this into account, outlining fully why they believe these costs differ from the average.



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In calculating expenses incurred, the Company will calculate the costs that arise as a result of servicing the applicant. These costs will be identified against the ARROW cost categories defined by Ofwat. These estimates will reflect the Company's best view of the cost of providing services to meet the needs of the Licensee.

## **9.2.2. Case specific combined access prices**

Case specific combined access prices are calculated on the same overall basis as indicative combined access prices, as described in Section 9.1. As for case specific retail prices, the Company will ensure that the calculation of all case specific combined access prices are consistent with the 'costs principle' and with Ofwat's guidance. The main difference between the case specific and indicative combined access prices is that case specific prices will be based on detailed application-specific information. Details of the main factors to be considered in calculating case specific access prices are outlined below.

### **9.2.2.1. Additional ARROW costs**

In addition to the direct operating expenditure saving that the Company would accrue as a result of no longer supplying a Customer, there is a very remote possibility that there may be savings relating to the deferral of capital expenditure. In order to assess this, the Company will undertake analysis of the likely impact of the introduction of Licensee's water on its existing water resource plans. If any deferral of capital expenditure is likely to arise, this saving will be reflected in the access price offered to the applicant in the form of an additional ARROW cost that is avoided. However, the Company stresses that the potential to defer capital expenditure is dependent upon a number of factors (as indicated in Section 9.1).

### **9.2.2.2. Changes to water quality**

It is possible that water quality requirements will change over the duration of a combined supply contract. The Company will monitor this and, where applicable, will identify any corresponding impact on ARROW costs. Changes to ARROW costs driven by water quality will be reflected in future access prices for the relevant period. This may include capital expenditure costs as well as operating costs.

## 10. Glossary of Terms

There follows a brief description of some of the terms used in this access code guidance. Readers should refer to WIA91 for precise statutory meanings

Defined Terms	Description
Access	The wholesale supply of water by a Water Undertaker to a Licensee for the purpose of making a retail supply of water to the premises of the Licensee's Customer; and the introduction of water by the Licensee into a Water Undertaker's supply system for that purpose.
Access Agreement	An agreement between a Water Undertaker and a Licensee for access to a Water Undertaker's supply system pursuant to a Retail Authorisation (Wholesale Master Agreement) or a Retail Authorisation combined with a Supplementary Authorisation (Combined Access Agreement).
Access Code	The Company's document that sets out all principal aspects of access to its Supply System and the terms and conditions on which it will grant access to its Supply System by a Licensee. The access code comprises the standard terms and conditions to all Water Undertakers and the terms and conditions specific to the Company.
Access Terms	The terms under which the Company and a Licensee agree access to the Company's Supply System as part of the Access Code.
Adjoining	Supply systems of other Water Undertakers which have direct physical connections to the Company's own Supply System
ARROW costs	Expenses that can be Avoided or Reduced, or any amount that is Recoverable in some Other Way (other than from the Customers of the Water Undertaker) (see section 66E(3) WIA91).
Back-up Supplies	Any supplies agreed to be made by the Company to the Licensee or the Licensee's Customers which are on a non-statutory basis and are in addition to supplies made in accordance with the Company's Interim Duty to Supply under WIA91.
Combined Licence	A Retail License with the Supplementary Authorisation, authorising the holder to introduce water into a Water Undertaker's supply system and to retail that water to a Customer's eligible premises (section 17A(6) WIA91)

<b>Defined Terms</b>	<b>Description</b>
Combined Supply	A supply made pursuant to a combined license
Company	Sutton and East Surrey Water plc London Road Redhill Surrey, RH1 1LJ  being the Incumbent to which this Access Code refers.
Compensation Payments	These are made when the Water Undertaker substantively fails to perform satisfactorily to an agreed set of standards.
Cost principle	As defined in section 66E WIA91.
Customers	A person or organisation that receives water or services from the Water Undertaker, or Licensee.
Deployable Output	The output of a water supply source that can be deployed to meet the contracted obligations limited by all appropriate constraints as set out in UKWIR methodology for the determination of outputs of groundwater sources (WRP-0001/C) and equivalent surface water guidelines contained in the EA document "Reassessment of Water Company Yields" (February 1997).
Disconnection	Separation of a Customer's supply from the water network.
Distribution System	The Pipe Network, Pumping Stations, Service Reservoirs and other Infrastructure which enables transportation of water from Treated Water Sources to Customers.
Diurnal Variations	Variations occurring within a daily (24 hrs) cycle.
Drought	A prolonged period of dry weather as a result of which a serious deficiency of supplies of water in any area exists or is threatened.
Eligible premises	Premises that meet the qualifying criteria as detailed in section 17A(3) WIA91.
Entry Point	The point at which the Licensee's water enters the Company's Supply System.
Exit point	The point at which the water being supplied to the Licensee's Customer either enters the Licensee's pipework, if applicable, or the Licensee's Customer's supply pipe, as the case may be.

