

Compliance Code

May 2020



Issue Number & Date	Details of Change
1, April 2017	New policy for Market Opening
2, May 2018	Updated as part of annual review (including reference to Cambrian Utilities Limited)
3, April 2019	Updated as part of annual review
14, April 2020	Updated as part of annual review

Introduction

This Compliance Code aims to ensure the following:

- Access to Dŵr Cymru Welsh Water (DCWW)'s Wholesale business for retail supply licensees on reasonable terms;
- No unfair advantage for DCWW;
- No misuse of customer information;
- Clear separation for the relevant Retail and Wholesale parts of the business –in particular Retail and Wholesale activities relating to business customer sites that are eligible to switch to a different retailer (ie. sites using more than 50 ML of water per year);
- Compliance with our licence and competition law.

We will review this Code on a regular basis, and update it as necessary to take into account revised guidance, new legislation or changes within DCWW and/or the market framework.

Our Board is committed to supporting the best interests of customers including the aims of Competition Law. DCWW's Code of Conduct, a copy of which has been given to all colleagues, and DCWW's Competition Law Compliance Policy highlights the importance of our policies in this area. We have a dedicated Competition Law Solicitor (Kate Newton) who is available to provide guidance to any colleague who has concerns about Competition Law compliance, and we provide tailored training to relevant colleagues.

It is important that all colleagues ensure compliance with our policies in this area and seek advice if in any doubt.

1. Compliance Statement

DCWW is committed to meeting the aims of Competition Law, and meeting the requirements of Condition R of our licence (ie. prevention of unfair discrimination, unfair advantage and undue preference) is a key element of this. We treat all customers of our water and sewerage services fairly, whether their Retail service is provided by DCWW or a third party Retailer.

We are committed to ensuring that all Retailers serving customers with a site that is eligible for competition, including the Commercial Retail Team (DCWW's competitive retail division dealing with these customers) and Cambrian Utilities Limited (DCWW's entity which provides retail services to these customers' associated sites in England), access DCWW's Wholesale services in the same way (ie. via the Wholesale Service Centre) and receive the same level of service so as to ensure that no undue preference or unfair commercial advantage is conferred on the Commercial Retail Team and/or Cambrian Utilities Limited.

2. Market Opening

From 1 April 2017, all non-household customers of water and sewerage services served by suppliers based wholly or mainly in England are able to choose their Retailer (ie. the current water supply threshold of 5ML/per annum will be removed). The Welsh government decided that there is no change to the Retail market in areas supplied by water and sewerage companies based wholly or mainly in Wales, and so the competitive retail business market in Wales remains limited to the supply of water services to business customer sites using more than 50ML of water per annum.

A key aim of Market Opening is to create a level playing field for third party Retailers in the form of licensed water suppliers looking to provide water or sewerage services to non-household customers in competition with the Retail arms of incumbent water companies (ie. so that they are able to compete as effectively as the incumbent Retail service providers). Although Retail competition in Wales is limited to the supply of water services (and not sewerage or trade effluent services), we fully support this objective and aim to achieve the best outcomes for customers in general. The market arrangements, systems and codes that have been developed by Open Water, MOSL and Ofwat (such as the Market Arrangements Code and the Business Customer Protection Code of Practice) provide the framework for achieving this aim.

3. Arm's Length Trading Provisions

Condition R requires a water undertaker which is related to a licensee to ensure that transactions between them are carried out at arm's length.

DCWW has written arm's length arrangements in place between the Wholesale Business and the Commercial Retail Team (including a Wholesale Contract for Wholesale Services), and the Retail Services Division and the Commercial Retail Team, to demonstrate that DCWW is carrying out its Wholesale and Retail activities in relation to customers with an eligible site as if they were being carried out by separate legal entities. Similar agreements exist for Cambrian Utilities Limited.

4. Information Handling Obligations and Provisions

Our licence requires that we do not obtain an unfair commercial advantage from any information received from, or in relation to, licensees. Therefore:

- DCWW will not use information obtained from a third party licensee to confer an unfair advantage on DCWW's Commercial Retail Team and/or Cambrian Utilities Limited, and DCWW will only use information provided by a third party licensee for the purpose for which it is supplied;
- DCWW will take steps to ensure it uses information from or in relation to a third party licensee appropriately and does not disclose this information to a third party inappropriately; and
- DCWW will not request more information from a third party licensee than it reasonably requires.

The procedures that are in place in this regard are set out below.

Commercial Retail Team

The Commercial Retail Team provides retail services (ie. billing, meter reading, account handling and customer queries) to customers with an eligible site (and their associated sites in DCWW's supply area). Processes have been implemented to safeguard information that is received from third party licensees in order to prevent it from being used to confer an unfair commercial advantage to the Commercial Retail Team.

In particular, the Commercial Retail Team is functionally separate from DCWW's Wholesale business.

Cambrian Utilities Limited

Cambrian Utilities Limited is a separate legal entity and holds a water and sewerage licence to provide retail services to eligible customers' associated sites in England.

Wholesale Service Centre

The Wholesale Service Centre provides the interface between any Retailer acting on behalf of sites open to competition, including the Commercial Retail Team and Cambrian Utilities Limited, and DCWW's Wholesale business in order to ensure that all Retailers access DCWW's Wholesale services in the same way, using the same communication channels and receive an equivalent level of service. This is a key way in which DCWW is supporting a level playing field for out of area competitors and new entrants looking to provide retail services currently provided by the Commercial Retail Team.

5. Staff Training

All Group companies are subject to Welsh Water Group policies including policies on competition law.

All relevant employees are provided with face-to-face training on competition law and these processes, procedures and protocols.

All relevant DCWW employees have completed a training programme on competition law, which includes the principles of this Compliance Code, DCWW's Competition Law Policy and day-to-day scenarios which may arise. This training explains the safeguards in place to prevent DCWW's Commercial Retail Team from gaining an unfair advantage over other Retailers, including measures that are in place to prevent information that is disclosed by third party licensees being used to confer an advantage on DCWW's Commercial Retail Team. Cambrian Utilities Limited colleagues have also been provided with this training. In addition, tailored competition law training has been provided to the Commercial Retail Team and Wholesale Service Centre, together with the provision of bespoke Do's and Don'ts, and have also been provided to Cambrian Utilities Limited colleagues. Advanced competition law training has also been provided to colleagues with responsibilities to both the Wholesale and Retail businesses to ensure safeguards are in place to minimise the risk of inappropriate information flows.

In addition, an e-learning programme has been rolled out to all employees across the business. This training now forms part of DCWW's induction training.

Additionally, "help-line" support is available from Kate Newton and there will be one-to-one sessions to provide specific guidance, on-the-job training, email updates and further written guidance as this becomes appropriate.

6. Monitoring and Audit Procedures

Our Compliance Team will carry out periodic reviews of compliance and recommend any areas for improvement.

Any questions in relation to these issues must be raised with line managers or directly with Kate Newton, or if she is not available, with another member of the Legal department.

7. Disciplinary Process

Relevant DCWW employees are made aware that any breach of this Compliance Code would be viewed very seriously and could result in disciplinary action.

If you have any comments or observations in relation to this Compliance Code please contact Kate Newton, our Competition Solicitor (at kate.newton@dwrcymru.com or on 01443 452740).