

## **DVW Compliance Code**

**Issued: October 2017**

**V1.0**

**Process Owner: Head of Wholesale Market Unit**

## Contents

1. Purpose of the document and compliance statement.....	3
2. Background to the Water Supply Market and Condition R.....	4
3. Scope of the Compliance Code.....	5
4. Information handling obligations and provisions.....	6
5. Arm's length trading provisions.....	9
6. Compliance Monitoring and Audit Procedures.....	10
7. Personnel training .....	11
8. Disciplinary procedures.....	12
9. Customer facing personnel - Policy and Procedures.....	13
Appendix 1: Roles and Responsibilities.....	15

## Compliance Code for Wholesale / Retail Interfaces

### 1. Purpose of the document

To ensure compliance with the Competition Act 1998, we take all necessary steps to fully comply with the law and ensure appropriate behaviour, which is not anti-competitive. We believe it is important to demonstrate compliance with legislation and that there is a culture of compliance. Therefore it is critical that guidance is in place for all of our employees in the form of a Compliance Code, which is a requirement of Condition R and Condition S of our Instrument of Appointment.

Competition in the water industry is developing; and the Competition Act 1998 prohibits the following anti-competitive behaviour:

- any agreement which has as its object or effect the prevention, restriction or distortion of competition; and
- any conduct which amounts to an abuse of a dominant position.

The document sets out Dee Valley Water's arrangements to:

- demonstrate we are able to comply with the confidentiality obligations under Condition R and Condition S;
- protect commercially sensitive information received from, or in relation to licensees;
- demonstrate that transactions between DVW and associated licensees are conducted at arm's length;
- provide clear information to DVW personnel on their individual obligations; and
- ensure we are carrying out our functions without discriminating against customers or licensees.

This document forms apart of Severn Trent Group's 'Doing the Right Thing' principals, which can be found on our website [here](#).

## 2a. Background to the Water Supply Market

From 1 April 2017 retail competition was extended to all non-household premises, so other retailers and new entrants are able to purchase wholesale water services from Dee Valley Water and sell these to eligible customers. The new retail market replaced retail licences under the WSL regime with a new water supply and sewerage licensing (WSSL) regime. Existing retailers and new entrants have to obtain a new WSSL to provide services to customers as “the licensee”. More information on the new market can be found on Open Water’s website (<http://www.open-water.org.uk/>).

A third party with a combined licence can continue to use the existing network access code to supply water from its own source from Dee Valley’s network, for onward sale to a downstream retail customer.

DVW is required to comply with Condition R and Condition S and ensure that our dealings with licensees are conducted in a compliant manner that does not discriminate against other market participants.

## 2b. Background to Condition R and Condition S

Licence condition R and condition S of our Instrument of Appointment supports the duties placed on water undertakers (sections 66A-66C of the Water Industry Act 1991). Condition R was amended by OFWAT to move some of the obligations into Condition S in particular, our obligations to maintain a Network Access Code<sup>1</sup>.

Licence condition R requires that DVW as a water undertaker:

- produces, publishes and updates as necessary a code for access (Network Access Code) which follows Ofwat’s access codes guidance;
- does not unfairly or unduly discriminate between customers connected to the water undertaker’s network, regardless of which licensee they are served by;;
- does not obtain an unfair commercial advantage because of its activities under this Condition; and
- produces, publishes and updates as necessary a Compliance Code which follows Ofwat’s compliance code guidance<sup>2</sup>.

DVW publishes (and annually updates) a Network Access Code on its website. This Compliance Code is published alongside this and both documents can be found at:

LINK TO BE INSERTED BY **COMMS**

**Commented [WL1]: URL Required from COMMS**

<sup>1</sup> <http://www.ofwat.gov.uk/wp-content/uploads/2017/04/Notice-of-Reasons-Condition-S-mods.pdf>

<sup>2</sup> Ofwat Guidance on Compliance Codes, August 2008

### 3. Scope of the Compliance Code

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

Area	Description
<b>Obligations about information</b>	Provisions to ensure that DVW does not gain an unfair commercial advantage from exchanges of information required for the operation of the retail market.
<b>Arm's length trading</b>	Details of how DVW ensures it operates at arm's length with any associate licensees.
<b>Monitoring or audit process</b>	Details of procedures to evaluate the Compliance Code and identify areas of risk to be addressed.
<b>Personnel training</b>	Details of the approach for training provided to DVW employees in relation to compliance and the Compliance Code.
<b>Disciplinary Process</b>	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.
<b>Customer facing personnel - Policy and Procedures</b>	DVW has included a section to detail policy and key messages for personnel dealing with eligible customers.