Defined Terms	Description
Fit and Proper Person	A person / party will not be deemed fit and proper if there are any relevant convictions, concerns over technical ability, insufficient financial resources available.
Fluoridation	Application of fluoride to drinking water at the request of Health Authorities as a preventative measure against dental decay.
Force Majeure	An act or event outside the control of the acting party, as fully defined in the Access Agreement.
Groundwater	For the purposes of this document groundwater is defined as water abstracted directly from an aquifer by means of a well, borehole or spring.
GSS	Guaranteed Standards Scheme
Hardness	Characteristics of waters containing dissolved calcium and magnesium salts.
Incident Report	The Report, to be prepared by the Licensee and submitted to the Company, which will detail any breaches of the Water Quality Standards by the Licensee's facilities.
Incumbent	The Company, being the existing statutory Water Undertaker appointed under the Water Industry Act 1991, which owns and operates the System on which Access will operate, in its area of supply.
Instrument of Appointment	Granted by the Secretaries of State for the Environment and Wales, or by Ofwat, to provide water and sewerage services in England and Wales. The Instrument of Appointment imposes conditions on the companies, which Ofwat is required to enforce.
Leakage	Loss of water from the a supply system which escapes other than through a controlled action
Licensee	A company holding either a retail license or a combined license issued by Ofwat under the provisions of WIA91.  The new provider of water supply services to Customers in the Company's area of supply, through an Access Agreement.
Major Emergency Procedures	The Major Emergency Procedures are evoked when the situation or the number of people affected is in excess of those which can be dealt with by the Standard Emergency Procedures.

Defined Terms	Description
Mandatory Parameters	Levels of chemical or biological parameters which must be measured by law. Examples for drinking water are E coli, nitrate, chlorides.
Meter	A devise for measuring length, flow, time, temperature of water.
Meter Calibration	The process by which the readings of a meter are correlated against a standard.
Meter Reader	A business or operational unit which reads meters.
Microbiological Parameters	Levels of bacteria such as E coli, coliforms, enterococci, whose presence indicate that the water may be polluted and therefore should be absent from drinking water.
Non potable water	Water which is not intended for domestic or food production purposes.
Outage	A period of time for which a source of supply is unavailable or at reduced output due to planned or unplanned events
Parameter	A constituent of water which is used to measure quality.
Potable	Water for domestic and food production purposes which is wholesome at the time of supply as defined in Sections 67 and 68 WIA91 and regulation 4 of the Water Supply (Water Quality) Regulations.
Primary Water Undertaker	For the purposes of Section 66A WIA91 (wholesale water supply by Primary Water Undertaker) and Section 66C WIA91 (wholesale water supply by Secondary Water Undertaker), a Water Undertaker is the Primary Water Undertaker if the undertaker's supply system is to be used for the purposes of making the supply to the premises of the Licensee's Customer.
Priority Supply Points	Supply Points as specified by DEFRA.
Private Pipework	Private Pipework is normally defined as that pipework which extends to the property after the stop tap, the meter or the land boundary, whichever comes earliest.
Rechlorination	Usually applied to injection of chlorine to drinking water in the distribution system after it has left the treatment works. Often used to boost chlorine levels at a service reservoir.

Defined Terms	Description
Reconciliation Process	The balancing of actual demand against actual water supplied into the network and the associated financial implications.
Regulators	Are appointed organisations with control over the industry's key activities and policies. They are the DWI, EA and Ofwat.
Regulatory Compliance Sampling Programme	This is the annual programme of drinking water sampling which the Water Companies must undertake to comply with the requirements of the Water Supply (Water Quality) Regulations 2000 (for England).
Reporters	Independent engineering consultants who are appointed by companies, but are under a duty of care to Ofwat on the accuracy of companies' returns to Ofwat and whether returns show progress and performance, particularly in respect of capital investment programmes.
Resources	The raw water resource supporting an abstraction.
Retail Authorisation	An authorisation to a company to use a Water Undertaker's supply system for the purpose of supplying water to the eligible premises of Customers of the company (section 17A(2) WIA91)
Retail License	A Water Supply License giving the holder the Retail Authorisation entitling the holder to purchase wholesale a supply of water from the Water Undertaker and to supply it retail to a Customer's eligible premises (section 17A(4) WIA91)
Secondary Water Undertaker	A Water Undertaker other than the relevant Primary Water Undertaker (section 66C(1)(a)(i) WIA91)
Security of Supply	The extent to which water supplies to Customers are reliable and not subject to possible restrictions because of a lack of rainfall over a period of time.
Service Reservoirs	Any reservoir, statutory or otherwise, which is used to store, treated drinking water.
Sewerage Undertaker	A sewerage company appointed under WIA91 to provide sewerage services in a geographical area of England and Wales.
Special Consumer	As defined in Condition R of the Instrument of Appointment and Condition 5 of the Standard Licence Conditions.

