

Wessex Water Services Limited

Condition R Compliance Code and Level Playing Field Policy

Issue 5

Dated: September 2020

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Wessex Water Services Limited (WWSL)
Condition R Compliance Code and Level Playing Field Policy
Compliance Statement

“Wessex Water Services Limited (WWSL) is committed to meeting the highest standards of ethical business conduct. An important part of this is providing a “level playing field” to retailers who compete to provide water services in our area. WWSL is committed to complying with all statutory and regulatory requirements governing competition in the provision of water and wastewater services. This Code sets out how WWSL will comply with Condition R of its Instrument of Appointment as a water and sewerage undertaker and ensure fair dealing in its relationships with retailers. As good practice, we have chosen to apply the same principles to our dealings with Inset Appointees.

We must all work together to ensure that:

- we carry out WWSL’s functions fairly;
- WWSL does not get unfair commercial advantages due to our activities in WWSL;
- WWSL does not discriminate unfairly between or unduly prefer other water and sewerage companies (including Inset Appointees), water and sewerage licensees or any other person, including any Group Companies, when carrying out its regulated activities;
- WWSL does not discriminate unfairly between or unduly prefer different water retailers, (including W2BL). We must provide the same excellent service to all retailers. We should not treat customers of one retailer differently to customers of another retailer. All customers are entitled to the same excellent service;
- WWSL protects and does not misuse any commercially sensitive information provided to WWSL, this includes information provided by retailers or which relates to retailers and information provided by Inset Appointees. Such information is confidential. It should not be disclosed within WWSL or to anyone else unless there is a very clear justification; and
- all transactions between WWSL and W2BL and any other Wessex Group businesses are on arm’s length terms.

The terms of this Code have been approved by the WWSL Board. Compliance with the Code is mandatory for all WWSL personnel. Failure to comply with the Code puts WWSL at risk of significant fines and loss of business reputation. The Code will be placed on WWSL’s website and intranet sites. Staff will receive training about its application.

Further advice is available from the Group General Counsel. You should ensure that you attend training about this Code, and if you want extra training this will be made available to you. Compliance with the Code will be monitored by the Internal Audit Team. Employees who fail to comply with the Code will be subject to disciplinary action.

All of these steps have been put in place to demonstrate WWSL’s and the wider Wessex Water Group’s commitment to complying with the highest standards of ethical business conduct. Meeting these standards is the responsibility of all of us at WWSL, and it is essential that we all familiarise ourselves with this Code and work as a team to comply with it.”

Colin Skellett

Chief Executive

1. Key definitions1

1.1 This document uses certain key definitions. You may find it helpful to familiarise yourself with these definitions when reading this Code. These are as follows:

| Defined term | Details |
|---|--|
| Customer | The owner or occupier of premises wishing to receive a water supply or sewerage service from WWSL, including any potential owner or occupier. |
| Competition Team | The team of people listed in Appendix 4 whose function is to consider WWSL's relationships with actual or potential retailers, Inset Appointees or Group companies in accordance with the principles set out in the Code. |
| Developer | A person intending to develop a site who has expressed an interest in WWSL providing a water supply or sewerage services to the site. |
| Developer Services | The department within WWSL which deals with requests from developers and customers for the supply of water and sewerage services to sites and premises. |
| Group Company / Companies | Includes: (i) any subsidiary or holding company of WWSL; (ii) any subsidiary of such holding company and any other company in which WWSL or any subsidiary or holding company has a participating interest (as defined in the IOA); (iii) any subsidiary of WWSL's ultimate owners. Note that the definition of Group Company here is not identical to the one in the IOA. |
| Inset Appointment / Inset Appointee | As explained in Appendix 2. |
| Instrument of Appointment / IOA | The Instrument of Appointment granted by the Secretary of State to WWSL as a water and sewerage undertaker under the Water Act 1989 as amended. |
| NHH Customers | Non-household customers. |
| Pelican | Bristol Wessex Billing Services Limited. A Group Company providing services to WWSL and W2BL. |
| Relevant Legal Requirements | Requirements under competition law, and the IOA. More detail is provided in Appendix 1. |
| Special Agreements | (i) Agreements with customers / users not on the basis of a Charges Scheme but on the basis of an agreement with the person to be charged (Ofwat Special Agreements); (ii) all other agreements not made pursuant to Water Codes, Charging Statements and Standard Documents. |
| Water Codes, Charging Statements and Documents | Codes or agreements, charging statements or other documents which specify the terms on which WWSL deals with retailers and their customers on standard terms. |
| W2BL | Water 2 Business Limited |
| WWSL | Wessex Water Services Limited |
| | |

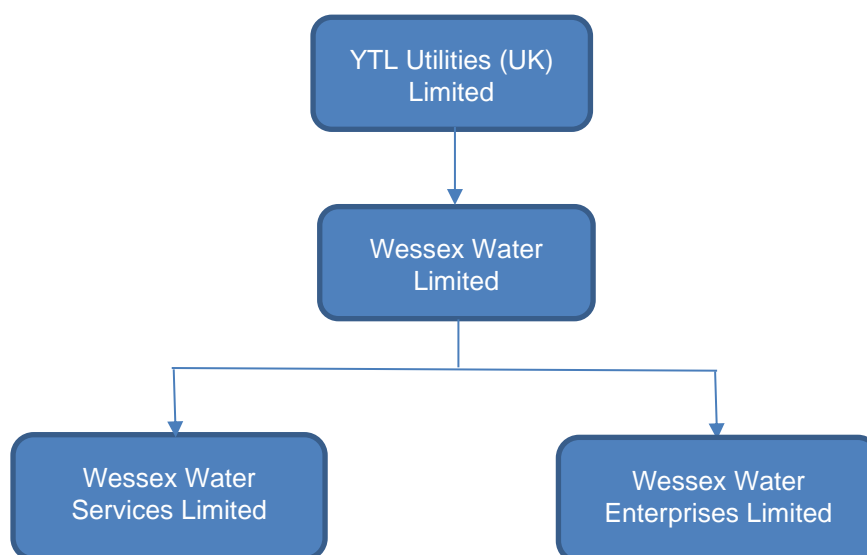
2. Introduction

- 2.1 From 1 April 2017 all non-household customers (NHH) have been able to choose a water and sewerage retailer. Retailers, including Water 2 Business Limited (W2BL), which is part of the Wessex Water Group, compete with each other to supply these customers.
- 2.2 Wessex Water Services Limited (WWSL) is a regional monopoly provider of wholesale water and sewerage services¹ and is licenced by Ofwat through its Instrument of Appointment (IOA). It serves all retailers competing to serve non-household customers in WWSL's area.
- 2.3 Due to WWSL's dominant position in the water and sewerage services market, it is subject to a range of regulatory and statutory requirements, including the obligations contained in its IOA, and wider competition law and level playing field obligations. WWSL is committed to ensuring compliance with all its obligations. Failure could expose WWSL to fines, other harmful legal consequences and damage WWSL's reputation.
- 2.4 WWSL has policies and procedures in place to ensure all our employees, agents, contractors and service providers understand and support us in complying with our obligations. Condition R of WWSL's IOA requires us to have a Compliance Code² which sets out how we will ensure compliance with certain conditions in the IOA.
- 2.5 If you have any questions about this document, you should contact the Group General Counsel.

3. Group structure

- 3.1 The below diagrams show a simplified version of the current group structure.
- 3.2 WWSL is wholly owned by Wessex Water Limited, which in turn is wholly owned by YTL Utilities (UK) Limited. Wessex Water Limited owns or has interests in a number of other companies including Wessex Water Enterprises Limited (WWEL). There are arm's length Service Level Agreements in place between WWSL and any other Group Companies, including WWEL, to ensure compliance with the IOA.

