

south east water

Access Code 2019

South East Water

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1. OVERVIEW

1.1. ROLE OF THE ACCESS CODE

The Water Industry Act 1991 (WIA91), as amended provides for a company that is the holder of a Water Supply Licence (“licensee”) giving a wholesale authorisation to have access to a water undertaker’s supply system to enable the licensee to supply water to eligible premises.

This access code relates to applications for access and related agreements where a licensee requests permission to introduce water into South East Water’s supply system in order to supply premises in accordance with its retail authorisation. It also relates to circumstances where the licensee requests an undertaker (secondary undertaker) to provide a supply of water to be introduced into the primary undertaker’s supply system in order to supply premises located in the area of the primary undertaker’s in accordance with the licensee’s retail authorisation.

South East Water is required by its instrument of appointment to publish an access code, setting out the basis upon which it will permit access to its supply system. This access code contains the standard policies and any specific terms for access to South East Water’s supply system.

Any actual access by a licensee will be subject to case-specific terms and conditions agreed in an access agreement with South East Water (and any other relevant undertaker as appropriate). This Access Code also provides an outline heads of terms that the access agreement shall contain in respect of combined supplies.

The water supply licensing regime has been significantly amended by the Water Act 2014 which introduced extensive changes to legislation and at the time of writing transitional provisions are in place until some of the new provisions introduced by the Water Act 2014 come into effect. Reference to sections are reference to sections of the Water Industry Act 1991 as amended (the “Act” or “WIA91”) unless otherwise specified and subject to relevant transitional provisions.

This access code does not relate to wholesale supplies made to licensees that do not have a wholesale authorisation or supplies that are not made using the wholesale authorisation. For these supplies reference should be made to the wholesale retail code and other rules that are available on MOSL’s and Ofwat’s websites.

1.2. RELEVANT LEGISLATION AND DOCUMENTS

Details on the relevant legislation and documents are set out in Appendix 1 of this access code.

1.3. ROLE OF KEY INDUSTRY PLAYERS

1.3.1. WATER UNDERTAKERS

South East Water is the appointed water undertaker covering parts of Kent, East and West Sussex, Hampshire, Surrey and Berkshire. It is responsible for the public water supply network in this area. South East Water has certain duties (under sections 66A, 66B and 66C WIA91) to provide the following services subject to the conditions detailed below.

1.3.2. PRIMARY UNDERTAKER

Introduction of water into water undertaker’s supply system

Where a licensee requests South East Water permission to introduce water into its supply system in order to supply premises in South East Water supply area under the licensee’s retail authorisation, South East Water has a duty to take steps to enable the licensee to make the introduction of water into the supply system and having taken such steps to permit the introduction of water into its supply system.

Where a licensee requests South East Water to permit the introduction of water supplied by a secondary undertaker, into South East Water's supply system in order to supply premises within South East Water area, South East Water has a duty to take steps to enable the licensee to make the introduction of the water into its system and then to permit such introduction of water. These steps may include connecting South East Water supply system to the secondary undertaker's supply system.

The terms and conditions on which South East Water carries out these duties are agreed with the licensee in accordance with this access code. The licensee, primary water undertaker and secondary undertaker may enter into a tripartite access agreement.

1.3.3. SECONDARY UNDERTAKER

Water supply as a secondary water undertaker

Where a combined licensee requests South East Water to provide a supply of water to enable it to supply its customers' premises in accordance with its retail authorisation by using a primary water undertaker's supply system, South East Water has a duty to take steps to enable the provision of the supply, and having taken those steps to provide that supply.

The terms and conditions on which South East Water may supply water as a secondary undertaker are agreed with the licensee in accordance with this access code. A separate agreement may be entered into between the licensee and the primary undertaker or the licensee, primary water undertaker and secondary undertaker may enter into a tripartite access agreement.

Licensees should identify at the earliest stages if a secondary undertaker is likely to be involved in an application. This will enable potential secondary undertakers to consult at the earliest opportunity with relevant parties including the primary undertaker, the EA and the DWI.

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

If South East Water is identified as a secondary undertaker within an access application, South East Water expects to be involved as necessary in discussions with the licensee and the primary undertaker. South East Water expects to receive copies of relevant details during the outline and detailed application stages and to be able to request further details as necessary.

1.3.4. CONDITIONS UNDER WHICH DUTIES DO NOT APPLY

In cases where a licensee is proposing to introduce water into a primary undertaker's supply system (without obtaining a supply from a secondary undertaker), a primary undertaker has no duty to permit the introduction of water by a licensee into its supply system if either the first or second condition below is satisfied.

The first condition is that providing the supply or allowing the introduction of the water into the primary water undertakers supply system:

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

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

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

In cases where a licensee is proposing to introduce water obtained from a secondary undertaker into the supply system of a primary undertaker, a primary undertaker has no duty to permit the introduction of water and the secondary undertaker has no duty to provide a supply of water if permitting the introduction of water or providing the supply:

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

1.3.5.LICENSEE

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

Section 66I WIA91 prohibits unauthorised use of a water undertaker's supply system for the purpose of supplying water to any premises, unless done so by the water undertaker or by a licensee under the terms of its licence. Unauthorised use of an undertaker's supply system is a criminal offence. Licensees have a duty to assure themselves that they comply with these obligations.

Section 66J WIA91 prohibits unauthorised introduction of water into a water undertaker's supply system. Introduction of water is only permitted by the primary water undertaker itself, or by a licensee under the terms of its licence, or by another water undertaker under an agreement for a bulk water supply. Contravention of this prohibition is a criminal offence. Licensees have a duty to assure themselves that they comply with these obligations.

Licensees share responsibility with South East Water for compliance with the Water Quality Regulations for the water they input in the supply system and for the wholesale supply of water to the customer's tap.

Licensees have a duty to comply with the relevant eligibility requirements relating to non-household premises, the threshold requirement, and supply by only one licensee.

1.3.6.OFWAT

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

Ofwat has a duty to "further the consumer objective". This is "to protect the interests of consumers, wherever appropriate by promoting effective competition between persons engaged in, or in commercial activities connected with, the provision of water and sewerage services." Ofwat is responsible for granting water supply licences. In doing so, Ofwat will assess whether the applicant has the appropriate skills and competencies required.

Ofwat also has powers to determine disputes about the eligibility of premises, the terms and conditions of proposed access agreements and the conditions for refusing supplies. Further information is available on Ofwat's website.

1.3.7.DRINKING WATER INSPECTORATE (DWI)

DWI will need to be satisfied that the licensee is aware of, and understands, its regulatory duties and responsibilities in respect of drinking water quality at the initial licence application stage. Where a licensee intends to treat a source of water for potable supply, the treated water cannot be introduced into the public supply system until the DWI is satisfied that the treatment processes meet the relevant regulatory requirements and the works is being operated in a competent manner.

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

Overall, Licensees will be subject to the same level of regulation as Undertakers. Further information can be found on the DWI's website at www.dwi.gov.uk.

1.3.8.ENVIRONMENT AGENCY (EA)

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

Water undertakers produce Drought Plans every 5 years, which identify how, during a period of drought, they will continue to meet their duties with as little recourse as possible to drought orders or drought permits. The Environment Agency reviews these plans and advises the Government on their adequacy.

Water undertakers also produce Water Resources Management Plans every 5 years which identify available resources, forecast demand and set out how future deficits may be addressed through either resource development or demand management options. The Environment Agency also reviews these plans and advises the Government on their adequacy.