Defined Terms	Description
Standard Emergency Procedure	These are a set of procedures for dealing with an emergency. The full or partial implementation of the procedures is dependant on the degree of seriousness of the emergency.
Supplementary Authorisation	An authorisation to a company to introduce water into a Water Undertaker's supply system for the purpose of making a retail supply of water to a Customer.
Supply Point	The point at which treated water leaves the network system. In general this will be either to specific premises or to the network of an adjoining water company.
Supply System	Any water mains and other pipes used for the purposes of conveying water from a water undertaker's treatment works to its Customer's premises and any water mains and other pipes used to convey non-domestic water from any source to premises that are not connected directly or indirectly to any water mains or pipes connected to those treatment works as defined in section 17B(5) WIA91.
Treated Water	Water of a suitable quality for input to the Treated Water Supply System and that which results in satisfactory DWI compliance at the Customer's tap
Treated Water Quality Monitoring	Regular sampling and analysis of untreated and treated water. Examples include daily measurement of free chlorine at treatment works or annual sampling for mercury at Customers' taps.
Treatment Works	Works where raw water from rivers or reservoirs is treated to produce drinking water. Treatment typically includes coagulation, filtration and disinfection.
Unplanned Maintenance	Maintenance and repair work carried out in response to infrastructure systems and equipment failure which is unplanned due to requirement for urgent action.
Water Quality Standards	Limits to the concentration of water quality parameters specified in the Water Supply (Water Quality) Regulations 1989.
Water Resource Management Plans	A Water Undertakers long term strategic plan for water resource development in its area, as set out under section 37A WIA91.
Water Supply Licence	A licence granted to a Company giving it the Retail Authorisation, or both the Retail Authorisation and the Supplementary Authorisation.

Defined Terms	Description
Water Supply (Water Fittings) Regulations 1999	These regulations replaced the Water Bylaws in England and Wales and are enforced by the Water Undertakers.
Water Supply (Water Quality) Regulations	The Water Supply (Water Quality) Regulations SI 2000 (SI 2000/3184, amended by SI 2001/2885, SI 2002/2469 and 2005/2035) which apply to Water Undertakers whose area of supply is wholly or mainly in England; The Water Supply (Water Quality) Regulations 2001, (SI 2001/3911, W.323) amended by SI 2005/2035) which apply to Water Undertakers whose area of supply is wholly or mainly in Wales; and any amendments thereto from time to time. These Regulations specify the standards used to define wholesomeness of drinking water, the level of monitoring, treatment requirements, reporting requirements and also specify the requirements for using approved substances and products. The DWI enforces these Regulations.
Water Undertaker	A company appointed under the WIA91 to provide water services to a defined geographic area and which owns the supply system and other infrastructure.
Wholesale supplies	Supply of water to a Licensee by a Water Undertaker for the purposes of retail by the Licensee to its Customer's premises.



**APPENDIX A**  
**DWI Letter 13/04**



guardians of drinking water quality

## DRINKING WATER INSPECTORATE

Floor 2/E3, Ashdown House  
123 Victoria Street, London SW1E 6DE

Direct Line: 020 7082 8010 Enquiries: 020 7082 8024  
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DWI Web-site: <http://www.dwi.gov.uk>

**Information Letter 13/04**

23 November 2004

**To: Board Level and Day to Day contacts of Water and Sewerage Companies and Water Companies in England and Wales and potential Combine Licensees**

Dear Sir/Madam,

### **COMMON CARRIAGE: GUIDANCE ON THE DRINKING WATER QUALITY ASPECTS**

#### **Background**

1. In February 2000 the Inspectorate issued guidance to all parties considering common carriage operations. The guidance looked at the associated drinking water quality issues and was intended to assist the various parties in drawing up contracts.
2. The Water Act 2003 allows for the development of effective competition in the water industry in England and Wales. However it is accepted that increasing competition must not jeopardise public health or make the water supplied unacceptable to consumers. It is therefore both timely and appropriate to review and revise the original guidance.

#### **Purpose**

3. The purpose of this letter is to share with the industry and others the Inspectorate's revised guidance, a copy of which is attached. The guidance is for advice only and has no legal status. Furthermore it is not prescriptive, nor does it go into great detail. Rather it can be considered as an extended checklist, covering both regulatory and operational matters which need to be considered to ensure that drinking water quality is not compromised.
4. Some of the key messages are:
  - Holders of combined licences will be subject to the same level of regulation by the Inspectorate as the incumbent water undertakers.
  - If drinking water quality incidents are to be avoided, there must be effective control of all inputs into the distribution system under common carriage. This means that the incumbent water undertaker must have overall control of the system.

- In most cases it should be possible to accommodate additional sources or supplies under common carriage. However it is important that each situation is evaluated fully and planned and executed carefully.
- There will be some circumstances, such as mixing incompatible waters, in which it would be detrimental to proceed on water quality grounds. In these situations common carriage should be avoided.

5. The guidance is a stand alone document, which will be reviewed and revised as experience is gained in the operation of common carriage or if unforeseen water quality issues arise.

### Enquiries

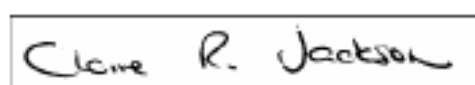
6. Any enquiries about this letter or the guidance should be addressed to Jane Allen (020 7082 8035) or to myself. We will be pleased to discuss the contents with potential licensees, although we would suggest that they assemble some basic information about their proposed water sources and supplies before making contact.