Figure 1: Simplified group company structure

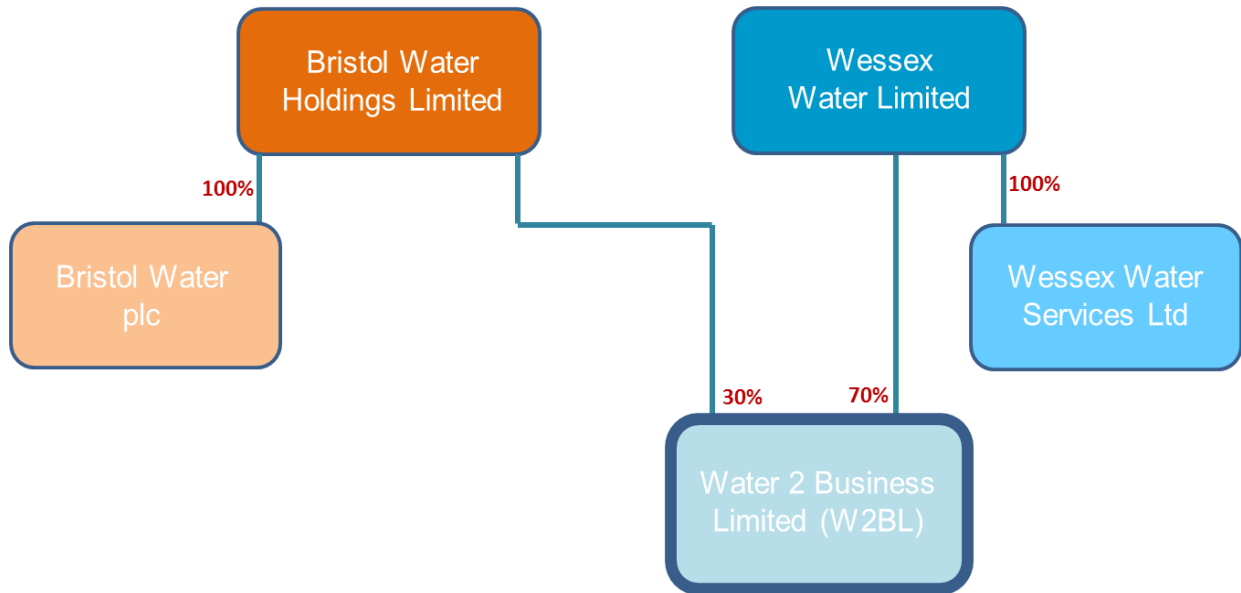


¹ These include abstraction, treatment, distribution, and removal of sewerage through the sewerage network and treatment.

² The Ofwat July 2008 Guidance, "Guidance on compliance codes" is available here: https://www.ofwat.gov.uk/wp-content/uploads/2015/12/pap_pos_compcodes290708.pdf.

Ofwat's 2016 information notice, "Expectations for company compliance codes" is available here: https://www.ofwat.gov.uk/wp-content/uploads/2016/03/prs_in201601complianceguidance.pdf

Figure 2: Ownership of water2business



3.3 In summary, W2BL is 70% owned by Wessex Water Limited and 30% owned by Bristol Water Holdings Limited (see Figure 1). Pelican is jointly owned by Wessex Water Limited and Bristol Water Holdings Limited (see Figure 2). Importantly, whilst W2BL is part of the same corporate group as WWSL, WWSL does not have any direct control over or shareholdings in W2BL or Pelican. There are arm's length Service Level Agreements in place between WWSL and W2BL, WWSL and Pelican and Pelican and W2BL (see Figure 3).

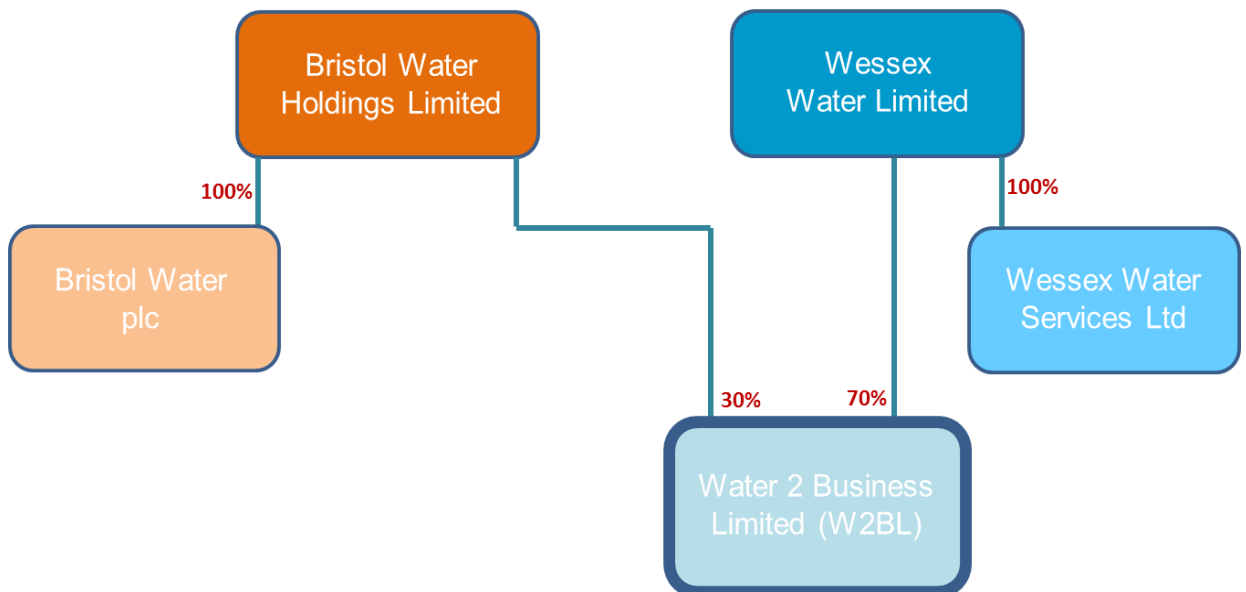


Figure 3: Ownership of Pelican

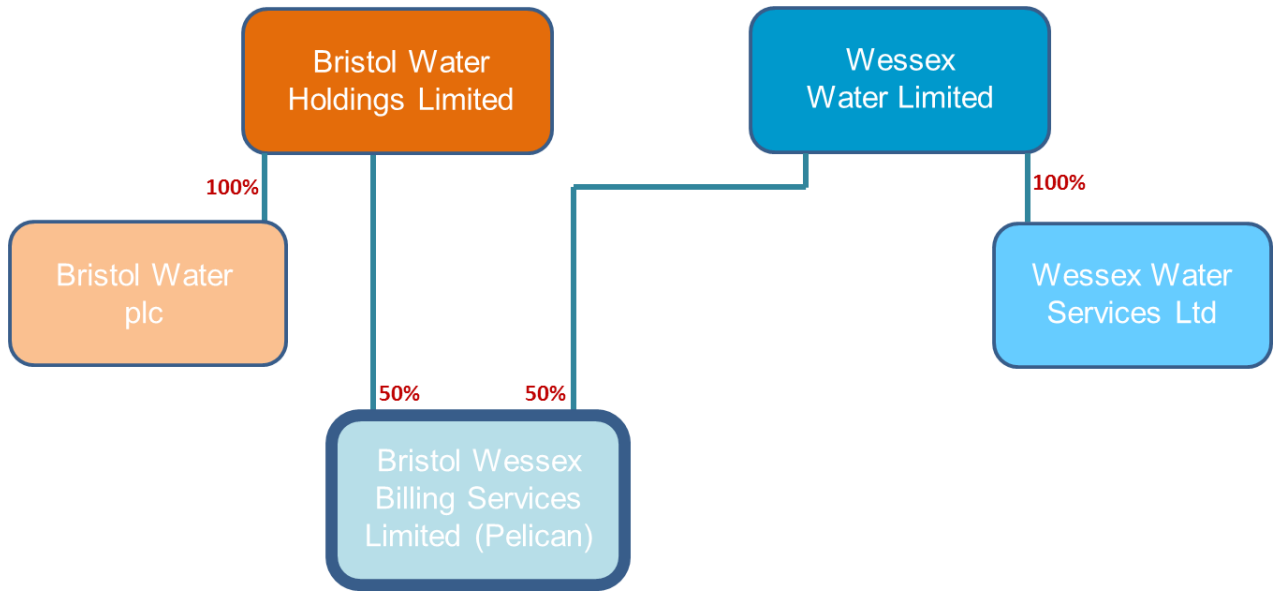
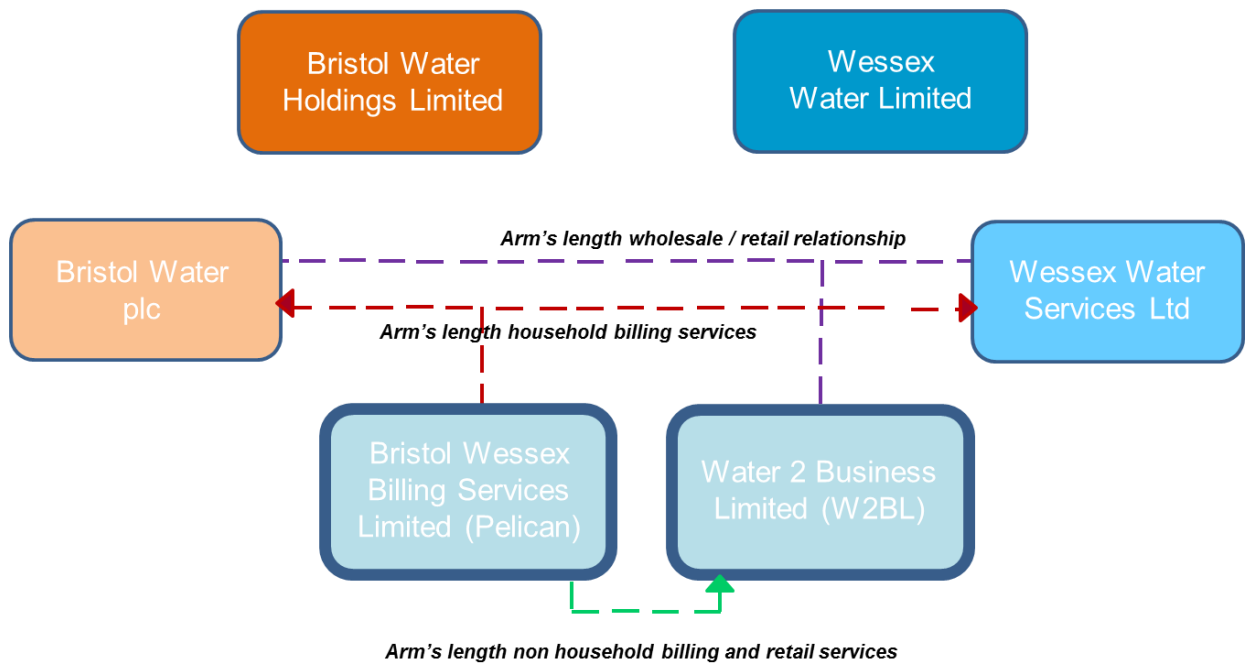