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

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

Secondary supplies are meant to promote the use of 'spare' water, but the undertaker and the licensee may not be able to agree on how much water the undertaker has 'spare'. In the absence of agreement, Ofwat may be asked to determine whether a supply should be made, and if so the terms of that supply.

In these instances, the Environment Agency will also play a role in advising Ofwat on whether the criteria for rejecting a proposal for a secondary supply are satisfied. Ofwat will then make a determination.

In certain circumstances, the Environment Agency can vary or reduce the amount of water that can be abstracted by a water undertaker. This may result in a reduction in the amount of water that could be considered as 'spare' and, depending on timing, may affect some secondary supply applications. However, this should not affect existing secondary supply arrangements and these will be taken into account by the Environment Agency if they need to consider how much water is abstracted under a license.

1.3.9.DEPARTMENT FOR THE ENVIRONMENT, FOOD AND RURAL AFFAIRS (DEFRA)

DEFRA is the government department responsible for WSL legislation and for setting the conditions of the licences of water supply licensees.

The Secretary of State has issued statutory instruments which govern the competition regime. The Secretary of State may issue further instruments in the future which may affect the regime.

1.4. DEFINITION OF SERVICES

South East Water will provide access or supplies in accordance with this access code and the provisions of the Act.

1.4.1.PRIMARY WATER UNDERTAKER

South East Water will take steps to enable the licensee to make the introduction of water into the supply system, and having taken such steps permit the introduction of water into its supply system for the purposes of supplying the licensee's eligible customers.

South East Water will take steps, and having taken such steps, permit the introduction of water, as supplied by a secondary undertaker, into its supply system for the purposes of supplying the licensee's eligible customers. In some circumstances, steps may include laying such pipes and constructing such other works as are necessary to connect the supply with the pipes in the area of the secondary undertaker.

1.4.2.SECONDARY WATER UNDERTAKER

South East Water will make available a supply of water as a secondary undertaker to a licensee for supply to the licensee's eligible customers within the area of appointment of the primary undertaker. South East Water will lay such pipes and construct such other works as are necessary to connect the supply with the pipes in the area of the primary undertaker.

2. APPLICATION FOR COMBINED SUPPLIES (COMMON CARRIAGE)

2.1. CONFIDENTIALITY AGREEMENT

A confidentiality agreement between South Water and the licensees will be required together with the application. A standard confidentiality agreement is provided on our website together with this access code.

Under both the undertaker's conditions of appointment and the licensee's licence conditions, a confidentiality agreement should be put in place between the undertaker and the licensee at the start of the first application from the licensee.

2.2. INFORMATION REQUIREMENTS

The following paragraphs in this sub-section set out the minimum information that must be submitted to enable South East Water to undertake an assessment of any Initial Application.

Licensee Company Information

The following details are required of the licensee, its holding company and third party collaborators (if relevant):

- a) Company registered number and registered office.
- b) A copy of the Water Supply License.
- c) Contact details including name, address, telephone, facsimile, e-mail and position in company.
- d) Bankers details. Submission of these will be interpreted as granting permission for South East Water to approach the bankers for a financial reference.
- e) Audited accounts for the last 3 years (where available).
- f) Details of the licensee's public liability and professional indemnity insurance arrangements.

Licensee's Premises Information

- a) Details of the relevant premises including address and SPIDs references.
- b) Signed consent forms from the customer(s), showing that the named customer(s) have expressed an interest to switch supplier. The consent forms should waive any restrictions on disclosure of information held by South East Water which it is necessary to reveal to the licensee for the purposes of the proposed new supply arrangements.
- c) A declaration from the licensee that the customer premises are eligible for the Water Supply Licensing regime.
- d) A brief description of the premises, with particular details on matters relevant to the water demand pattern and water quality.
- e) Confirmation of any specific relevant information that the licensee requires from the Company in order to provide its specified level of service to its customer(s).

Water Supply Information

- a) Anticipated annual average peak week, peak day and peak hour demands, at the time of the Initial Application, and for the duration of the proposed access agreement.
- b) Description of all sources that may contribute to the supply.
- c) Abstraction licence details.
- d) Description of the treatment process at each source that may contribute to the supply.
- e) Details of third party collaboration in the ownership, maintenance and operation of the licensee's network.

Water Quality

A full set of current water quality test results covering all reportable parameters shall be submitted for water that is representative of that which is proposed to be supplied into the Network.

2.3. TIMESCALES

A flow chart showing each stage of a combined supply access application together with indicative timescales is shown on the next page.

The combined supply contract would ordinarily be signed by both parties within 130 working days from the licensee's initial contact.

2.4. APPLICATION FEE

South East Water will not charge the licensee for processing an application for combined supplies including for carrying out feasibility studies.

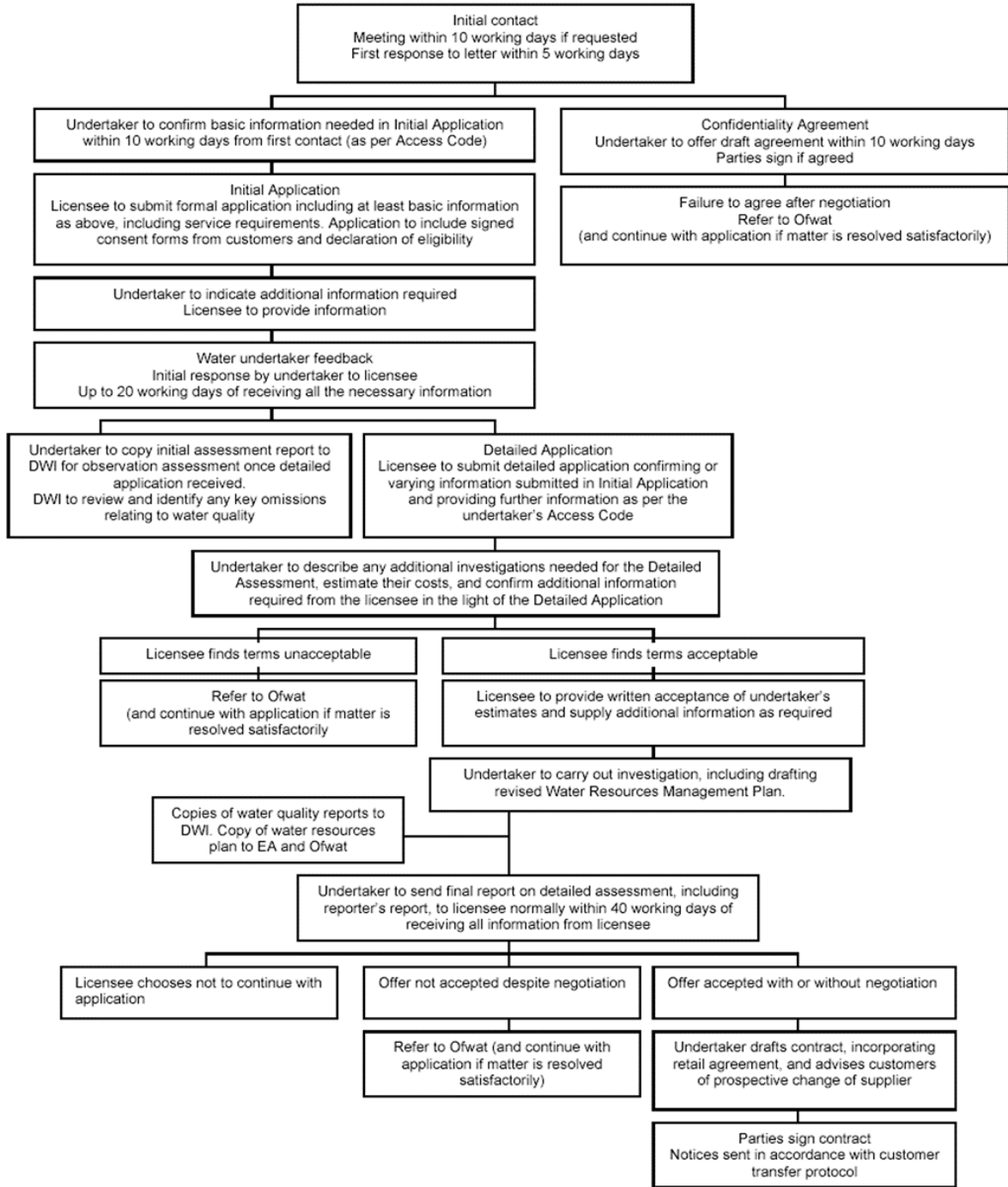
South East Water may recover the costs of permitting the introduction of a supply or secondary supply into its system. This is likely to include the costs of work such as installing pipes to the point of connection, balancing hydraulic requirements or making the supply or secondary supply compatible with the South East Water's supply.