7. Copies of this letter are being sent for information to Pamela Taylor, Chief Executive, Water UK; Richard Wood, Water Supply and Regulation Division, Department for Environment, Food and Rural Affairs; June Milligan, Environment Division, The National Assembly for Wales; Tim Hooton, Drinking Water Quality Regulator for Scotland; Randal Scott, Drinking Water Inspectorate for Northern Ireland; and Rowena Tye and Beryl Brown, Office of Water Services.

8. This letter is being sent electronically to Board Level and Day to Day contacts in the water industry and to other interested parties. Hard copies are not being sent but the letter may be freely copied. Please acknowledge receipt by email to:

[dwi.informationletters@defra.gsi.gov.uk](mailto:dwi.informationletters@defra.gsi.gov.uk).

Yours sincerely



Miss C R Jackson  
Deputy Chief Inspector of Drinking Water



guardians of drinking water quality

DRINKING WATER INSPECTORATE

**THE DRINKING WATER**  
**INSPECTORATE**

**GUIDANCE ON THE WATER**  
**QUALITY ASPECTS OF**  
**COMMON CARRIAGE**

## **DWI GUIDANCE ON THE WATER QUALITY ASPECTS OF COMMON CARRIAGE IN RELATION TO PUBLIC SUPPLIES**

### **Introduction**

1. Common carriage is the shared use of the supply pipes and infrastructure of an existing statutory water undertaker's distribution system by a third party, in order to supply water to the third party's customers at another point in the system.
2. In the operation of common carriage, it is essential that there are adequate safeguards in place to protect public health. This can only be achieved by ensuring that all parties involved comply fully with the relevant drinking water legislation.
3. In February 2000 the Drinking Water Inspectorate (DWI) issued guidance on the drinking water quality aspects associated with common carriage operations. The advice was intended to assist parties involved in such operations prior to drawing up contracts for common carriage. This guidance updates the earlier guidance to reflect the changes in legislation under Water Act 2003.

### **Water Act 2003**

4. The Water Act 2003 (WA03) provides for a measured expansion of competition in the water industry by amending the Water Industry Act 1991 (The Act)<sup>1</sup>. Under WA03 a licensed water supplier will be allowed to access a water undertaker's supply system for the purpose of supplying water to eligible customers. Prospective suppliers will have to obtain either:
  - A 'retail' licence, which entitles the holder to purchase water from a water undertaker ('a wholesale supply') and to retail it to an eligible customer; or
  - A 'combined' licence, which is a retail licence with a supplementary authorisation enabling the holder to input water into a water undertaker's supply system in order to retail that water to an eligible customer.
5. Retail operations should have little or no impact on drinking water quality. However combined licensees will be eligible to supply water, via common carriage, to their customers.
6. Initially the minimum threshold for eligible customers will be 50 megalitres per annum, with domestic premises being excluded.

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<sup>1</sup> From this point on, all future references to the Act mean the Water Industry Act 1991 as amended by Water Act 2003.

## The Regulatory Framework

7. Water undertakers and combined licensees are required to comply with the Act and with the Water Supply (Water Quality) Regulations 2000 in England and 2001 in Wales (the Regulations). However the water undertaker will retain overall responsibility for the operation of the distribution system.
8. Both parties will have a duty to supply wholesome water for domestic and food production purposes. Both parties will also be subject to the same level of audit and inspection by DWI, to ensure that the relevant regulatory requirements are being met. Failure to do so may result in enforcement action being initiated by DWI.
9. Any person concerned in the supply of water is liable under s70 of the Act for the offence of supplying water unfit for human consumption, subject to a due diligence defence. This means that water undertakers, combined licensees and their respective contractors may be investigated by DWI and may be prosecuted for the alleged offence. The meaning of water unfit for human consumption is not defined in the Act and it is a matter for the courts to decide on a case-by-case basis. However cases have been brought where consumers have rejected the water for drinking and food preparation on the grounds of unacceptable appearance or taste/odour.

## Types of common carriage

10. There are a number of ways in which common carriage may impact on the operation of existing treated water supplies, for example:
  - The supply of raw water for treatment at a water undertaker's water treatment works. This is not covered by WA03 but could occur by local agreement between the water undertaker and the owner of an abstraction licence.
  - The supply of treated water via an existing distribution system to a new distribution system. This is unlikely with the initial 50 Ml/annum threshold, but could apply if the threshold is significantly lowered and domestic properties become eligible.
  - The supply of treated water into existing distribution systems.

## PART I PRE CONTRACT ASSESSMENT: WATER QUALITY AND ASSOCIATED HYDRAULIC CONSIDERATIONS

11. Each water undertaker is required to have a Network Access Code, which sets out the generic terms and conditions for access to its distribution system. The Access Code should provide sufficient information for licensees to assess the viability of their proposals before approaching the undertaker to discuss access arrangements.
12. Prior to making any common carriage arrangements, the licensee and water undertaker must assess the likely impact of the licensee's proposals on the overall operation of the distribution system. This is to minimise the risk of consequential breaches of the drinking water quality standards or other regulatory requirements. Any other adverse impacts on the quality of water supplied, in terms of consumer acceptability, must also be assessed. The following topics should form part of these discussions, as appropriate.