Figure 4: Relationships between WWSL / Bristol Water and W2BL and Pelican



4. Practical Dos and Don'ts

- 4.1 Set out below are some practical tips that should be followed to help ensure compliance with this Code.

| DO | DO NOT |
|---|---|
| Treat all retailers in the same way. | Show W2BL or any other Group Company any undue preference or discriminate against particular retailers or customers. |
| Make commercial WWSL decisions independently. | Consult other Group Companies before making a WWSL decision. |
| Follow agreed processes and policies for interacting with and issuing information to other Group Companies. | Share confidential WWSL information with other Group Companies or competitors unless there is express legal authorisation for sharing it. |
| Conduct all transactions with other Group Companies on an arm's length basis | Use WWSL's special position to provide an advantage to W2BL or other Group Companies. |
| Provide retailers with the information that they reasonably require. | Use information received from retailers to gain an unfair competitive advantage. |
| Review this Code and speak to legal about any concerns you have. | Ignore an issue which you think might be a breach of WWSL's obligations. |

5. Key points

Relationship between WWSL and other Group Companies

- 5.1 With effect from 1 April 2017, WWSL ceased to provide retail services to NHH customers. Along with Bristol Water, WWSL created a new joint venture called Water 2 Business Limited (W2BL) to operate as a retailer in the NHH retail market. WWSL's NHH customers were transferred to W2BL on market opening.
- 5.2 W2BL is an associated/related retailer of WWSL. Albion Water Limited (Albion) is an associated/related Inset Appointee as they have a common parent (Wessex Water Limited).
- 5.3 Pelican (or Bristol Wessex Billing Services Limited/BWBSL) is also part of the same corporate group as WWSL. Pelican provides billing services to WWSL's domestic customers and billing services to W2BL in respect of its NHH customers.
- 5.4 WWSL also provides services to, and receives services from, Wessex Water Enterprises Limited (WWEL). WWEL is an associated Group Company.
- 5.5 It is essential that the utmost care is taken to comply with Relevant Legal Requirements when dealings take place between WWSL and these companies.

Overview of the Code

- 5.6 The rest of this Code describes certain key WWSL Condition R and level playing field policies and sets out the steps that WWSL has taken to secure compliance. This section summarises some key requirements and sets out where further detail can be found.

| Requirement | Section for further information |
|--|--|
| We must ensure that WWSL is independently directed, managed and operated from all other Group Companies. All WWSL staff must act in the best interests of WWSL and not seek to favour other Wessex Group Companies. | 6: Managerial, operational and decision-making independence |
| WWSL must never unduly discriminate against competitors of W2BL or other Wessex Group Companies or unduly prefer W2BL or other Wessex Group Companies. It must not use its special position to provide an advantage to W2BL/ other Wessex Group Companies. | 7: Non-discrimination and no abuse of special position |
| All relationships and transactions between WWSL and other Group Companies must be conducted on an arms' length basis. | 8: Arm's-length dealings between WWSL and other group businesses and no cross-subsidy |
| Specific processes must be followed when entering into agreements on a "non-standard" basis. | 9: Non-discrimination and no abuse of special position: Non-standard arrangements with W2BL and other retailers |
| We seek to be transparent about arrangements between WWSL and other Group Companies. It is important for all WWSL staff to be aware of these arrangements. | 10: Outline of principal intra Group dealings |
| We must protect commercially sensitive information received from or in relation to retailers. This information must not be used by WWSL or other Group Companies to gain an unfair commercial advantage. | 11: Protection of confidential information received from W2BL or another retailer |
| We must provide retailers and Inset Appointees with information that they reasonably require. | 12: Information requests |
| Special processes apply to requests for access to the WWSL system/ new connections etc. | 13: Information handling and contact point: Developers and Inset Appointees |
| You should report any concerns you have about compliance with this Code to the Group General Counsel. In addition, WWSL seeks a culture of openness and has a Raising a Concern Policy. | 14: Complaints and Raising a Concern policy |
| Breaches of this code may result in disciplinary action. | 15: Breaches of this Code and disciplinary proceedings |
| You should ensure you are familiar with this Code, and WWSL makes training available for all staff members. | 16: Training |
| Compliance is monitored by a Compliance Officer and Internal Audit. The Code is regularly reviewed. Contact information for queries about this Code is also set out at section 15. | 17: Governance |

6. Managerial, operational and decision-making independence

Policy

- 6.1 WWSL is separately and independently directed, managed and operated from all other Group Companies, with separate management and director teams in place.

- 6.2 WWSL decisions which may affect retailers in the non-household market such as wholesale charges, investment plans, and operational matters are made, so far as legally practicable within the confines of WWSL. Such decisions are not discussed with W2BL except in the context of industry wide consultation. Such decisions are not made on a discriminatory basis so as to unduly prefer W2BL.

Steps taken to comply with this policy

- 6.3 **Divestment of water and sewerage retail business to W2BL.** WWSL exited the non-household retail market and transferred its non-household retail business to W2BL, a separate Group Company which operates at arm's length from WWSL. The result is that directors and the management of WWSL focus solely on WWSL's domestic retail and wholesale businesses. They have no management or operational responsibility for W2BL.
- 6.4 **WWSL is neither a parent nor a subsidiary of W2BL.** WWSL has no interest in W2BL as a shareholder, no right to appoint directors to W2BL, and no control over W2BL (and vice versa) thus reinforcing the independence of the WWSL and W2BL businesses from each other.
- 6.5 **WWSL has no financial interest in W2BL.** WWSL does not provide finance, e.g. by way of loans or other debt instruments or as a shareholder to W2BL.
- 6.6 **No WWSL directors sit on the board of W2BL.** No directors of WWSL sit on the Board of W2BL. Mark Watts, the Group Finance Director, is a director of W2BL as well as other Group Companies. However, Mark is not a director of WWSL.
- 6.7 **WWSL has six independent directors who do not sit on the board of directors of W2BL.** The independent non-executive directors, along with all other directors, are aware of the need to create a culture of independence in WWSL.
- 6.8 **No WWSL employees are engaged in the management or operation of W2BL, save as noted in this Code.**
- 6.9 **Exceptions.** There are certain limited exceptions to the above. These are as follows:
- 6.9.0 Group Chief Executive.
 - 6.9.1 Group Finance Director.
 - 6.9.2 Group General Counsel.
 - 6.9.3 Persons engaged in other Group/corporate support functions provided under documented Group services agreements, all of which have been entered into in terms described so as to comply with this Code.
- 6.10 Such persons (Relevant Persons) have received further detailed training in respect of this Code.
- 6.11 **All WWSL employees are remunerated with respect to WWSL performance only.** Remuneration is not dependent on other Group Company performance. In particular remuneration is not related to the performance of W2BL or Albion. Employee scorecards and appraisals relate solely to WWSL matters.
- 6.12 **Separate branding.** WWSL is separately branded from W2BL, although the branding may make clear that the entities are related.
- 6.13 **Training about independence.** All directors and employees are trained to understand that management and operational decisions must not take into account the interests of other Group Companies.