South East Water will not charge the licensee for developing secondary supply agreements including for carrying out feasibility studies.

South East Water will recover the costs of providing a secondary supply. This will likely include costs such as installing new infrastructure for the purposes of facilitating the secondary supply arrangement, the water supply or meeting the primary water undertaker's specifications.

2.5. CREDIT PROVISIONS AND CREDIT LIMITS

South East Water reserves the right to carry out a credit check at the Company's cost and impose any charges for late payment.



2.6. ELIGIBILITY

The licensee is responsible for ascertaining and confirming that the premises are eligible in accordance with the relevant provisions of the Water Industry Act 1991 and the relevant eligibility guidance from Ofwat.

In all cases and for all aspects of eligibility, it is the licensee rather than the water undertaker which must ensure that the premises of a potential customer are eligible in accordance with Ofwat's guidance on eligibility.

Unless doing so in pursuance of its licence, it is a criminal offence for a licensee to use South East Water's supply system for the purpose of supplying water to any premises of a customer, or for a licensee to introduce water into South East Water's supply system. It is therefore a criminal offence for a licensee to breach any of the eligibility requirements set out above.

In addition, any licensee that contravenes these requirements could face enforcement action by Ofwat under section 18 WIA91 and may incur financial penalties under section 22A WIA91. Alternatively, a licensee could face revocation of its licence.

A set of premises may change in such a way as to require the threshold requirement to be satisfied a further time. For example, a customer may sell part of its premises so that the original premises is split and is occupied by different customers. Regarding the threshold requirement, as long as the requirement is met at the time the licensee first enters into the undertaking to supply a set of premises, and those premises do not change, those premises can continue to be supplied by the same licensee for the duration of the undertaking even if consumption falls below the threshold.

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

2.7. SUPPLY ARRANGEMENT FOR LICENSEES

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

2.8. ATTACHMENT TO THE SUPPLY SYSTEM

Customers can only be supplied by licensees if they are connected to the supply system. The supply system is defined in section 17B WIA91. It can be summarised as any water mains and other pipes used for the purpose of conveying potable water from a water undertaker's treatment works to customer's premises and any water mains and other pipes used to convey non-potable water from any source to premises that are not connected directly or indirectly to any water mains or pipes connected to those treatment works.

The wholesale authorisation is an authorisation to the licensee to introduce water into a water undertaker's supply system, by means of which any particular retail supply of water is to take place. In its access code guidance, Ofwat interpret this to mean that a physical link is required between the combined licensee's introduction point and its customer's premises.

2.9. CUSTOMER IN DEBT

Outstanding debt is defined in Condition S as charges in relation to water supplied to the premises of a customer, which have remained unpaid for 30 days or more after the date that the old supplier has served notice on the customer demanding payment.

If there is outstanding debt and arrangements are not in place for the repayment of any outstanding water debt, an objection to the customer transfer can be raised by the old supplier in accordance with the Customer Transfer Protocol. To allow the transfer to continue, it may be possible to allow the debt to be assigned to the new supplier. Such arrangements would need to be agreed between the new supplier, the customer and the old supplier.

2.10. APPLICATION PROCESS

To ensure that any application is dealt with efficiently and effectively by the Company the required information should be provided at the appropriate stage of the process.

Any queries concerning the application process should be directed to:

Wholesale Revenue Manager
South East Water Ltd
Rocfort Rd, Snodland, Kent
ME6 5AH

e-mail: WSLApplication@southeastwater.co.uk

The remainder of this section outlines the procedures all parties will follow in negotiating and concluding any access agreement. South East Water will deal with applications promptly and as efficiently as possible.

2.11. COMBINED SUPPLY ARRANGEMENTS – MAIN STEPS

Procedure for a combined supply arrangement:

Stage 1 - Initial contact: Combined licensee to contact South East Water with an initial expression of interest to negotiate access terms.

Stage 2 - Initial application: South East Water receives an outline proposal from the licensee

Stage 3 - Detailed application: The licensee makes a formal application to South East Water

Stage 4 – Detailed contract negotiations: Negotiation of case-specific terms and conditions of the access agreement

The DWI will be involved as appropriate at any stage of the procedure, in accordance with the DWI's published guidance.

It should be recognised that some applications may take longer to process, for example, where technical information is required from other parties such as DWI or EA. In such circumstances, South East Water will notify the licensee at the earliest opportunity.

Combined supply stage 1 – Initial contact

Initial contact allows the licensee to express an interest in applying for an access agreement. The licensee must contact South East Water and, if necessary, secondary water undertaker, to discuss issues regarding their wholesale supply or combined supply application.

South East Water is a water only company and therefore as part of any initial contact in respect of an access application, the licensee should also notify the relevant sewerage undertaker (Southern Water or Thames Water) of the possibility of the customer transferring to another supplier.

The licensee should inform South East Water of the type of water supply licence held and contact details (such as telephone number and postal address). South East Water will confirm the basic information requirements outlined in its access code (see section 2.2 information requirements above).

If the licensee requires a meeting with South East Water to discuss its request for a combined supply or secondary supply, South East Water will arrange a meeting within ten working days of the request. The licensee will bear its own costs relating to any meeting.

Proceeding to the next stage of negotiation will not take place until a mandatory confidentiality agreement has been signed.

Combined supply stage 2 – Initial application

Notwithstanding the information requirements summarised in section 2.2 above, the initial application will include:

- A signed consent form from each customer, stating that the named customer has expressed an interest in the licensee becoming its new supplier. The consent forms will need to waive any restrictions on disclosure of information by South East Water which it is necessary to reveal to the licensee for the purposes of the proposed new supply arrangements. Only customer consent form that have been signed, or verified by the customer as in force, no more than two months prior to being submitted at the initial application stage shall be accepted;
- A declaration from the licensee that the customer's premise is eligible to be supplied. If the licensee subsequently makes a successful application to South East Water, it is the licensee's ongoing responsibility to monitor and ensure that any premises it supplies are eligible;
- An outline detailed application to South East Water for a combined supply. This will include the details specified in the basic information requirements as agreed at the initial contact stage;
- A list of information which the licensee requires of South East Water in order to provide its specified level of service to its customer(s);
- Where facilities need to be constructed in order to introduce water supplied by a secondary water undertaker into South East Water's supply system, the licensee will prepare an outline scheme of the proposed design and estimated costs of those facilities.