### Water treatment

#### Treatment of raw water by the combined licensee

13. A combined licensee must be able to demonstrate that:
  - the quality of his source water has been assessed in accordance with regulation 15 of the Regulations (sampling new sources);
  - an assessment of the risk of contamination to the source has been carried out, including risk from *Cryptosporidium* as required by regulation 27;
  - the treatment applied is appropriate to the quality of the raw water, including the risk from *Cryptosporidium*;
  - the works operators are appropriately trained to operate the water treatment works; and
  - an appropriate level of monitoring is in place to ensure that the quality of the treated water leaving the works meets not only the regulatory requirements, but also the existing documented operational requirements of the undertaker where these are more stringent than the regulatory requirements.
14. One of the standard licence conditions for a combined licence is that the licensee will not be able to introduce treated water into the public supply system until DWI is satisfied that the relevant regulatory requirements are being met. This will be done as part of the technical audit process, which already applies to water undertakers. As such, each audit or inspection reflects the conditions found at the time and the associated report does not constitute a certificate of conformity.
15. The undertaker must also be satisfied that the licensee is able to meet any requirements for plumbosolvency control and fluoridation. It may also be necessary

to phase in the new water supply to ensure that changes take place gradually, thereby achieving consumer acceptability.

#### **Impact on the undertaker's existing treatment works**

16. There may be a need for the undertaker to reduce the output from one or more of his treatment works to take account of the input being made by the combined licensee. This will depend on the point at which a licensee introduces his treated water into the distribution system and the volume and frequency that it is introduced. The undertaker must be satisfied that:
  - the changes to the works throughput can be managed within the documented operational design guidelines for that works;
  - the operational changes will not have a deleterious impact on the quality of the treated water leaving the works; and
  - the resulting water quality will continue to meet all regulatory and existing documented company operational standards.
17. Any change to reduced throughput may need to be phased in gradually to minimise the risk of water quality problems and to ensure consumer acceptability.

#### **Matching supply and demand**

18. The undertaker must retain overall control of the distribution system, including control of all inputs required to meet demand.
19. The licensee and undertaker must agree on the mechanisms for operating the system and balancing supply and demand. Both parties must also consider and agree on the arrangements for operating the system in emergencies.

#### **The distribution system**

20. The need for feasibility studies or testing should be identified at the initial application stage<sup>2</sup>, with outcomes discussed at the detailed application stage. DWI expects to be consulted on any resulting water quality issues and may act as arbitrator in the event of any disputes regarding the results of any water quality testing or studies.

#### **Hydraulics**

21. There will be an immediate impact on pressure and velocity in the distribution system as a result of adding a new source or supply to the system. This may increase pressure in some areas and reduce pressure in others. Similarly, velocity may increase or decrease in a particular main. Low pressures may lead to inadequate supply or, in the

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<sup>2</sup> See Ofwat document titled Access Code Guidance [update reference when document finalised following consultation]



extreme, ingress of potentially contaminated water. High pressures will increase leakage and may cause additional leaks or bursts.

22. If the peak velocity in a pipe is increased by the new supply arrangement, there is a risk that deposits will be suspended and cause discoloured water. This is also a risk if flow directions are reversed. A new source could result in flow reversal for the whole or part of the day. Flow changes may cause consumer complaints for many hours.
23. Changes to flow routes and points of supply may increase the age of water delivered to some consumers. Several water quality parameters can change in concentration over time in the distribution system. For example, chlorine residuals reduce with 'age of water', whereas the concentration of disinfection by-products such as trihalomethanes (THMs) may increase. In addition, there is a greater risk of substances leaching from pipe materials and linings if the contact time with the water is increased. Excessive water age should, therefore, be avoided in line with existing documented operational practice.
24. Altering the distribution regime may also increase the residence time in service reservoirs. Longer than normal residence times may result in inadequate turn over of water, with a resultant risk of stagnation. This could have a major impact on water quality and should be avoided. In some cases, the installation of secondary disinfection may have to be considered.
25. Computer tools are available to assist the investigation of many of the above points. Conclusions will then be based on change in velocities consequent on the change of supply.
26. Network hydraulic modelling is widely accepted and almost universally used. Where water undertakers have such models, they should be kept up-to-date. In the event of a sufficiently detailed up-to-date hydraulic model not be readily available, then the effect of introducing an additional supply should be estimated using expert advice.
27. Water quality modelling is much less commonly used and suitable models will not be available for all situations. It is generally agreed that predictions of water age and chlorine residual are helpful indicators. Sedimentation, re-suspension and discolouration investigations will generally have to be carried out using hydraulic models, although the use of real time monitoring may provide useful information in this area.

#### **Mixing of waters and changing waters**

28. There is a need to establish the impact of introducing a new source on the quality of water within the distribution system. The licensee's supply may displace the existing supply and create a new hydraulically discrete zone or there may be mixing with the undertaker's supply. Issues that need to be considered relate firstly to the interactions of the water with the components of the network and how this may impact on water

quality, asset condition and asset life, and secondly to the interactions between the two waters when they mix.