7. Non-discrimination and no abuse of special position: General policy

Policy

- 7.1 WWSL manages and operates its business in a way which is calculated to ensure that it does not prevent, restrict or distort competition in water and sewerage markets.
- 7.2 WWSL in its dealings with W2BL, Albion, and other retailers and Inset Appointees will not show any undue preference towards or undue discrimination against:
- 7.2.0 customers or potential customers (or classes of customers) of W2BL, Albion, a retailer or Inset Appointee as compared with either its own customers or potential customers (or classes of customers); or

- 7.2.1 the customers or potential customers (or classes of customers) of W2BL, Albion or any other retailer or Inset Appointee; or
 - 7.2.2 W2BL, Albion or a retailer or Inset Appointee, as compared with any other retailer, Inset Appointee or itself.
- 7.3 WWSL will not show any undue preference or undue discrimination against itself, other water and sewerage companies (including Albion and other Inset Appointees), water supply and/or sewerage licensees (including W2BL and other retailers) or unlicensed third parties in relation to the provision of the following water and sewerage services:
- 7.3.0 water resources;
 - 7.3.0 demand management;
 - 7.3.1 leakage services;
 - 7.3.2 bioresources;
 - 7.3.3 self-lay services; and
 - 7.3.4 the provision of water and sewerage services.

Steps taken to comply with this policy

- 7.4 **Codes are complied with when they apply.** All dealings between WWSL and Group Companies are conducted in accordance with Water Codes, Charging Statements and Documents when these apply. In particular, WWSL will deal with all retailers (including W2BL) on equivalent terms under:
- 7.4.0 The Wholesale – Retail Code.
 - 7.4.1 A standardised Wholesale Contract.
 - 7.4.2 The Market Arrangements Code.
 - 7.4.3 Other Water Codes, Charging Statements and Documents.
- 7.5 **W2BL treated the same way under the Codes as all other retailers.** As an example, provisions of the Codes as to credit cover and payment terms are applied equally to W2BL.
- 7.6 **Services of the same quality provided.** In all cases where services are offered to W2BL and other retailers, the service levels are equivalent. All service requests are logged and tracked. As an example, service requests and site visits will be provided on the same basis. Service requests from W2BL are not prioritised above those of other retailers except for objectively justifiable reasons (e.g. safety and risk to public health).
- 7.7 **Charges are fixed in a way that ensures that there is no undue discrimination or undue preference shown to customers or classes of customers. Wholesale charges are approved by the Board annually.** Wholesale charges will only be approved by the WWSL Board once:
- 7.7.0 Transparent public consultation has taken place in accordance with any regulatory requirements or guidance.
 - 7.7.1 Any material changes have been reviewed by independent expert consultants, (including suitably qualified economists and technical auditors), who will report to the Director of Economic Regulation and give an independent view as to any potential adverse effects on level playing field and other regulatory obligations (e.g. as to potential margin squeeze).
- 7.8 **Non-discriminatory consultation.** WWSL will consult impartially with all its users (including Group Companies) in accordance with any regulatory requirement or guidance when it proposes material changes to charges, policies or practices that may affect them. Any material change will be subject to assessment by independent expert economists about their effect. The following applies to consultation generally.
- 7.8.0 There will be at least 28 days for response to such consultations.

- 7.8.1 WWSL may publish responses to consultations, unless there is a particular commercial confidentiality issue.³
- 7.8.2 Group Companies will be treated no differently. As an example, Group Companies will not receive advance notification of any consultations.
- 7.9 **Standard procedures operate to govern WWSL/retailer interactions.** WWSL business processes and systems have been revised to ensure that Water Codes, Charging Statements and Documents are complied with.
- 7.10 **Wholesale Services Desk manages all retailer interactions.** The Wholesale Services Desk manages day to day interactions under the Codes. It manages:
 - 7.10.0 a retailer portal;
 - 7.10.1 all CMOS interactions;
 - 7.10.2 account management matters; and
 - 7.10.3 interactions with other parts of the WWSL business.
- 7.11 It is responsible for ensuring that service standards to all retailers are met. An IT product “Surface BPM” has been procured to ensure that relevant standards are met.
- 7.12 The Wholesale Services Desk is an essential element of WWSL’s programme to ensure compliance with Relevant Legal Requirements. Ensuring that all day-to-day interactions with retailers are routed through the Wholesale Services Desk means that a dedicated team looks after retailers. This helps secure that:
 - 7.12.0 All retailers are provided with excellent customer service.
 - 7.12.1 All retailers are treated fairly, consistently and there is no undue discrimination or preference between retailers.
- 7.13 It is critical that to the maximum extent possible, all dealings with retailers are conducted through the Wholesale Services Desk. All retailer queries should be directed to the Wholesale Services Desk.
- 7.14 If there is any dealing between WWSL and a retailer that is not conducted through the Wholesale Services Desk, then this should be reported to the Wholesale Services Desk immediately. A clear explanation of the reason why the dealing was not referred to the Wholesale Services Desk should be provided, (e.g. safety).
- 7.15 **Published Bid Assessment Framework.** The Bid Assessment Framework ensures a competitive and auditable tendering process to support the bidding market for water resources, demand management and leakage services. For markets to develop, bidders will need to be confident that there is a level playing field and understand how bids will be assessed.
- 7.16 WWSL currently operates a robust, competitive and auditable tendering process. In making changes to WWSL’s process, we will ensure that we comply with Ofwat’s principles of transparency, equal treatment, non-discrimination and proportionality as well as the Utilities Directives.
- 7.17 The regulatory requirement for a Bid Assessment Framework for new water resources, demand management and leakage is incorporated into our wider open systems approach.
- 7.18 Under this process WWSL has, and will continue to wherever possible, limit the membership of technical decision-making teams to those without a delivery responsibility. This will ensure there is no undue influence on the process.

8. Arm’s-length dealings between WWSL and other group businesses and no cross-subsidy

Policy

- 8.1 **Arm’s-length dealing between WWSL and Group Companies.** All services provided by WWSL or other Wessex Water Group companies to W2BL, Albion, Pelican, WWEL or any other Group Companies are provided on an arm’s length basis in accordance with competition

law, the requirements of WWSL's IOA (including in particular Conditions E, I and R) and Ofwat's Regulatory Accounting Guidelines. No cross-subsidy is or will be given to or received from any other Group Company.

- 8.2 WWSL is related to W2BL and ensures that all transactions between the two are carried out at arm's length, i.e. as though the parties are unrelated. Where W2BL is provided with services, staff or other resources of WWSL such transactions are properly documented, charged and accounted for. This also applies to transactions with other Group Companies.
- 8.3 This section and the following sections set out processes and procedures which apply when handling transactions between W2BL and WWSL as well as transactions with other Group Companies, and how such transactions are accounted and charged for.