If South East Water considers that the supply is likely to constitute a strategic supply, it will discuss this with the licensee at this stage.

South East Water will provide feedback to the licensee on the initial application within 20 working days of receiving all necessary information. The company will confirm or deny the basic feasibility of the licensee's proposal. The feedback will set out any further information that is required to be submitted to enable the application to be progressed to the next stage, together with an initial view on the feasibility of the licensee's proposals, an outline of the preliminary price and non-price terms.

DWI will be consulted as necessary on any aspects of the application that will require feasibility studies and water quality testing.

Combined supply stage 3 – Detailed application

If the initial application is successful, the next stage is a detailed assessment. This addresses the particular technical and operational circumstances of the licensee's application and sets out how these will be dealt with. These Specific Access Details will be included as a Schedule to the access agreement.

South East Water will meet the licensee at this stage to clarify any issues arising from the feedback on the initial application and to clarify what information is required in the specific detailed application with reference to this Access Code.

On the basis of a detailed application, South East Water will be able to carry out any feasibility studies and testing required, to determine proposed terms for access. Both parties will agree the scope of any feasibility studies and tests before they are started. South East Water will provide the licensee with a copy of all findings, upon request, and will set out the decision on feasibility and the reasoning behind it before discussing what action is needed to take an application forward.

South East Water will approach DWI if there are any water quality issues arising from the studies. The licensee on their part should keep DWI fully informed where it proposes to make a combined

supply in potable supply systems. Due regard should be given to the guidance given by DWI contained in its guidance on common carriage, and any updated versions.

To assess the technical feasibility of an application for a combined supply, South East Water will require the following information as far as it is available:

- The location of each customer's premises;
- Estimates of each customer's demand;
- Forecasts of each customer's demand for the duration of the proposed contract or some other agreed duration;
- The location of the points of entry and exit, and hydraulic requirements;
- Supply and demand data – including average and peak deployable output;
- Outputs of the licensee's source, the supply pattern and variations in demand, details of any supply or demand management contingency arrangements for drought periods;
- Water resource details – including the type of water resource being used, its reliability and any back-up mechanisms which may exist;
- A thorough risk assessment by the licensee of any proposed source, i.e. an assessment of exposure to pollution incidents, vandalism and other risks;
- Evidence of abstraction licence including any associated conditions;
- Water quality assessments – including the predicted quality of water entering the system, history of contamination (where available) of the raw water source;
- The level of treatment proposed, with particular attention to disinfection practices and any additional treatment requirements such as plumbosolvency control and fluoridation;
- Details of the licensee's cryptosporidium testing process;
- The safeguards and procedures in the event of treatment failure;
- The water quality requirements of the potential customer(s);
- Proposals for monitoring to ensure compliance with water quality regulations; and
- Evidence to demonstrate the licensee's processes and systems for informing customers of emergencies.

Should South East Water consider pilot trials be required to clarify or confirm any aspect, due allowance will be made for these to be carried out and for the results to be interpreted and understood.

The licensee should keep South East Water informed if any of the information supplied at the initial application stage has changed, or if further relevant information has become available.

If South East Water considers the changes require further investigation and may require modification of the price or non-price terms previously quoted, they will inform the licensee as soon as possible and provide an estimate of the cost of those further investigations.

After South East Water has carried out the necessary studies and tests and reported the results, including confirming the feasibility of the licensee's application, a firm offer of access (price and

non-price terms) will be made in writing to the licensee. The offer will be subject to the execution (or modification in writing) by both parties of a formal written combined access agreement.

South East Water will aim to complete an assessment of the application for a combined supply within 50 working days of receiving the required information from the licensee and other parties, such as DWI and EA.

Combined supply stage 4 – Detailed contract negotiations

To enable any water supply licensing access to commence, South East Water and the licensee will need to agree a contract in line with the provisions laid down in this access code and Ofwat's guidance. This will include clauses dealing with:

- Payment terms including frequency;
- Arrangements for reconciliation of consumption;
- Arrangements for dealing with any outstanding debt;
- A service level agreement setting out the specific support services to be provided by either party;
- Water quality issues that both parties need to agree;
- A transfer date, taking into account the required actions to be completed under the Customer Transfer Protocol.

The Offer made to the licensee by South East Water shall remain open for acceptance by the licensee for 6 months. South East Water may make an offer to another licensee, if requested, during this time. The initial offer may be varied in the event of a material change in circumstance, in which case any changes to the offer and the reasons for these shall be communicated to the licensee. A subsequent offer supersedes an earlier offer; a licensee can only accept the most recent offer from South East Water at any time.

South East Water will advise the licensee's customer of the intended change of supplier and expected transfer date once it is agreed by both parties. This detailed contract negotiations would ordinarily be concluded within 40 working days.

Under no circumstances will South East Water allow a licensee to share use of its network before the licensee has entered into an access agreement.

2.12. PROVISION OF INFORMATION TO SEWERAGE UNDERTAKERS

The licensee has an obligation to ensure that the relevant sewerage undertaker is kept informed about any customer that may be switching supplier.

2.13. OBJECTION AND REJECTION PROCESS

South East Water, the licensee (in the case of a customer transferring from one licensee to another), DWI, secondary water undertakers and other relevant parties may discover during any stage of the application process that an application cannot be progressed.

The following list gives examples of the types of objection that might arise during the application process:

- The relevant statutory provisions do not apply;
- The licensee has provided insufficient or incorrect details to the relevant parties to allow the customer to transfer;

- The licensee refuses to provide necessary information;
- South East Water or an earlier licensee considers that the customer's premises are not eligible (the licensee should declare eligibility at the initial application stage);
- An application by another licensee to supply the customer has been accepted;
- The licensee's proposals are impracticable, for example unfeasible hydraulic conditions;
- Unacceptable water quality implications;
- Concerns over source risk assessment;
- National security reasons.

South East Water will provide to the licensee in writing full reasons for any rejection of an application on its part.

If requested by the licensee, a meeting will be convened between the parties to discuss the reasons for objection/rejection of the application and where possible to negotiate measures to overcome the issues, to enable an application to proceed.

Ultimately, the licensee may refer the matter to Ofwat for determination.

3. ACCESS CRITERIA

3.1. WATER QUALITY INPUT SPECIFICATION

The issue of water quality and public health is of paramount importance, and the responsibility for public health must lie with the bodies that are responsible for water quality. The licensee shall be responsible for water quality up to the Entry Point.

The licensee shall provide the relevant water quality test information as set out below. Water Quality sampling and analysis must be carried out in accordance with Water Supply (Water Quality) Regulations 2016, and the analysis must be carried out by a UKAS Accredited or DWTS Accredited laboratory.

(i) Quality parameters

If a combination of sources is to be used the information shall be submitted for each source. Information shall also be submitted for any standby source that may be used when the principal source is unavailable.