29. If the licensee's water is of similar quality to that supplied by the water undertaker the impact of interactions within the distribution system is likely to be minimal. There may still be problems during the changeover of supplies associated with changes to hydraulic regime. For example, the point at which the licensee's water enters the distribution system may change the velocity regime to the extent that existing deposits may be disturbed.
30. Significant water quality problems are likely to arise where the licensee's water is of very different quality to that supplied by the water undertaker, especially in terms of consumer acceptability. In general, scenarios that result in mixing of significantly different waters within a distribution system should be avoided. It is preferable to control the mixing, for example in a service reservoir, so that consumers receive a consistently blended supply. Checks should be made on the possible interaction of this blended supply with the distribution system as outlined in the paragraph below.
31. With adequate preparation (cleaning and/or renovation) of the distribution system, there will be circumstances where the water conveyed by a distribution system could be replaced with a different water without detriment to water quality. This may also be the case where mains are in good condition (i.e. not corroded or containing deposits or biofilms) and where no lead pipes are present in the water undertaker's pipework or the domestic pipework. It is important that the potential impact of new water on existing mains is assessed at the earliest opportunity.
32. In the longer term, changing the water type conveyed by a distribution system may impact on the asset life and condition and on resultant water quality. For example the introduction of softer waters may result in increased corrosion rates of iron mains. In the case of cement mortar lined pipes, waters of certain aggressivity may degrade the lining. Similar problems may be experienced with galvanised pipes.
33. Both parties need to agree on the approach to maintaining microbiological integrity of the system. The simplest way of achieving this is to ensure that the licensee's water is disinfected in the same way as the water undertaker's existing water. For example, there are significant risks associated with adding water with a free chlorine residual to water that has been chloraminated. Inappropriate ratios will lead to a loss of disinfectant residual and the potential generation of unpleasant tastes. It is also important to avoid adverse short term effects associated with chlorinous tastes, for example as the new supply is introduced. (See also "Consumer acceptability" below.)
34. Mixing of waters of different organic content, for example ground waters with surface derived water, can impact on the biofilm potential. Increased biofilm growth could result in a breach of the microbiological standards and also in taste problems. Although this could be prevented by increasing the disinfectant residual either at the water treatment works or via secondary disinfection, such action may result in

consumer complaints. There may also be implications for disinfection by-product (THMs) formation.

35. It is recognised that many distribution systems are currently operated with 'tidal regions' where consumers receive waters from different supplies at different times of day. Other distribution systems may receive water from sources of significantly different quality at different times of the year, depending on supply and demand. In these instances checks should be made on the interaction of licensee's supplies on all the water types and blends likely to be formed. Water quality modelling will assist in predicting the most appropriate blending ratios. (See also "Consumer acceptability" below.)

#### **Water conditioning (including plumbosolvency control)**

36. The licensee's water supplies should include any chemical conditioning necessary to match that of the water undertaker's water supplies. This includes plumbosolvency control, softening, sequestration and corrosion inhibition.
37. Control of plumbosolvency and cuprosolvency is achieved by control of the pH of the water, its buffering capacity and by adding phosphates. The treatment required varies with water type. Where an existing water is replaced with a new water, the treatment applied should be the optimum achievable for the new water. It is possible that the reduction in lead concentrations achievable for the new water are different and this will require a re-assessment of optimisation of plumbosolvency control and the potential impact on future lead pipe replacement levels required to meet the standard for lead.
38. Surface-derived supplies tend to be more plumbosolvent, although not always so, than groundwaters, even when treatment for plumbosolvency is applied optimally. Similar considerations apply for blended waters. The requirement is that there is no material deterioration in plumbosolvency and cuprosolvency as a result of common carriage. Therefore a prediction should be made of the likely lead (and copper) concentrations at consumers' taps.
39. Corrosion inhibition, sequestration and softening are used for aesthetic reasons. These should still be maintained as their interruption, or cessation, is likely to impact on the quality of the water supplied and result in consumer complaints.

#### **Fluoridation**

40. If a water undertaker is required by a Strategic Health Authority to add fluoride to its potable water supplies then the licensee will also be required to ensure that the water entering the distribution system contains an equivalent concentration of fluoride. If a licensee is required to fluoridate the water, he should also obtain an indemnity from the relevant authority.

### **Consumer acceptability**

41. Consideration needs to be given to any affect on the taste, odour and appearance of the water supplied to consumers. It is desirable, for example, that consumers continue to receive water of a hardness and mineral content that they are accustomed to receiving.
42. Consideration also needs to be given to maintaining any existing quality agreements that the water undertaker has with non-domestic customers. Some manufacturing processes require a water with a fairly constant chemical composition. It might be possible for them to handle changes in composition, providing there is adequate consultation and advance warning of the changes. However frequent or unplanned changes need to be avoided.
43. The impact of diurnal variation in quality due to the hydraulic characteristics of the distribution system also needs to be considered. Consumers might receive water from one source in the morning and from another sources in the evening, as demand patterns change. If these waters have a very different hardness, or other mineral content, or one is derived from surface water and the other from groundwater, consumers are likely to notice the difference and become dissatisfied. This would not be in anyone's best interest.