Steps taken to comply with this policy

- 8.4 **Standard Water Codes, Charging Statements and Documents are complied with.** Where such documents are applicable, such documents are complied with.
- 8.5 **"Non-standard"/non code dealings are properly justified.** In particular, the justification focusses on why such dealing are required and the provisions of section 9 below are complied with.
- 8.6 **All other dealings between WWSL and Group companies are documented in arm's length SLAs.** Where codes are inapplicable, the arrangements and dealings are documented in a Service Level Agreement on arms' length terms involving no cross-subsidy from WWSL to Group Companies.⁴ These SLAs involve arm's length non-price terms, e.g. as regards service levels/KPIs.
- 8.7 **All transfer pricing is compliant with IOA requirements.** Transactions are charged either at market rates or cost with an appropriate return where there is no market for the service concerned. All pricing is compliant with the IOA and RAG5. Where standard charging methodologies are applicable to third parties these are also applied to dealings with Group Companies. The Company has a published Market Testing Policy which is followed to ensure compliance with the IOA and RAG5.
- 8.8 **All transactions are recorded.** The WWSL Financial Controller maintains records of all inter-company transactions between WWSL and all other Group Companies.
- 8.9 **Robust contract management.** All SLAs and other arrangements with Group Companies are subject to robust contract management.

9. Non-discrimination and no abuse of special position: Non-standard arrangements with W2BL and other retailers

- 9.1 This section sets out the position when non-standard arrangements are entered into.

General position on departures from wholesale charges schemes/tariffs/new Special Agreements.

- 9.2 Arrangements with retailers which are non-standard, e.g. are not governed entirely by Standard Water Codes, Wholesale Charges and Documents or represent a departure from such documents are:
- 9.2.0 Only entered into when they are properly justified.
 - 9.2.1 Conducted on arm's length terms set out in writing.
 - 9.2.2 On terms that WWSL would enter into with any other retailer in comparable circumstances.
 - 9.2.3 Carefully analysed to ensure that they do not breach Relevant Legal Requirements, as an example by creating a "margin squeeze".
 - 9.2.4 Approved by the Head of Wholesale Services, the Director of Economic Regulation and the Group General Counsel.
 - 9.2.5 Are published by entry on the relevant Ofwat register where applicable.

⁴ Note Instrument of Appointment Condition I.

- 9.3 All such arrangements with W2BL are entered into in compliance with section 6 above (Arms-Length Dealings Between WWSL and Other Group Businesses).
- 9.4 **Existing Special Agreements reviewed.** All “Special Agreements” have been reviewed to ensure that the discounts only relate to wholesale matters.

10. Outline of principal intra Group dealings

- 10.1 The following outlines the principal intra-group dealings between WWSL and W2BL and dealings between Pelican and WWSL as W2BL and Pelican have material commercial dealings. It also notes dealings between WWSL and other Group Companies. These have all been entered into in compliance with section 8 above, (Arm’s-Length Dealings between WWSL and Other Group Businesses and No Cross-Subsidy).

Corporate overheads.

- 10.2 A fair proportion of corporate overheads, as determined by the WWSL Financial Controller, are re-charged to W2BL and other Group Companies.

Corporate Functions.

- 10.3 WWSL provides a set of corporate functions to its Group Companies which may include the following services:
- 10.3.0 HR.
 - 10.3.1 Pensions and Payroll.
 - 10.3.2 Legal.
 - 10.3.3 Company secretarial services.
 - 10.3.4 Internal audit.
 - 10.3.5 Insurance.
 - 10.3.6 Transport.
 - 10.3.7 IT.
 - 10.3.8 Corporate Affairs.
- 10.4 Shared Corporate Office functions are limited, and arrangements are in place to prevent the transfer of WWSL data to those engaged in other Group Companies.
- 10.5 Individuals engaged in corporate functions receive specific training to ensure that confidentiality of information to each business is respected and that no improper use occurs.
- 10.6 Those directors or senior employees of WWSL who also perform roles at Group level or within Pelican necessarily, have access to information that could be improperly used to benefit other Group Companies. These include the Group Chief Executive, the Group Finance Director, the Executive Director Finance and Regulation and the Financial Controller of WWSL. Particular training about the risks of improper use of information and the requirements of the Level Playing Field has been given, and they are all aware that the confidentiality of information relating to each business must be respected and that no improper use should occur.

Pelican provision of Household Retail Services to WWSL

- 10.7 Pelican provides services to WWSL in respect of household customers. These services are provided under an SLA that complies with this Code and include:
- 10.7.0 Billing.
 - 10.7.1 Payment handling.
 - 10.7.2 Non-network related inquiries and complaint handling.
 - 10.7.3 Debt management.
 - 10.7.4 Meter reading.

Safeguards

- 10.8 A range of safeguards are in place in the context of this Code.
- 10.8.0 The data which WWSL transfers under this SLA relates to household customers.

- 10.8.1 Pelican is prohibited from transferring any information in respect of WWSL's household customers to W2BL or any other person, subject to the usual exceptions as regards legal requirements etc.
- 10.8.2 The provision of services to household customers is not open to competition.
- 10.8.3 W2BL does not provide any services to WWSL household customers.
- 10.8.4 Pricing and other contract terms are at arm's-length.
- 10.8.5 W2BL staff do not have access to Pelican shared drives and data held by Pelican under this arrangement.
- 10.8.6 Pelican operates separate NHH and HH IT systems.

11. Protection of confidential information received from W2BL or other retailers, or in relation to the provision of certain services

Policy

- 11.1 WWSL needs information from retailers to carry out its functions and provide excellent service to retailers.
- 11.2 WWSL will also receive information from other third parties in relation to the submission of bids to provide certain services (water resources, demand management, leakage services, bioresources) or agreements for the adoption of infrastructure.
- 11.3 WWSL ensures that the way in which information in its possession is disseminated or used does not unduly advantage W2BL or Albion or unduly disadvantage any other retailer, Inset Appointees or other market participant. Such information is not used to obtain unfair commercial advantages or dissuade potential future bids. It follows that:
 - 11.3.1 Dissemination of information within WWSL; and
 - 11.3.2 Disclosure of information outside WWSL, is carefully controlled.
- 11.4 The presumption is that all information deriving from or relating to the management or operation of WWSL is confidential and is not to be disclosed to Group Companies or any other person.

Steps taken to ensure compliance: minimising requests for information from retailers

- 11.5 Condition R and the Ofwat Guidance recognises that WWSL needs to obtain certain information from retailers and Inset Appointees. For example, it cannot properly respond to requests for access to supplies of water or use of WWSL's infrastructure without information about the customers/area to be supplied and the volumes involved.
- 11.6 Minimising the scope of information requests is an important safeguard against disclosure. In dealing with retailers and Inset Appointees, WWSL will not request more information than it reasonably requires to:
 - 11.6.0 carry out its functions;
 - 11.6.1 ascertain whether the relevant person has enough product and public liability insurances;
 - 11.6.2 comply with the conditions of its IOA;
 - 11.6.3 properly deal with national security or civil emergencies;
 - 11.6.4 comply with any reasonable request for information made by the Environment Agency; or
 - 11.6.5 comply with the law.
- 11.7 All information requests to retailers must be routed through the Wholesale Services Desk.

Steps taken to ensure compliance: legally binding confidentiality agreements

- 11.8 WWSL will only receive information from retailers when there is an appropriate binding confidentiality agreement in place which legally requires WWSL to keep retailer information

confidential. Compliance with confidentiality obligations is essential: and a breach of these agreements can create significant exposure for WWSL.

11.9 Whenever WWSL is:

11.9.0 negotiating with a retailer about the period for which and the terms and conditions on which it might discharge its duties under sections 66A to 66C, 117A and 117B of the WIA 1991 (relating to WWSL's duties to enable the provision of its water supply system for the purposes of supplying water, water supply, introduction of water into its system, or the provision of its sewerage services); or

11.9.1 discharging any of those duties, it ensures that legally enforceable terms exist about the confidentiality of information provided to or by it for those purposes.

11.10 To that end WWSL will ensure that an appropriate legally enforceable pre-contract confidentiality agreement is put in place before any meaningful discussions take place. The agreement will govern the use to which information may be put.

11.11 When a retailer is active in WWSL's area the dealings between the retailer and WWSL are governed by the Water Codes, Charging Statements and Documents. These contain obligations that require WWSL to keep retailer information confidential. Compliance with these obligations is essential.

Steps taken to ensure compliance: use of information within WWSL

11.12 WWSL will not use or disclose any information it receives from or in relation to any retailer except:

11.12.0 for the purpose for which it was furnished and to the minimum extent necessary to discharge those duties or for those dealings;

11.12.1 where required or permitted by law; or

11.12.2 where otherwise agreed with that retailer.