- If potable water is to be input to South East Water's supply network from a source regulated by the DWI, a full set of current water quality test results covering all parameters as detailed within Water Supply (Water Quality) Regulations 2016 shall be submitted. In addition, all available historic water quality data for the previous five years shall be submitted, the minimum amount of historic data being the bacteriological and residual disinfectant testing required by the above Regulations. If this is not available South East Water expects three times weekly monitoring of the source once in supply for a period of not less than 2 years.
- If potable water is to be input to South East Water's supply network from a Water Supply Zone regulated by the DWI, the appropriate regulatory returns for the previous five years shall be submitted.
- If potable water is to be input directly to the supply network from a source or network not currently regulated by the DWI, a full set of current water quality test results covering all regulatory reportable parameters shall be submitted. In addition all available historic water quality data for the previous five years shall be submitted.
- If raw water is to be input either to a raw water main or a treatment works, a full set of current water quality test results covering all regulatory reportable parameters shall be submitted. In addition, all available historic water quality data for the previous five years shall be submitted.
- If there are any sources which the licensee proposes to use that have not been subject to a risk assessment, this shall be carried out in accordance with the DWI guidelines and the results provided to South East Water.
- For a new source details demonstrating that the quality of the source water has been assessed in accordance with regulation 15 of the Water Supply (water Quality) Regulations 2016, sampling new sources shall be required.
- Details of the risk assessment carried out on the source water including the risk of Cryptosporidium as required in regulation
- Details to demonstrate that the treatment is appropriate to the quality of the raw water including the risk of Cryptosporidium.
- Demonstration that the operators are appropriately trained and carry the appropriate certificates to operate the water treatment works and distribution system

- Demonstration that the level of monitoring is in place to ensure that the quality of the treated water leaving the works meets both Company internal standards as well as the regulatory requirements
- Details of audit carried out by the DWI to demonstrate that the DWI is satisfied that the regulatory standards are being met.
- Sufficient details of the quality of the water to enable South East Water to assess any potential blending issues that may arise.

Should the licensee be providing water into a water supply area that is being conditioned i.e. phosphate dosed for plumbosolvency control or fluoridated, then the licensee will be expected to ensure that the conditioning is also applied to their water such that it does not reduce the effectiveness of South East Water's conditioning.

An assessment will be made by South East Water to ensure that the proposed supply arrangements do not pose a risk to the aesthetics of the water supplied. If a risk is identified, arrangements will be made to minimise the risk (for example, slow start ups and/or finding a more suitable entry point such as a service reservoir). Similar mitigation measures will also be in place should waters of considerably different types be blended.

The licensee should provide water in such a condition that it will not cause developing problems with the existing water in South East Water's distribution system. For example the age and the chemical content of the water should be such that the formation of disinfection by-products such as Trihalomethanes (THMS) are minimised.

(ii) Special circumstances relating to water quality standards

Licensees must notify any actual or possible breaches of any drinking water quality standard to the water undertaker. South East Water will then decide on the best course of action and whether they would seek a temporary derogation from the DWI.

3.2. WATER FLOW AND PRESSURE

Water supply

The licensee shall provide the information set out in the following sub- sections. All pressure information shall be clearly defined in terms of total head, ground level and internal mains pressure, and shall make due allowance for any connecting infrastructure likely to be installed.

- With regard to the proposed source(s) of supply, any information in addition to that provided with the Initial Application that South East Water reasonably request.
- A risk assessment of the security of the proposed supply. This shall encompass the standby source(s) to be utilised should the normal operating regime source(s) not be available.
- Anticipated annual average, peak week, peak day and peak hour demands by the licensee's customer, at the time of submission, and for the next 20 years or the duration of the proposed access agreement whichever is the shorter. These shall be provided under Normal and Dry Year scenarios as defined in the Water Resources Planning Guidelines produced by the EA. A statement shall also be provided explaining the assumptions and rationale behind these figures.
- The anticipated daily demand profiles of the licensee's customer over Normal and Dry Year average days, and details of any significant variation from these profiles anticipated during the year due to seasonal use or other requirements of the licensee's customer.
- The anticipated daily pressure profiles at the Entry Point under Normal and Dry Year average and peak day scenarios, at the time of submission and for the next 20 years or the

duration of the proposed access agreement whichever is the shorter. A statement shall also be provided explaining the assumptions and rationale behind these figures.

Supply quantity

The licensee must introduce into South East Water's supply system a quantity of water necessary to meet the demand of its customer.

Where the licensee cannot practically match its customer's demand profile, the flow balancing capacity of the network shall be utilised. The operational mechanism for this will be specific to the location and supply details of any particular access agreement, and will be agreed as part of the Detailed Application.

Pressure of supply

The mains pressure maintained by the licensee at the Entry Point shall at all times be such that water does not pass from South East Water's network to the licensee's network.

The pressure of supply at the Entry Point shall be such that there is no material impact on the levels of service experienced by South East Water's customers, whether affected directly or indirectly by the new input.

The minimum pressure of supply to customers at any time shall not fall below the surrogate pressure of 15m mains pressure at the company stopcock adopted by South East Water to satisfy Ofwat's DG2 minimum standard.

3.3. WATER QUALITY SAMPLING AND MONITORING

Water quality sampling

Water Quality sampling and analysis must be carried out in accordance with Water Supply (Water Quality) Regulations 2016 and a UKAS Accredited or DWTS Accredited laboratory must carry out the analysis. In addition operational sampling must be carried out to provide confidence in the control and operation of the plant.

Compliance is demonstrated by a rigorous programme of sampling and testing, which is reported to and monitored by the DWI via annual data returns made by South East Water for each of its Water Supply Zones, water treatment works and service reservoirs.

South East Water supplies water to higher standards than those required by the DWI in many areas, and across a varying range of parameters. Some of these local quality standards are driven by customer expectation with regard to appearance, hardness, odour and taste. Where South East Water can demonstrate via its data returns to the DWI that these local quality standards are achieved, these shall, for the purposes of an access agreement, become the minimum acceptable standards that the licensee shall comply with.

Higher standards of quality of supplied water may be required at the Entry Point to allow for changes in water quality with transit through the supply network, or for the impact of mixing with water from other sources.

Should South East Water consider that the quality of the water supplied by the licensee is causing detriment to the quality of customers' supplies or has or is likely to cause a breach of either the Company's standards or the regulatory standards, South East Water will take whatever action they consider necessary to safeguard the quality of these supplies. This could include the controlled shut down of the connecting infrastructure. Communication of this decision will be carried out as soon as is practicable and will be handled as an event according to the Company's notification policy.

Disinfection

Water disinfected by chloramination causes a taste reaction when it comes into contact with chlorinated water. As a result, chloraminated water shall not be permitted to enter the network.

The licensee's water shall contain a minimum level of residual chlorine at the Entry Point. This residual chlorine level shall be set by South East Water based upon the condition of the receiving network and the anticipated time that the water will stay in the network.

Any source that could potentially contribute to the supply of water to an Entry Point shall have continuous chlorine monitoring at the source works linked to an automatic shutdown facility. South East Water shall be granted the right to audit these facilities as frequently as they consider necessary to confirm adequate disinfection.

A target chlorine residual level at the Entry Point shall be agreed between South East Water and the licensee, with minimum and maximum trigger levels. A continuous chlorine monitor of a type approved by South East Water, shall be installed as part of the Monitoring Facility and this shall be able to provide continuous data to South East Water's operations centre. It shall also provide an alarm to the operations centre should either trigger level be exceeded.