#### 4. Information handling obligations and provisions

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

**DVW 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, DVW may have access to confidential information about a licensee's activities which it **must not** share with personnel in the retail arm of DVW;
- 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 disclosure 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 water supply licence, or any statutory requirement imposed in consequence of its water 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.

**DVW 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.

DVW has taken the following actions to demonstrate that it is able to meet these obligations:

1. **Created a separate retail arm of DVW to handle retail transactions with the intention of exiting the competitive market in April 2018.**

Staff have been issued with guidance on what can and cannot be shared between parties, creating an information barrier. Our intention is to retail exit in April 2018.

**2. Created the Wholesale Market Unit Team, to be the key point of contact and responsible for all information exchanges between DVW and Licensees.**

This role ensures an organisational separation between enquiries and applications from licensees, and those parts of Dee Valley Water responsible for direct relationships with customers eligible to switch supplier.

**3. Established a secure and dedicated e-mail address for the transfer of information between Licensees and DVW.**

All DVW correspondence with Licensees comes through a dedicated e-mail address: [WMU@severntrnt.co.uk](mailto:WMU@severntrnt.co.uk). The Wholesale Market Unit Team controls access to this account.

**4. Detailed the information required from licensees to enable a full assessment of an application. DVW has also set out the rationale for the provision of that data to justify our need for it.**

The data requirements for licensees applying for network access are available on our website in our Network Access Code. DVW will not ask for further information to support an application without a clear rationale for its need. Where an applicant cannot provide more information DVW will continue to process the application within the timeframe agreed using the best information available.

**5. Detailed accountability and responsibility for handling applications from Licensees, in order to control the movement and handling of data necessary to assess any application (see Appendix 1).**

Employees in these roles assess various areas of the licensee's application, and their documented responsibilities set out the role they must play in protecting and controlling the data provided to them.

**6. Established a secure database, with access controlled by the Wholesale Market Unit Team to manage data transfer.**

Access to this database is limited to those employees who need to see the data and is only with prior approval of the Head of Wholesale Market Unit.

**7. Tailored policy and training for managers and personnel in day-to-day contact and communication with eligible customers in the contestable market.**

Our approach sets out how DVW personnel should behave if a customer contacts them with information on its dealings with licensees and how approaches to eligible customers should be undertaken.

## 5. 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; that is, as though the parties are unrelated (paragraph 5(1) (b) of Condition R).

The following restrictions apply to dealings between Dee Valley Water and an Associate Licensee:

- the Associate Licensee cannot make wholesale supplies or undertake common carriage arrangements within Dee Valley Water's water supply areas;
- the Associate Licensee cannot develop a new source of water for the purpose of any common carriage arrangements within Dee Valley Water's water supply areas;
- the Associate Licensee cannot, without Ofwat's consent, sell water (or otherwise make it available) to Dee Valley Water;
- Dee Valley Water cannot, without Ofwat's consent, sell (or otherwise make available) to the Associate Licensee any water, or any of its other assets;
- all dealings between Dee Valley Water and the Associate Licensee must be at arm's length; and
- all services provided by Dee Valley Water to the Associate Licensee, or vice versa, must be recorded, costed and billed to the Associate Licensee or Dee Valley Water, as the case may be.

## 6. Compliance monitoring and audit procedures

DVW has put in place a monitoring programme that:

- tests whether the processes and procedures are fit for purpose to handle applications from licensees; and
- tests whether relevant employees are aware of their responsibilities and trained to process these applications in line with the Compliance Code and Network Access Code and any internal market operation documentation.