11.13 WWSL also ensures that any information it receives from retailers or Inset Appointees is not used or disclosed or otherwise distributed or disseminated within WWSL otherwise than for the purposes for which the information was furnished.

11.14 Information provided by a retailer or Inset Appointee to WWSL is therefore treated as confidential information and only used for the purposes for which it is provided. As an example, information about a retailer's payment record is not disclosed to other retailers. In all circumstances information is disclosed to the minimum extent necessary.

11.15 Information received will be utilised by WWSL on a "need to know" basis evaluated on the purpose for which it was furnished. For example, disclosure to a particular individual or part of WWSL's business may be required to allow a considered response to the retailer or an Inset Appointee access request.

Steps taken to ensure compliance: Wholesale Services Desk

11.16 As noted above, all dealings with retailers should take place via the Wholesale Services Desk. This is also critical in this context as it helps ensure compliance with these important arrangements in respect of retailer information.

11.17 It follows that all information requests to retailers from WWSL should be made through the Wholesale Services Desk, and all information provided to WWSL by retailers should be provided via the Wholesale Services Desk.

Steps taken to ensure compliance: Bid Assessment Framework

11.18 The Bid Assessment Framework provides third parties with confidence and clarity about the integrity of the WWSL procurement process, and in so doing, mitigates the risk of any actual or perceived bias towards 'inhouse' solutions.

11.19 Information submitted as part of the Bid Assessment Framework is, by default, confidential, limited to WWSL, and is not to be disclosed to Group Companies.

11.20 Under this process we have, and will continue to wherever possible, limit the membership of technical decision-making teams to those without a delivery responsibility. This will ensure there is no undue influence on the process.

11.21 Where agreed with the data provider, information may be shared on the Wessex Water Marketplace and so will be publicly available to all.

Steps taken to ensure compliance: WWSL information in general is kept confidential.

11.22 The presumption is that all information deriving from or relating to the management or operation of WWSL is confidential and is not to be disclosed to Group Companies. The following exceptions can apply when properly justified.

11.22.0 To Group Companies providing services to WWSL where demonstrably effective arrangements are put in place to ensure that no further disclosure takes place, that information is disclosed to the minimum extent possible, and that the information is only used for the purposes of the provision of services to WWSL.

11.22.1 In response to a requirement of a competent authority, e.g. Ofwat.

11.22.2 As required by the IOA or any other legal requirement.

11.22.3 As required by any judicial or other arbitral process or court or tribunal of competent jurisdiction.

11.22.4 Where the information is provided by a person or relates to a person and the relevant person has confirmed that the information does not need to be treated as confidential.

11.22.5 Where the information, not relating to information about another person, or provided by another person, (such as a retailer), is put in the public domain through no breach of any legal requirement by WWSL.

11.22.6 Where the person providing the information to WWSL agrees to the disclosure.

Steps taken to ensure compliance: Provision of information to W2BL

11.23 Information is not disclosed to W2BL unless:

11.23.0 it is made available on an equal basis to competitor retailers; or

11.23.1 it refers to a customer of W2BL; or

11.23.2 it is provided on a non-discriminatory basis pursuant to and in full compliance with a Water Code or Charging Statement.

11.24 Where information is properly disclosed to W2BL, it has access on the same terms and using the same mechanisms of access as other retailers. As an example, proposed changes to charges are not disclosed to W2BL before they are made available to other retailers.

Steps taken to comply with this policy: General

11.25 WWSL has taken a range of other steps to protect WWSL and retailer confidential information.

11.26 **Independence of W2BL from WWSL.** As noted above, WWSL does not conduct a non-household retail business, and has no non-household customers. WWSL is managed entirely separately from W2BL, and a range of measures have been put in place to ensure that strict separation.

11.27 **Separate premises.** W2BL employees do not have access to premises or parts of premises occupied by WWSL. The one exception is that access is permitted to the WWSL Operations Centre by W2BL employees on a visitor basis, on the same basis as other visitors (including retailers). Visitors are accompanied.

11.28 **Separate staff.** As noted at 6.8 above and save as disclosed in 6.9, no WWSL employees or sub-contractors are engaged in the management or operation of W2BL.

11.29 **Quarantine.** Staff transfers from WWSL to W2BL are subject to an assessment. All such staff transfers are notified to the WWSL Competition Team before they take place. As assessment is made as to their existing level of access to confidential information. Based on that assessment, a decision is made as to whether a period of quarantine of up to three months is required in order to guard against the inappropriate transfer of data.

11.30 **No W2BL access to WWSL IT systems.** W2BL does not have access to WWSL information via IT systems. This includes all systems for recording, processing, or storing data in respect of the management or operation of WWSL. Access to WWSL IT systems are subject to an authorisation process that is controlled by WWSL. Procedures are in place to ensure that

access and authorisation is removed as appropriate when a person leaves WWSL or changes role in WWSL.

- 11.31 Where systems are shared, a system of firewalls, network architecture and AD architecture are in place to ensure that W2BL and Pelican do not have access to WWSL information.
- 11.32 Where IT systems are due to be enhanced or replaced, further separation will be explored.
- 11.33 **No W2BL access to other WWSL resources.** W2BL does not have access to equipment, facilities and property employed for the management of operation of WWSL save as expressly provided for in arm's length SLAs.
- 11.34 **Separate email addresses.** WWSL and W2BL use separate email addresses.
- 11.35 **Staff training and compliance.** All WWSL staff are required to respect confidential information and are reminded on a regular basis of the importance of this, (including with respect to informal conversations). All staff have access to a copy of this Condition R Compliance Code via the WWSL intranet. Breach of the requirements of this Code will be subject to WWSL disciplinary procedures as appropriate.

12. Information requests

Policy

- 12.1 WWSL will ensure it supplies to retailers and Inset Appointees all information they reasonably require to:
 - 12.1.0 enable the retailer or Inset Appointee to negotiate and conclude agreements under the relevant parts of the WIA 1991 (section 66D or 117E);
 - 12.1.1 comply with any condition in a water supply or sewerage licence or any statutory requirement imposed in consequence of its water supply or sewerage licences; and
 - 12.1.2 comply with any reasonable request for information made by the Environment Agency.
- 12.2 **Positive obligations to assist licensees.** There are a range of obligations on WWSL to assist licence holders. As an example, IOA Condition R8 requires WWSL to provide information that a retailer reasonably requires to apply for, negotiate and conclude a Water Services Agreement, to comply with any condition of its water supply licence, or to comply with any reasonable request made by the Environment Agency. Condition S requires WWSL to comply with the customer transfer protocol and in general customers must be transferred in a timely and efficient way. WWSL has systems and processes in place to comply with these.
- 12.3 **Wholesale Services Desk.** The Wholesale Services Desk is the primary point of contact for all retailers. The Wholesale Services Desk answers calls from customers, manages all operational requests received from retailers and notifies the appropriate WWSL team about the work required. It also manages the retailer portal which every retailer has access to. Retailers can monitor any operational work requests and receive notifications through the retailer portal. If any communications are received from retailers by other parts of WWSL then these should always be redirected to the Wholesale Services Desk.
- 12.4 The Wholesale Services Desk ensures that retailers' information requests are dealt with appropriately.
- 12.5 **Retailer meetings.** WWSL will regularly communicate with retailers in a form that best suits their requirements, fosters understanding and provides assurance that no preference is being shown to W2BL. Any points arising, which are of general application, will be communicated to all Retailers.
- 12.6 **Complaints.** Any complaints about the matters contemplated by this document are referred to the Group General Counsel.

13. Information handling and contact point: Developers and Inset Appointees

Policy

- 13.1 WWSL is committed to ensuring a level playing field for Inset Appointees, developers, customers and retailers when a new supply is sought.