An appropriate re-chlorination facility shall be provided at the Entry Point.

Cryptosporidium

Water Supply (Water Quality) (Amendment) Regulation 2016 requires licensed undertakers to carry out risk assessments on all water sources and to categorise them with regard to risk of cryptosporidium contamination. Guidelines issued by the DWI require certain actions to be taken dependant on the risk category assigned to each source.

If there are any sources that the licensee proposes to use that have not been subject to a cryptosporidium contamination risk assessment, this shall be carried out in accordance with the DWI guidelines at the licensee's expense, and the results provided to South East Water as part of the access application process.

For all sources contributing towards the supply to the Entry Point, South East Water shall be granted the right to audit the cryptosporidium contamination risk assessments, and to audit as frequently as they consider necessary so as to confirm adequate water quality, the results of any sampling and testing, or remedial works that have been carried out.

Fluoridation

South East Water does not currently fluoridate any water supplied to its customers. Water supplied by licensees shall not, therefore, be fluoridated. Should South East Water for whatever reason be required to fluoridate supplies within its network, the licensee shall likewise ensure that its water supplied to the Entry Point is fluoridated to the appropriate level.

Plumbosolvency

Water shall not be accepted into the network if indications are that it will be excessively corrosive or scale forming when compared with the waters that it will mix with in the network. The level of corrosivity shall be judged on the basis of the Langelier Indices and aggressive CO₂ concentrations of the waters involved.

To control plumbosolvency in the receiving area, South East Water may require orthophosphate dosing of the licensee's water. If this is the case, the concentration of orthophosphate will be determined in accordance with the guidelines set out in South East Water's plumbosolvency control strategy.

Pesticides

South East Water is not permitted to allow water containing any pesticide in concentrations over the regulatory limit to enter into the network.

Mixing of waters

Where potable water is to be provided by a licensee and will mix with water supplied by South East Water, the resultant mixed water must at all times satisfy the requirement of being 'Wholesome' as defined in Part II of the Water Supply (Water Quality) Regulations 2016

Where raw water is to be provided by a licensee, and will mix with raw water to be treated by South East Water, the resultant mixed water must at all times be capable of being satisfactorily treated by the appropriate South East Water treatment plants.

Water quality monitoring

The licensee shall ensure that the treated water output from all works that may contribute to the water supply at the Entry Point is continuously monitored for the following parameters:

- Chlorine;
- Turbidity;
- Other parameters such as pH, iron, nitrate etc, where the nature of the water supplied is such that South East Water require these parameters to be monitored.

South East Water shall be permitted to audit the permanent water quality monitoring at licensee works that may contribute to the water supply at the Entry Point, as frequently as they consider necessary so as to confirm adequate water quality.

Water quality monitoring results for the sources referred to above shall be suitably archived by the licensee. South East Water shall be permitted to access the data whenever requested on reasonable notice and during normal business hours.

Sampling and testing

Water samples shall be regularly taken from each Monitoring Facility for water quality testing. The frequency of sampling and the range of test parameters shall be as stipulated in the access agreement. The licensee shall carry the costs for this sampling and testing. Laboratories approved under the United Kingdom Accredited Scheme (UKAS) to carry out the test in question shall carry out all water quality testing.

South East Water shall be permitted to audit all water quality test results for samples taken from the licensee's point of connection into South East Water's network. South East Water may exercise this right as frequently as they consider necessary to confirm adequate water quality.

If required, cryptosporidium sampling shall be carried out in accordance with the regulations published by the DWI. In addition, a DWI approved laboratory shall carry out analysis of the samples.

Water quality incident procedures

Both parties to the access agreement shall maintain and provide up to date details of their 24-hour contacts and standby personnel. In the event of a water quality incident within the network, South East Water's standard procedures shall be followed. A copy of these procedures shall be made available to the licensee once an access agreement has been signed, or during the Detailed Application stage on request.

In the event of a water quality incident in the licensee's network that may affect the quality of water being supplied to South East Water's network, the licensee shall inform South East Water immediately and take all necessary steps to minimise the risk of contamination of South East Water's network. During such an incident, the licensee's existing procedures shall apply and South East Water will be continuously updated on progress. South East Water shall have the right to

inspect the licensee's incident and emergency procedures prior to the signing of an access agreement and to audit these procedures as frequently as they consider necessary.

The results of any emergency exercises carried out in the licensee's supply area shall be provided to South East Water immediately.

Submission of Further Information

Once an access agreement is in place, the licensee shall provide South East Water with an annual water quality report for water supplied to the Entry Point. This shall be as per the annual water quality reports that have to be submitted to the DWI by licensed water undertakers.

3.4. VOLUME MEASUREMENT

Monitoring facility

The licensee shall provide and install a Monitoring Facility as part of the connecting infrastructure. This shall be a flow, pressure and water quality monitor, and as necessary an isolating and control installation located on the network side of the Entry Point. The Monitoring Facility will be adopted as part of the connecting infrastructure.

The Monitoring Facility shall be compatible with South East Water's existing monitoring systems, and shall provide continuous flow and pressure information to South East Water's operations centre.

All of South East Water's costs associated with the design, provision, operation and maintenance of this Monitoring Facility shall be recovered from the licensee under the access agreement.

Details of the Monitoring Facility shall be agreed with and approved by South East Water before construction commences. All materials and equipment used shall conform to the appropriate British or European standards. As a guide, the following minimum standards shall be complied with:

- The flow meter shall be a bi-directional electromagnetic meter appropriately sized for the anticipated flow range. It shall be installed in accordance with the manufacturer's specification;
- The flow meter shall be installed in-line with valves upstream and downstream to facilitate its removal. There shall also be a valved bypass arrangement to ensure continuity of supply should the meter need to be removed with associated washouts to facilitate ease of apparatus exchange;
- All pressure transducers shall be supplied by a manufacturer approved by South East Water;
- The Monitoring Facility shall include a water sampling point, installed to South East Water's specification;
- Data monitoring, storage and transfer facilities shall be compatible with South East Water's requirements. The use of public switched telephone network (PSTN) lines for data transfer shall not be permitted without South East Water's prior written consent;
- The metering chamber shall be designed as far as practical to minimise confined spaces risk. This shall be in line with South East Water's confined spaces policy, a copy of which shall be provided to the licensee during the Detailed Application stage.
- A non-return valve shall be installed;
- Facility for in-situ calibration and flow profile checking shall be provided;
- A continuous chlorine monitor shall be installed along with facility for re-chlorination.

All equipment shall be provided new, and South East Water provided with a copy of the manufacturer's factory test calibration certificate.

Maintenance of the Monitoring Facility and calibration of the equipment within it shall be the responsibility of South East Water. The costs incurred shall be recovered from the licensee under the access agreement.

The licensee shall have the right to check the monitoring equipment accuracy at its own cost. Should this demonstrate that measurement is outside the manufacturer's stated tolerance, South East Water shall undertake appropriate remedial action.

Data from the Monitoring Facility shall be made available to both South East Water and the licensee. Each party shall be responsible for archiving any data it receives.

Integration and downloading of the data shall be carried out in accordance with South East Water's practices, details of which shall be made available to the licensee during the Detailed Application stage.

Determination of flow quantities for the purposes of licensee charging shall be based upon data integrated in accordance with the above.