### **Operational maintenance and renovation**

44. Every so often water treatment works, service reservoirs and parts of the distribution system have to be taken out of service inspection, maintenance, repair and renovation. The impact of this on storage capacity and flow patterns is an issue for the existing single undertaker's operations. Under common carriage, these activities may also impact on the licensee's operations. The procedures for maintenance and renovation of important assets should be detailed in the Access Code and agreed as part of the access agreement for each common carriage contract. The issues discussed in the paragraphs above may also be affected by inspection, maintenance, repair and renovation activities.
45. Both parties need to take account of existing renovation programmes being carried out under Section 19 distribution system undertakings. Changes to these programmes as a result of common carriage would not normally be acceptable to DWI. The water undertaker's Distribution Operating and Maintenance Strategies (DOMS) also needs to be taken into account when drawing up the access agreement.

## Standards and measures

46. Standards and measures that need to be taken into accounts in the above assessments include:

- The Regulations (and subsequent amendments) and associated DWI Guidance.
- Relevant DWI Information Letters
- DWI Technical Guidance
- The Reports of the Group of Experts on Cryptosporidium in Water Supplies (Badenoch and Bouchier reports) (water treatment operation).

Relevant documents can be found on the DWI website [www.dwi.gov.uk](http://www.dwi.gov.uk)

## **PART II COMMON CARRIAGE AGREEMENTS: WATER QUALITY ASPECTS**

### **Preamble**

47. Part II considers the contractual conditions between the water undertaker and the licensee. The Access Code provides generic terms and conditions for access to the water undertaker's distribution system for common carriage. Each point of access will then need to be covered by a more detailed Access Agreement.
48. Water undertakers and licensees have a duty to supply wholesome water, which meets the standards and other requirements of the Regulations. Failure to do so may result in enforcement action being initiated by DWI. Water undertakers and licensees, and their respective contractors, may also be subject to criminal liability under Section 70 of the Water Industry Act 1991 for supplying water unfit for human consumption.
49. The water undertaker will retain overall responsibility for the operation of its distribution system. Operating considerations associated with a normal uneventful day would be fairly straightforward, but consideration would have to be given to arrangements under unusual and/or difficult supply conditions. Each of the items under the following checklist should be taken into account in drawing up the individual Access Agreements.

### **Checklist**

#### **I Volume**

- Total volume to be supplied (annually, monthly).
- Allowable variations (daily, hourly) (maximum/minimum flowrate).
- Agreement on how leakage is determined and whether the undertaker or the licensee makes up the difference.
- Agreement on balancing supply and demand. It is expected that the undertaker will retain overall control, including for example, control of all inputs to the distribution system.

#### **II Pressure**

- Maximum and minimum at point of input to distribution system.
- Allowable rate of change to avoid surge.

#### **III Quality**

- Reference to duties under the Regulations, and subsequent amendments, (with particular reference to Sections III, V, VI and VII) and the associated Guidance.
- Reference to anything that may be affected by or have influence on existing Section 19 undertakings or Departures authorised under regulation 20.

- The undertaker and licensee both have responsibilities for the quality of the water supplied, including the quality of the raw water and the quality of the water leaving their treatment works. Appropriate regulatory and operational monitoring must be undertaken.
- Where appropriate, the treated water leaving the licensee's treatment works will also have to meet the water undertaker's documented operational standards, which might be tighter than the regulatory standards.
- Any additional considerations, such as biofilm stripping or corrosion potential that need to be specified to avoid quality problems arising from mixing or to avoid impact on fabric of distribution system. This would have to include consideration of a range of aspects as discussed in Part I.
- Any additional conditions relating to plumbosolvency and cuprosolvency. This could include pH control and phosphate dosing.
- Fluoridation, if required by the strategic health authority.

#### **IV Monitoring**

- Water undertakers and licensees have responsibility for regulatory monitoring of the water leaving their respective treatment works, in service reservoirs and at consumers' taps. The results of this monitoring have to be reported to DWI as required under the Water Undertakers (Information) Direction 2004.
- Operational monitoring elsewhere will depend upon Access Agreement.
- Details of monitoring required at the point of input to the distribution system, including frequency, water quality parameters and hydraulic measures.
- Details of methodologies, analyses and equipment (meters, loggers and telemetry) to be used for monitoring.
- The use of common carriage may result in changes to regulatory water supply zone boundaries and supply point authorisations. These will have to be agreed with the DWI in advance, in accordance with the Water Undertakers (Information) Direction 2004.

#### **V Incidents**

- Both parties need to define responsibilities and procedures in the event of a plant failure or pollution incident.
- Both parties need to define responsibilities and procedures for notifying DWI of an incident under the Water Undertakers (Information) Direction 2004. The communication requirements between the parties in respect of water quality incidents need to be covered in the Access Code and Access Agreement.
- Both parties need to define responsibilities and procedures in relation to representation on any outbreak control team or incident control team.

## VI Emergencies

- If the risk is shared, contribution by both parties of sufficient supplies to maintain pressure in distribution system during emergencies.
- If the responsibility is shared, contribution by both parties of sufficient supplies for fire-fighting.



