

Severn Trent Services (Water and Sewerage) Limited

Compliance code for wholesale/retail interfaces

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Purpose of this document

The company has taken all the necessary steps to fully comply with the Competition Act 1998, and in doing so, believes it's important to foster a culture of compliance. Therefore, it is critical that guidance is in place for all its employees in the form of a Compliance Code, which is a requirement of Condition R as set out in its Licence of Appointment.

The company isn't a dominant player in the sewerage wholesale market, therefore the risks of abuse of market power are an order of magnitude less, when compared with traditional incumbent water companies.

This document sets out the company's arrangements to:

- Demonstrate the compliance with the confidentiality obligations under Licence Condition R;
- Protect commercially sensitive information received from, or in relation to licensees;
- Demonstrate that transactions between associated companies are conducted at arm's length;
- Provide clear information for the company's personnel on their individual obligations; and
- Ensure non-discrimination against customers or licensees.

This document is informed in part by Severn Trent's 'Doing the Right Thing' principles, which can be found on the Severn Trent Plc website [here](#).

Background to water supply market and Licence Conditions R and S

Retail competition was opened up to all non-household premises in England in April 2017, allowing retailers and new entrants to purchase wholesale water and sewerage services from incumbent water companies for onward sale to eligible customers. The new retail market replaced the retail licence conditions under the WSL regime with a new water supply and sewerage licensing (WSSL) regime. In addition, non-household customers have the option to self-supply their own retail services. Existing retailers, new entrants and self-supply customers have to obtain a new WSSL to provide services to their customers as "the licensee". Further information on the market can be found on Open Water's website [here](#).

The company has exited from the non-household retail market.

The company is required to comply with Licence Condition R and ensure that dealings with licensees are conducted in a compliant manner that do not discriminate against other market participants.

Licence Conditions R and S within the company's Licence of Appointment support the duties placed upon undertakers under the Water Industry Act 1991 (sections 66A-66C), and require that the following are complied with:

- Non-discrimination between customers connected to the water undertaker's network, regardless of which licensee they are served by;
- Produces, publishes and updates as necessary a code for access (Network Access Code) which follows Ofwat's Guidance;
- Does not obtain an unfair commercial advantage because of its activities under these Conditions; and
- Produces, publishes and updates as necessary a Compliance Code which follows Ofwat's Compliance code guidance

The company has not published a network access code as it is no longer a water undertaker.

Scope of the compliance code

This section details the specific measures introduced to address concerns in the following areas:

Area	Description
Obligations about information	Provisions on how information received from or in relation to a licensee will be handled; procedures for sending information to licensees; provisions to ensure that the company does not gain an unfair commercial advantage from exchanges of information required for the operation of the retail market.
Arm's length trading	This section details how transactions between the company, and other associated licensees are carried out at arm's length.
Monitoring and/or audit processes	Details of procedures to evaluate the Compliance Code and identify areas of risk to be addressed.
Personnel training	Details of the approach for training provided to the company's employees in relation to compliance and the Compliance Code.
Disciplinary process	Procedures in place to investigate and manage any potential breach of Condition R and action to be taken in the event that breaches are found.
Customer-facing personnel policy and procedures	The company has included a section to detail policy and key messages for personnel dealing with eligible customers.

Information handling obligations and provisions

The company has the following information obligations when dealing with data forwarded by a licensee to progress contractual terms for access to our sewerage network.

The company **must**:

- Ensure that neither it, nor any related company, obtains any unfair commercial advantage from any exchange of information between itself and a licensee. For example, the company may have access to confidential information about a licensee's activities which it must not share with any other licensee;
- Only use the information a licensee provides for the purpose for which it is supplied;
- Take steps to protect the information that it receives from misuse within the company and prevent inappropriate disclosures to third parties;
- Set out how such information received from, or in relation to, licensees will be handled and provide details of the person or team responsible for this information;
- Set out procedures for sending information to licensees. For example, a licensed supplier should be provided with information reasonably required to:
 - apply for, negotiate and conclude an access agreement
 - comply with any condition of its supply licence, or any statutory requirement imposed in consequence of its supply licence
 - comply with any reasonable request for information made by the Environment Agency
 - comply with any reasonable request for information made by the licensee.

The company **must not**:

- Request from a licensee, or from a person supplied or seeking to be supplied by a licensee, more information than it reasonably requires;
- Charge the licensee for providing copies of documentation used to transfer a customer or clarifying its policy and information requirements.

The company has taken the following actions to demonstrate that it's able to meet these obligations:

1. Exited from the non-household retail market for sewerage services.
2. Agreed a secure and dedicated e-mail address for the transfer of information between licensees and ST Connect.
3. Detailed the information required from licensees to enable a full assessment of an application. The company has also set out the rationale for the provision of that data to justify our need for it.

Arm's length trading provisions

A water undertaker that is related to a licensee must ensure that transactions between the two are carried out at arm's length; as though the parties were unrelated.

The company must comply with competition law, regulatory conditions and the regulatory accounting guidelines, which ensure that dealings with Severn Trent group companies are conducted in a compliant way.

Compliance monitoring and audit procedures

The company has put in place a requirement that its employees complete various e-learning training programs to ensure compliance with the arm's length trading and non-discriminatory operating practices.

The company's senior management team check to ensure that all employees have completed their e-learning and are compliant in their practices.

The Group Head of Compliance is responsible for setting a framework to ensure compliance and a culture of compliance.

Disciplinary procedures

All employees have a duty and responsibility to comply with this Compliance Code. It is the responsibility of each manager/persons in a supervisory capacity to ensure personnel are adequately informed of this Compliance Code and administer its operation within their teams.

Failure to comply with this Compliance Code, whether highlighted by audit, application handling or complaints from licensees, will be investigated by the company's senior management team. Non-compliance or any action preventing or discouraging others from complying with this Compliance Code very serious and may result in disciplinary action up to and including dismissal.

Policy and procedures – guidelines for managers and personnel in day-to-day contact with eligible non-household customers

The company must operate a "level playing field" to licensees and therefore not show preferential or discriminatory treatment to any licensee. There is a risk that information received by a licensee could be used to gain an unfair competitive advantage against another competing licensee.

To manage these risks:

- The Customer Operations Manager acts as the key point of contacts for all enquiries from licensees. They must not forward any confidential information gained in the operation of the market;
- If the customer requests information of the WSSL regime from the Customer Operations Manager, the relevant meeting or discussion must be documented.

Employees **must not**:

- Suggest to a customer that moving to a new licensee will in anyway result in restricted access to the company's network or resources in the future; and
- Discuss the financial and/or technical competence of licensees.



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