4. CUSTOMER TRANSFER PROTOCOL (CTP)

Detailed information on the Customer Transfer Protocol (CTP) is available on Ofwat's website.

Standard licence condition and condition of appointment S require licensees and water undertakers, respectively, to comply with Ofwat's CTP.

Ofwat has developed the CTP with the assistance of customer representatives, potential licensees and water undertakers. The CTP provides a clear, simple and standardised process for the timely and efficient transfer of customers between any water undertaker and any licensee and any two licensees.

All licensees and water undertakers are required to comply with the rules of behaviour of the CTP, as specified in the CTP as issued by Ofwat and as amended from time to time.

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

All licensees and water undertakers must give details of the name and contact details (which must include an e-mail address) of the person to whom licensees and water undertakers should send all CTP data flows in the data format prescribed by the CTP.

For South East Water, these are:

Company details: South East Water Limited

Contact name: Kieran Street, Wholesale Revenue Manager

E-mail: <mailto:WSLApplication@southeastwater.co.uk>

Telephone: 01634276278

All water undertakers and licensees must follow the operational processes in the CTP for effective customer transfer and the resolution of disputes on transfer.

5. CONTROL AND BALANCING OF SUPPLY SYSTEM

5.1. SUPPLY SYSTEM MANAGEMENT

5.1.1. UNBILLED WATER

Non-revenue water comprises three elements: un-billed 'authorised' consumption (e.g. fire fighting, street cleaning), 'real' and 'apparent' losses. Real losses are physical losses such as leaks, burst and overflow up to the point of the customers' meters or boundary stop-taps. Apparent losses consist of all types of inaccuracies (input, output, customer meters) and unauthorised consumption (theft, illegal use).

Licensees must keep records of any non-revenue water use at the customers' premises. The records should include estimated water consumptions, and the details of calculation would be provided by South East Water or would be agreed within the contract.

Leakage

Leakage from transmission mains and the distribution network is caused by:

- Burst pipes (sudden rupture of a pipe or joint);
- Leaking joints, fittings, service pipes and connections.

Leakage from reservoir walls and overflows is caused by:

- Seepage from old masonry and concrete walls and floors;
- Float valves not working.

Leakage is calculated monthly via a bottom-up methodology utilising industry standard LMARs software, at District Meter Area (DMA), Supply Zone and Resource Zone levels.

Unauthorised use of water

South East Water maintains a log of all authorised connections to our supply network. Any illegal connections are detected through logical connections surveys. On finding an illegal connection, the company may:

- estimate the volume of water consumed via the illegal connection over the last 6 years and bill the customer for the entire amount payable immediately;
- prosecute the customer.

All new connections must be metered and charges will be based on the volume of water consumed as recorded in the meter. All meters installed by South East Water remain the property and responsibility of South East Water at all times. Tampering with a water meter or its associated fittings is a criminal offence. The Company will prosecute in cases of tampering and will require payment of the actual cost of making the necessary repairs to the meter and fittings.

Fire water

The water undertaker is responsible for the provision of water for firefighting purposes. Water undertakers will not charge licensees for water used for the purpose of firefighting (including the testing of appliances).

Additional special requests for fire hydrants should be dealt with under section 58 WIA91. The cost of installation will be recoverable in accordance with section 147 WIA91.

5.1.2.DROUGHT AND WATER RESOURCES MANAGEMENT PLANS

South East Water remains solely responsible for preparing and maintaining drought and water resource management plans covering its region of supply. Under sections 37C and 39C WIA91, licensees are under a duty to provide the water undertaker with such information as required for the purposes of preparing or revising its drought and water resources management plan. To comply with its licence conditions and with those sections of WIA91, the licensee must cooperate with South East Water in its duties to produce such plans.

Drought Plans

South East Water has set out a drought plan which acts as a guide during times of drought. The plan sets out appropriate actions which are proportional to the severity of the drought and can range from applying for drought permits and applying hosepipe restrictions, to more serious drought orders and restrictions on the non-essential use of water.

South East Water updates these drought plans approximately every five years. Licensees are expected to provide the information outlined below within a two month period so that it can be incorporated into the Company's statutory drought plan.

Where a licensee wishes to introduce water into South East Water's network, the licensee will be required to provide information regarding the resilience of the source of supply and on how acceptable it would be for the customers' supply to be interrupted.

South East Water may refer the licensee to the EA resource planning guideline so that a reliable deployable output from the source can be calculated in accordance with the levels of service we set out. South East Water may, when revising its drought plan, require the licensee to recalculate the deployable output of sources in accordance with new or updated guidance.

The licensee will also be required to provide information on the specific type of usage so that the Company will be able make the appropriate decisions if faced with the need to introduce non-essential use bans. Consistent with all customers supplied by the company various types of usage may be restricted in their consumption from time to time.

Resources Planning

South East Water prepares a water resource management plan every five years in line with the regulatory pricing cycle. This plan is accompanied by an annual update on progress and a summary of the impact of each year on the plan.

Licensees will need to provide details on the point of entry to the network and the point of delivery to the customers' site. South East Water will assess the operational cost impact for the proposal provided and this may impact on the access price in a positive or negative way. If South East Water's costs increase as a result of accommodating the supply, this will be reflected in the access prices. Conversely if operational costs are reduced as a result of the introduction of the new supply, the access price will be reduced accordingly.

Licensees will also be required to provide information to South East Water so that the company may update its water resources plan each year. This information will include but not be limited to:

- Consumption of the customer over the year;
- Forecast changes to the total or peak consumption;
- Reliability of the source providing the additional water to the Company's network;
- Notification of any changes in raw water quality;
- Peak and average licence conditions;

- Maximum and minimum flow rates;
- Outage calculation for all sources proposed to provide water into the network;
- Supply side uncertainty as used for the calculation of headroom.

Licensees will be required to provide this information early on in the access application process so that the Company can take account of the information when determining the access price. This will also help the company to determine the strategic balancing strategy.

5.1.3. TELEMETRY REQUIREMENTS FOR SUPPLY SYSTEM CONTROLS

The Company operates a comprehensive telemetry system, ScopeX, provided by Servelec. It comprises a series of outstations and programmable logic controllers reporting via the internet, GPRS and fixed line to central and backup servers at the Company's Operations Centre at Snodland. All failure alarms are recorded and printed out for archiving in accordance with DWI regulations. Details of this system can be provided under Stages 3 or 4 of the application. The licensee's telemetry system shall be fully compatible with the Company's system such that the Company's operations systems will have complete real-time visibility on network, plant and process operation as if the licensee's assets were the Company's.

5.1.4. SECONDARY CONNECTIONS

Connections to the Company's supply network occur from time to time as developers and house-builders require. The Company, or its appointed period contractor, undertakes all connections to the live network. Connections that may affect the licensee's obligations or requirements in terms of levels of service and security of supply will be fully discussed with the licensee such that the terms and conditions of the licensee's license will not be compromised.

Licensees must seek permission from South East Water before and secondary connections are made after access to the supply system has been granted.

5.1.5. SUPPLY SYSTEM AND PLANS

The Company's production and supply network is recorded on an electronic mapping application (Geographic Information System (GIS)). Subject to licence agreement with Ordnance Survey and the GIS application provider, electronic/hard copy maps showing the mains layout and map background can be provided for the zone or location of the licensee's area of interest.