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

The Head of Wholesale Market Unit / Head of Internal Audit are responsible for maintaining an audit programme and keeping a record of audits.

The audit programme can identify risks and recommend changes including, but not limited to, the following areas:

- whether the various steps in handling applications from licensees have been allocated to the correct employees;
- the levels of training and awareness for personnel responsible for processing applications;
- resource requirements;
- improvements to existing processes; and
- conflicts of interest.

## 7. Personnel training

DVW's Network Access Code details the approach we will take when processing a licensee's application.

To support the effective processing of applications, key roles have been identified from around the business to take responsibility for particular technical aspects of each application.

The responsibilities of each of these roles have been documented and agreed with each of the individual employees. Where practical, these responsibilities have been incorporated into role descriptions and performance and development objectives for those employees.

The Wholesale Market Unit (WMU) team will identify specific training needs arising as a result of the following circumstances:

- changes to occupants of the roles detailed in Appendix 1;
- training needs identified from routine audits of application handling procedures;
- training needs identified from routine handling of licensee applications;
- training needs arising from changes to Ofwat guidance and DVW processes; and
- training needs identified following investigation of complaints and/or disciplinary action.

The Head of Wholesale Market Unit is responsible for ensuring access to available training materials for relevant personnel.

## 8. Disciplinary process

All employees have a duty and responsibility to comply with this Compliance Code. It is the responsibility of each of our managers / person in a supervisory capacity to ensure personnel are adequately informed of this Compliance Code and administer its operation within their teams. We take non-compliance or any action preventing or discouraging others from complying with this Compliance Code very seriously and this may result in disciplinary action up to and including dismissal.

Failure to comply with this Compliance Code, whether highlighted by audit, application handling or complaints from licensees, will be investigated by DVW.

Details and the procedure for making representations can be found in the [Disciplinary Policy](#)  
[Investigating Manager Guidelines](#).

## 9. Policy and Procedures - Specific compliance guidelines for managers and personnel in day-to-day contact with eligible non-household customers

DVW must operate a 'level playing field' to other licensees and not show preferential 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 this risk:

- the WMU team acts as the key point of contact for all enquiries from a Licensee. They, and any other personnel involved in a licensee's application, **must not** forward any confidential information gained in the operation of the market;
- if the customer requests information on the WSSL regime from a member of the WMU, or otherwise discusses the WSSL regime or a licensee, the relevant meeting or discussion **must** be documented and any information kept on file is factual and the source is identified and recorded;
- for all personnel, a pre-agreed set of messages must be used to communicate factual messages about the competition regime; and
- the WMU has a set of standard policy documents, which explains how each activity should be undertaken and the policies relating to that standard. These are held in a central location and help ensure that all customers are treated in a fair and consistent manner.

Non-household customers may approach DVW personnel with questions or concerns about how retail market opening will affect their bill and supply. DVW personnel have been issued guidance on what information can be shared i.e. factual only. Our personnel **must not**:

- suggest to customers that moving to a new licensee will any way result in restricted access to our network or water resources in the future.
- suggest to customers that there will be any change in water quality;
- discuss the financial or technical competence of licensees;

If personnel are in any doubt about how to proceed in a particular circumstance they must contact the WMU or legal team for advice.

### Appendix 1: Roles and Responsibilities

Decisions or Activities	Director of Strategy and Regulation	Head of Wholesale Market Unit	Economic Regulation Manager	Head of Compliance	Finance Business Partner	Legal	Head of Communications
Approving Confidentiality Agreement		A / R					C
Approving Wholesale-Retail Contract		A / R					
Maintaining Network Access Code	A	R	C	C			C
Calculating Annual Access Prices	A		R				
Updating Policy Documents and Processes		A / R	C	C		C	C
Implementing the Customer Transfer Protocol (CTP) process		A / R					
Producing Case Specific Access Prices	A		R				
Revenue Collection and Reconciliation					A / R		
Compliance Monitoring and Audit	A	C		R			C
Implementing Disciplinary Processes		A / R		C		C	
Training of Key Personnel		A / R		C		C	
Maintaining the Website	A						R