**APPENDIX B**  
**Initial Application Form**

# INITIAL APPLICATION FORM FOR ACCESS AGREEMENT

## Details of Licensee :

Name :

Address:

Post Code:

Telephone No :

Fax No :

Email :

Company registration  
Number :

Contact Person :

Name :

Position:

## Status of Licensee's Licence(s) to Abstract and Supply Water :

*A copy of each Licensee's relevant Licences shall be enclosed with this Application if appropriate.*

**Details of Licensee's Bank :**

Name :

Address:

Post Code :

Telephone No :

Fax No :

Email :

Contact Person :

Name :

Position:

**Details of Licensee's proposed Financial Bonds and Guarantees :**

**Details of Proposed Supply System Configurations :**

**Proposed Entry Point(s) :**

**Post Code(s) :**

**OS Grid Reference :**

**Proposed Exit Point(s) :**

**Post Code(s) :**

**OS Grid Reference :**

**Licensees Customers(s) :**

**Name(s) :**

**Address(es) :**

**Telephone No(s) :**

**Contact Persons(s) :**

*The Applicant shall attach written evidence that its Customer consents to this Application.  
The Applicant shall attach written declaration that it believes its Customer's premises to be eligible.*

**Proposed Duration of Access Agreement :**

Blank area for inputting the proposed duration of the access agreement.

**Proposed Date and Programme for Introduction of Access Agreement :**

Blank area for inputting the proposed date and programme for the introduction of the access agreement.

**Details of Quality of Water to be Delivered to the Exit Point(s) :**

Average annual flow :  Ml/annum

Details of proposed flow profiles :

*(Profiles of Proposed Daily, Weekly, Monthly and Annual Exit Flows to be provided by Licensee as Attachments to this Application)*

Number of days per year that the Access flow will be required :  No.

Average flow per day for days when Access occurs :  Mld

Instantaneous Maximum flow rate (litres/second) :  l/s

Instantaneous Minimum flow rate (litres/second) :  l/s

**Details of Quality of Water to be Introduced by Licensee at Entry Point(s) :**

Source of Water :

Raw Water Quality :

Source History :

Proposed Treatment Process :

Proposed Buffer Storage to be provided by the Company :

Proposed Storage upstream of Entry Point :

Proposed Back up Provisions :

Proposed Contingency Provisions :

**Confidentiality :**

The Applicant is required to sign the Confidentiality Agreement and submit to the Company, together with this Initial Application Form.

**Signature :**

The Initial Application Form shall be signed herein by a person so authorised by the Licensee to so :

Signed :

Print Name :

Position :

Date of Application :

If the person or company submitting this Application is an Agent or similar for the Licensee then the status of the Agent or similar and their relationship with the Licensee must be stated.

**Submission of Form :**

Upon completion, this Initial Application Form should be submitted to : The Operations Director, Sutton and East Surrey Water plc., London Road, Redhill, Surrey, RH1 1LJ, England.

*The Applicant may use supplementary sheets as necessary to provide the required information.*

**APPENDIX C**  
**Confidentiality Agreement**



**SUTTON AND EAST SURREY WATER PLC**  
**Water Act 2003 – Water Supply Licensing**

**Confidentiality Agreement**

This Agreement is entered into by Sutton and East Surrey Water plc ("the Company") and [●] ("the Applicant") pursuant to a proposed application by the Applicant to the Company for access to the Company's water supply and distribution system ("the Access Proposal")

In consideration of the reciprocal agreements and undertakings herein contained, the Company and the Applicant each hereby agree and undertake to the other of them:

- 1 On receipt of any information from the other which is received in any way in connection with the Access Proposal and is marked as confidential information ("Confidential Information"), to use the same solely in connection with and to the minimum extent necessary to deal with the Access Proposal and for no other purpose and keep the same confidential and not disclose the whole or any part thereof to any party without the prior consent in writing of the party from whom it is received Provided that the receiving party shall not be prevented by this Agreement from disclosing the Confidential Information, on the same terms of confidentiality herein contained, to:
  - 1.1 any of its professional advisers and consultants who it is consulting in relation to the Access Proposal;
  - 1.2 any members of its staff who are involved in the Access Proposal;
  - 1.3 any contractors or other third parties who the disclosing party intends to involve in the Access Proposal; and
  - 1.4 any regulatory authority which has responsibility for any part of the subject matter of the Access Proposaland the receiving party shall also not be prevented from disclosing the Confidential Information if and to the extent that it is properly required to do so by any such regulatory authority or by any Court, judicial or arbitration tribunal or body or in order to comply with any statutory or regulatory requirement.
- 2 Not to copy or otherwise re-produce the Confidential Information other than is required for any permitted use thereof.
- 3 Not to incorporate the Confidential Information into any information not belonging to the disclosing party so as to prejudice its confidential nature in any way.
- 4 In the event that the Access Proposal shall not proceed for any reason, to return the Confidential Information to the disclosing party forthwith together with all copies thereof in whatever form the same has been supplied or held.

5 To continue to observe the agreements and undertakings contained herein at all times hereafter unless and until any Confidential Information to which they apply enters the public domain other than in consequence of any breach of any such agreements and undertakings.

DATED this     day of           20\_\_

Signed by: .....

duly authorised for and on behalf of  
Sutton and East Surrey Water plc

Signed by: .....

duly authorised for and on behalf of  
[the Applicant]