Steps taken to ensure compliance

- 13.2 **Separate teams.** WWSL will ensure that requests about new access/services from (a) developers/customers and (b) retailers or Inset Appointees are dealt with, so far as reasonably practicable, by separate teams given the restraints of operating one of the smaller water and sewerage companies and the limited number of applications received.
- 13.3 **Wholesale Services Desk.** Where a retailer or Inset Appointee makes a work or information request, communication will be conducted via the Wholesale Services Desk. The Desk will send any necessary information or details about the request to the relevant WWSL person or team.
- 13.4 **Developer Services Group.** General enquiries from developers and customers about provision of water or sewerage services where WWSL is to be the supplier to the end user, will be conducted through its Developer Services Group (see Appendix 3).
- 13.5 **Competition Team for Inset Appointees.** All information requests from Inset Appointees together with WWSL responses will be channelled through the Head of Wholesale Customer Services, as the single point of contact within the Competition Team. Detailed terms of contracts will be settled between WWSL's solicitor and those acting for a retailer or Inset Appointee.
- 13.6 The Competition Team (details in Appendix 4) will have access to all relevant information relating to the application so that it can be properly evaluated and a response given. The Competition Team has overall responsibility for ensuring requests from Inset Appointees are dealt with efficiently and in accordance with the terms of this Code.
- 13.7 Some members of the Competition Team, through their involvement with other parts of WWSL's business, may, on occasion, have knowledge of work being undertaken through Developer Services Group that is pertinent to and a potential rival to the interest shown by an Inset Appointee. The members of the Competition Team have been trained and are of enough seniority to be aware of the potential conflicts of interest that could arise. They are aware of their obligations under the Water Industry Act, the Licence and the Competition Act 1998 to ensure they use information appropriately and do not use information provided by applicants for an improper purpose.
- 13.8 **IT restrictions.** Physical and computer access to information relating to requests for access from Inset Appointees will be protected through secure storage and restricted computer folder access. Generally, access will be permitted only to the Competition Team.
- 13.9 To properly respond to requests from an Inset Appointee developer/retailer, the Competition Team will need to consider the technical details of any applicant's request with Operational, Engineering and Developers Services staff. WWSL will ensure that any technical evaluation will be conducted on equivalent terms to that it would have (or may already have) undertaken in response to a request from a customer or developer where the development or site is or would be supplied by WWSL direct.
- 13.10 Some examples of good practice in this context are set out at Appendix 5.

Other Intra Group dealings

- 13.11 Whilst this Code focusses on dealings between WWSL and retailers and Inset Appointees, note that it is important that all dealings between WWSL and other Group Companies are conducted on an arm's-length basis and consistent with the level playing field objective. Level playing field considerations can arise in dealings with other Group Companies too.
- 13.12 Other Group Companies are active in diverse markets, including hotels, property development and new appointments and variations (NAV). WWSL dealings with these businesses must also be at arm's-length to meet the level playing field objective.
- 13.13 In any WWSL dealings with Group Companies WWSL must comply with the Relevant Legal Requirements. If you have any doubts about such dealings, you should contact the Group General Counsel.

14. Complaints and Raising a Concern policy

Complaints

- 14.1 All staff are encouraged to raise any concerns about compliance with the Group General Counsel. Any complaints about an alleged breach of this Code should be addressed to:
- Group General Counsel, Wessex Water Services Limited, Operations Centre, Claverton Down Road, Claverton Down, Bath BA2 7WW.

Raising a concern/whistleblowing

- 14.2 WWSL has a Raising a Concern policy which aims to create a culture of openness and encourage people to raise concerns. The policy applies to employees, officers of WWSL, agency workers and contractors, and protects workers who raise legitimate concerns about specified matters (Qualifying Disclosure). The disclosure in the public interest by a worker in the reasonable belief that a breach of this Code is being, has been, or likely to be, committed, is a Qualifying Disclosure.
- 14.3 **UK and EU Competition Compliance Manual and Policy.** Wessex Water has a Competition Compliance Manual which seeks to ensure that the Wessex Water Group complies with UK and EU competition law. The Raising a Concern Policy applies to competition law compliance as well.

15. Breaches of this Code and disciplinary proceedings

- 15.1 Any breach of this Code may result in disciplinary proceedings being taken against the employee involved.
- 15.2 A breach of this Code could put WWSL at risk of being in breach of the Competition Act 1998, the Water Industry Act 1991 and/or the Company's Instrument of Appointment.
- 15.3 Ofwat can impose financial penalties for breach by WWSL of the Competition Act 1998, its statutory duties under the Water Industry Act 1991 or its IOA. These fines can be up to 10% of group turnover (including the whole YTL Group). As importantly, breach could also damage WWSL's reputation.
- 15.4 In addition, for certain offences under the Competition Act, individual employees may be liable personally and, if found guilty, could be fined or sentenced to a term of imprisonment.
- 15.5 Contracts of employment include provisions that make clear that breaches of competition law and the Competition Compliance Manual referred to in section 14 will be regarded as gross misconduct which could lead to disciplinary action up to and including dismissal.

16. Training

- 16.1 **Access to this Code.** All staff have access to a copy of this Code via the WWSL intranet.
- 16.2 **Training.** All staff are made aware of this Code. Furthermore, training on the requirements of Condition R, the Competition Act 1998, level playing field issues and this Code have been provided to all employees in roles or functional areas where there is a risk of non-compliance. All these employees will also have to complete annual refresher e-learning courses.
- 16.3 All staff may request further training on this Code at any time. New staff are trained on the requirements of this Code as part of their induction.
- 16.4 **Staff training: communicating with retailers or the public.** Staff who have contact with non-household customers are trained to communicate appropriately with retailers and end customers, and, in particular ensure that they act impartially.
- 16.5 **Questions.** In the event of any doubt or ambiguity regarding any aspect of Condition R, competition law, level playing field issues or this Code, employees should follow the escalation procedure in the Competition Law Compliance Manual.

17. Governance

The Compliance Officer

- 17.1 WWSL has appointed a suitably qualified person, the Group General Counsel, (the Compliance Officer) to:
- 17.1.0 Provide advice and information to WWSL as regards the above, and for the purpose of facilitating compliance with the Relevant Legal Requirements.
 - 17.1.1 Monitor the effectiveness of the practices, procedures and systems set out above.
 - 17.1.2 Investigate any complaint or breach in respect of the above and specify any remedial action required.
 - 17.1.3 Provide advice and information in respect of potential improvements to the practices, procedures and systems set out above.
 - 17.1.4 Report regularly to the WWSL Board of Directors on compliance with this Code and the Relevant Legal Requirements.
- 17.2 All enquiries must be submitted to the Group General Counsel who will record the enquiry and act as the single point of contact.
- 17.3 WWSL shall ensure that the Compliance Officer is provided with such staff, premises, equipment and other resources, and access to WWSL's premises, systems, information and documentation as she reasonably requires to discharge these functions.
- 17.4 The current Compliance Officer is the Group General Counsel.

Internal audit

- 17.5 In addition, the process, systems and documentation will be audited by Internal Audit at appropriate intervals to ensure compliance.

The Competition Team

- 17.6 To ensure that this Code is complied with, WWSL has established a Competition Team to provide a controlled forum for discussion and decision-making. The terms of reference of the Competition Team are regularly reviewed to ensure they are effective.
- 17.7 The Competition Team is responsible for publicising the requirements of this Code and to take steps to secure compliance.

Review of the Code

- 17.8 This Code will be reviewed at least annually and more frequently if necessary, to address any immediate issues that arise during its operation. The Code will be revised if Ofwat revise its Guidance on Compliance Codes. The Competition Team has responsibility for reviewing this Code.

September 2020

Document history

| Version number | Details | Date |
|----------------|---|----------------|
| 1 | Published internally | February 2017 |
| 2 | Amendments to reflect board membership | September 2017 |
| 3 | Amendments to incorporate Condition R and published externally | March 2018 |
| 4 | Amendments to reflect changes in personnel and operational interactions | May 2019 |
| 5 | Annual review and amendments to incorporate changes to licence obligations and other changes in personnel | September 2020 |

Appendix 1 - Key Relevant Legal Requirements

This Appendix summarises some of the key Relevant Legal Requirements with which WWSL must comply.⁵

| IOA Reference | Requirement |
|---|--|
| <i>Managerial, operational and decision-making independence</i> | |
| I13 | Requires WWSL to ensure that it has adequate financial resources, facilities and management resources to enable it to carry out its activities. This means that it is to operate on a “standalone” basis. |
| I26 | <p>Requires WWSL to conduct itself as if it were a separate public limited company. It also provides that WWSL shall ensure that the objectives on board leadership, transparency and governance are met and explain how those objectives are being met in a manner that this effective, accessible and clear.</p> <p>The objectives are:</p> <ul style="list-style-type: none"> • The Board of WWSL establishes the company’s purpose, strategy and values and is satisfied that these and the culture reflect the needs of all those it serves (I26.3.1); • WWSL has an effective Board with full responsibility for all aspects of WWSL’s business for the long term (I26.3.2); • The Board’s leadership and approach to transparency and governance engenders trust in WWSL and ensures accountability for its actions (I26.3.3); and • The Board and its committees are competent, well run, and have sufficient independent membership to ensure high quality decisions that address diverse customer and stakeholder needs (I26.3.4). |
| <i>Arm’s-length dealings between WWSL and other group businesses and no cross-subsidy</i> | |
| I4 | Requires WWSL to ensure that any transaction between WWSL and any Group Company is conducted at arm’s-length so that neither gives or receives a cross-subsidy. |
| I5 | Deals with charging for intra group services. In summary WWSL must not make payments in respect of services provided to WWSL by another Group Company which exceeds market tested rates, or when it can be demonstrated that market testing is inappropriate, on a basis approved by Ofwat which is cost reflective and includes a reasonable rate of return. |
| I8 | Prohibits certain classes of transactions (unless Ofwat consent). These include loans to Group Companies, guarantees of Group Companies’ liabilities and cross-default obligations. |
| I17 | Requires the directors to certify to Ofwat that all contracts entered into with Group Companies under which services are provided to WWSL contain all necessary provisions and requirements concerning standards of service to ensure that WWSL can meet its obligations. |

⁵ Note that the summaries are in simple terms and reference should be made to the IOA in particular when appropriate.

| | |
|---|---|
| R5(1) | Requires WWSL to ensure that all transactions between WWSL and W2BL are at arm's length. |
| <i>Non-discrimination and no abuse of special position: General policy</i> | |
| E1(1) | <p>Requires WWSL not to show undue preference or undue discrimination against itself, other water and sewerage companies, water supply and/or sewerage licensees or unlicensed third parties in relation to the provision of the following water and sewerage services:</p> <ul style="list-style-type: none"> • water resources; • demand management; • leakage services; • bioresources; • self-lay services; and • the provision of water and sewerage services. |
| E2-3 | Requires WWSL in fixing or agreeing charges to ensure that no undue preference is shown to and that there is no undue discrimination against, any class or potential class of customers. |
| R6 | <p>Requires WWSL not to show undue preference towards or undue discrimination against:</p> <ul style="list-style-type: none"> • customers or potential customers of one retailer over the customers or potential customers of another retailer; • classes of actual or potential customers of one retailer over the classes of actual customers or potential customers of another retailer; or • a retailer as compared with any other retailer or WWSL itself. |
| <i>Protection of confidential information</i> | |
| E1(2) | <p>Ensure that information provided to WWSL in relation to the submission of bids to provide certain services (water resources, demand management, leakage and bioresources) or agreements for the adoption of infrastructure, is not used, distributed or disseminated except:</p> <ul style="list-style-type: none"> • where required or permitted by law; • where necessary to protect public health or to prevent contaminations, waste, undue consumption or misuse of water supplied by WWSL; • where necessary to investigate or prosecute criminal offences; or • where agreed with the person providing the information. |
| R7 | <p>Requires WWSL to:</p> <ul style="list-style-type: none"> • Ensure that legally enforceable terms about the confidentiality of information are included in arrangements with retailers when negotiating or discharging duties under arrangements for use of the water supply system, water supply, and introduction of water into the WWSL system (sections 66A - C, 117 A - B). |

- Ensure that information received from or in relation to a retailer in the course of or in contemplation of the 66A-C and 117A-B duties, is not used or disclosed except:
 - (i) for the purpose for which it was furnished and for the minimum extent necessary to discharge those duties or for those dealings;
 - (ii) as required or permitted by law; or
 - (iii) where otherwise agreed by the retailer.
- WWSL must ensure that information received from a retailer is not used or disclosed or otherwise distributed or disseminated within WWSL other than for the purposes it is provided.
- Prepare, publish and comply with a compliance code in that regard.

Information requests

R8

Sets out the information that WWSL needs to supply to Licensees.

R9

Restricts the information that WWSL can require retailers to provide. Any requests for information must be reasonable.

Appendix 2 – Inset Appointments

S7(4) Water Industry Act 1991 as amended allows the replacement of WWSL by another water or sewerage undertaker – an Inset Appointee.

Inset Appointments may occur where:

- (a) Wessex Water agrees to the replacement;
- (b) the appointment or variation relates only to parts of Wessex Water's area none of the premises in which is served by Wessex Water;
- (c) the appointment relates to parts of Wessex Water's area and the premises involved are, or are likely to be supplied, in any period of 12 months with not less than 50 megalitres of water; or
- (d) the appointment or variation is made in circumstances allowed in the Licence.

Some assistance is given by sections 36(3)(a) and (b) of the Water Industry Act 1991 as amended (provision inserted by the Competition and Services (Utilities) Act 1992) about premises that are not served by Wessex Water. Premises are supplied with water if they are connected to a water main (other than a trunk main) that is vested in Wessex Water. Premises will be provided with sewerage services if they are drained by a public sewer vested in Wessex Water or in which it is intended that it will be vested.

Ofwat has given some guidance on its views about whether premises are unserved and qualify for an Inset Appointment. A link to the Ofwat webpage appears below. Ultimately, any question about whether premises are served is a matter for the Courts.

<http://www.ofwat.gov.uk/content?id=dc9b5e26-434c-11e0-94e7-a971e1d133f2>

Inset Appointees can require supplies of water in bulk and to discharge wastewater to Wessex Water's sewers under agreements to be negotiated under ss40 and 110A of the Water Industry Act 1991. Ofwat can determine disputed terms.

Ofwat has given guidance on how it considers the price for a bulk supply of water should be calculated. A link to the Ofwat webpage appears below.

<http://www.ofwat.gov.uk/content?id=dc9b5e26-434c-11e0-94e7-a971e1d133f2>

Appendix 3 – Developer Services

WWSL offers a range of services for members of the public, builders, local authorities and housing developers. Developer Services provides a central point of contact for developers, councils and the general public on all types of new development. Enquiries may range from new housing or industrial sites to a single storey extension.

Developer Services offers technical advice and guidance on water and drainage issues, for example water and sewer connections, sewer build overs and connections, sewer adoptions, requisition of new water mains and sewers, diversions etc. It provides online information and printable application forms for drainage and water supply needs.

Please see further details of the services provided on the attached link.

<http://wessexwater.co.uk/developerservices/index.aspx?id=1108&adverts=no>

Appendix 4 – Competition Team

- Group General Counsel (Compliance Officer)
- Director of Economic Regulation (Senior Compliance Manager)
- Head of Wholesale Customer Services

Appendix 5 – Examples of Good Practice

1. A retailer approaches Developer Services asking for terms for a supply of water. The recipient in Developer Services must immediately refer the inquiry to the Head of Wholesale Customer Services (or if absent someone else in the Competition Team).
2. WWSL through Developer Services has provided a developer with the price for providing water services to a site. A member of Developer Services becomes aware through inference that a retailer is interested in supplying the site due to requests for information/technical solutions from the Competition Team. He or she must not re-visit any price given to the developer for providing water services to the site in an attempt to undercut the retailer.
3. The Competition Team receives a request from a developer for terms to supply water and sewerage services to a site under bulk supply agreements. A member of the Competition Team is aware that there have been no discussions with any developer or customer. He or she must not pass on the information to Developer Services with the suggestion they might wish to make contact with the developer to see if Wessex Water can help.
4. A retailer approaches the Head of Wholesale Customer Services, with a request for terms to supply a proposed new factory. Independently of the approach, Developer Services is consulted by the local authority about its ability to service the factory. It is legitimate for Developer Services to contact the developer/customer as the information has been obtained from a source other than information imparted in confidence by the retailer.
5. Developer Services some 12 months ago provided a price for the supply of water to a housing development. An Inset Appointee has approached the Head of Wholesale Customer Services, for terms to supply the site. Developer Services becomes aware that large water consuming factory is to close freeing up water resources. There is no longer a need for the developer to contribute to offsite mains strengthening. Developer Services may re-visit the price as there is an objective change in circumstance and the revised technical solution/price is not related to the Inset Appointee's approach.