5.1.6. POINT OF ENTRY CONTROLS AND FAILURE MODELS

As stated in more detail earlier in this code, water quality sampling and analysis must be carried out in accordance with Water Supply (Water Quality) Regulations 2016 and the analysis must be carried out by a UKAS Accredited or DWTS Accredited laboratory. In addition operational sampling must be carried out to provide confidence in the control and operation of the plant.

The licensee will be required under the terms of the access agreement to comply with the local quality standards in operation by South East Water. Higher standards of quality of supplied water may be required at the Entry Point to allow for changes in water quality with transit through the supply network, or for the impact of mixing with water from other sources.

South East Water will take whatever action they consider necessary to safeguard the quality of customers' supplies. This could include the controlled shut down of the connecting infrastructure should an operational emergency require it.

5.2. METERING SERVICES

Within the access agreement the licensee and South East Water will agree the level, type, frequency and extent of metering required for each supply entry point.

Ordinarily South East Water will require monthly meter readings to be taken for billing purposes. There may be some cases however, where, for operational reasons, more frequent data readings are taken via logging equipment. Where logging devices are currently installed on eligible customers' premises, arrangements can be made within the access agreement for South East Water to provide a continuation of these logging services.

Higher risk or vulnerable supply points, susceptible to higher fluctuations in supply will probably require more monitoring which can be included for discussion in the access agreement.

5.2.1.METER ASSET MANAGEMENT

Ownership of any meter which is located on South East Water's network will rest with South East Water. Meters installed and owned by the Company may only be logged by South East Water and nominated contractors.

Metering solutions available

South East Water's meter stock is predominantly manually read meters or encoded electronically read meters. All comply with current guidelines and legislation.

Meter installation

A combined licensee will be required to install a meter at each entry point to South East Water's supply system. South East Water need to monitor flows into the network via access to the entry point meter data.

The licensee can sub-contract the installation of a source meter to South East Water as a commercial activity. These arrangements will be agreed in the access agreement.

Any entry point meter will need to meet the specification set by South East Water. The charges for all new supplies of water for any purpose shall be by means of a water meter. The meter to be installed must be appropriately sized, considering the potential demand at the property.

Meter maintenance

South East Water will retain ownership of all customer metering facilities and shall be responsible for their maintenance, calibration and renewal. The licensee can ask South East Water to maintain the meter at the licensee's source as a commercial activity. These arrangements would form part of the access agreement.

Should a meter chamber be designated a confined space in accordance with South East Water's confined spaces policy, the licensee shall ensure that anyone requiring to enter such chamber has a valid permit appropriate for the confined space operation they will be undertaking.

Broken and damaged billing meters are usually repaired / exchanged at no cost to the customer (unless damage was found to be deliberate or resulted from negligence by the customer). Meters are also exchanged when stopped, clogged or, occasionally for specific demand management projects e.g. right- sizing and under-registration.

Meter replacements requested by the customer (e.g. different size) will be chargeable.

5.2.2.METER CALIBRATION AND VERIFICATION

If a meter fails to accurately record consumption, the volume charged for that period will be estimated and are payable, based on historic consumption.

The company shall, if requested, undertake one free on site confidence test of any meter that has been installed. The meter shall be tested in accordance with the Measuring Equipment

(Cold Water Meters) Regulations 1988, the Water (Meters) Regulations 1988 and any subsequent relevant legislation in order to determine whether it falls within the prescribed limits of accuracy. Where meters are tested in situ, this follows the guidelines contained in the above legislation and is normally undertaken by company staff. If it is necessary to remove the meter for testing, these tests are carried out by an independent organisation.

When a test is carried out at the request of the licensee and the meter is found to be within the prescribed limits of accuracy, the licensee will be charged for the cost of the test (which shall be as set out in the wholesale tariff document). If the meter is outside the limits, an adjustment will be made to the water charges raised under that meter.

5.2.3.METER READING AND METER READING VERIFICATION

The licensee shall have the right to check its customers' meter accuracy at its own cost. Should this demonstrate that measurement is outside the manufacturer's stated tolerance, South East Water shall undertake appropriate remedial action. The licensee shall have a right of access to the meter to enable it to carry out meter reading. The licensee shall be responsible for providing all safety and other equipment to enable meter reading to be carried out safely and accurately.

The licensee is required to provide meter readings for each meter at an eligible customer in accordance with the agreed billing cycle, normally monthly unless otherwise specified in the access agreement. South East Water will verify the meter reading against past consumption patterns and may inspect and check the meter where there is doubt over its accuracy.

Should South East Water or the licensee have reason at any time to suspect significant leakage on the premises of a customer, it may issue a Waste Notice to the licensee's Customer. Such notice shall be in accordance with South East Water's current procedure, or otherwise ensure that the leak is detected and repaired within 14 days.

Meter readings for wastewater billing will be sent to the sewerage undertakers electronically apart from where South East Water acts as the billing agents.

5.3. SUPPLY SYSTEM BALANCING

South East Water will have overall control of the distribution system and inputs required to meet demand. However, the licensee and South East Water need to agree on the operation of a licensee's input to balance the supply and demand, including in particular emergency situations.

South East Water has operational processes in place to optimise the distribution operation. This is achieved through scheduling of pumping and pressure optimisation of the distribution system. Where South East Water has identified a change to the operational process due to the licensee's application, the licensee must ensure that the input is done in such a way that it does not disrupt the South East Water operation to any great extent to that which applied prior to the licensee's input. Any such agreed changes will be incorporated into the access agreement.

Balancing will require the licensee's input to fall in line with the customer demand and subject to a number of parameters agreed during the contract negotiation stage.

5.3.1.STRATEGIC BALANCING

Annual supply planning

The licensee shall provide information on its resources with respect to the reliability of yield, water quality and planned outages. This information shall be required to enable an assessment to be made of the robustness and availability of those resources (including headroom) throughout the year to ensure it meets the customers' needs.

The information required from licensees will unless specified otherwise be the same as that provided at the detailed application stage.

Use of strategic supplies

The trigger for whether a supply can be designated as strategic is contained in sections 66G(10) and 66H(10) WIA91. These sections state that an introduction of water is a strategic supply if, without the introduction being made, there is a substantial risk that the water undertaker would be unable to maintain supplies to its own customers as well as supplying the licensee's customers with water for domestic purposes.

If a supply is designated as strategic and the licensee fails either procedurally or financially, the licensee will be subject to the special administration procedures contained in sections 23-26 WIA91. This means that the introduction that had been deemed strategic would continue to be introduced into the water undertaker's public supply system.

Whilst the guidance is non-statutory, Ofwat have prepared it to set out the process they intend to follow for designating and de-designating strategic supplies. It provides guidance on the factors they will consider when assessing whether an introduction constitutes a strategic supply and the process parties must follow when requesting a determination. Licensees or customers who are considering whether strategic supply designation would be relevant may wish to use the Ofwat guidance.

On a day-to-day basis, licensees and water undertakers will manage variations in the outputs of different sources of water according to the terms in their access agreement. This will include incidences where a licensee introduces a significant amount of water into the public supply system and that supply then fails. Access agreements may not provide for what happens when the licensee is not able to introduce water, not because the water is unavailable but because the licensee has become insolvent or has had its licence revoked.

In these circumstances, unless a court deems otherwise, it is likely that access agreements between the licensee and water undertaker could become void and any contractual agreements about managing resources and assets could become invalid. The need for strategic supplies therefore arises because of failure of the licensee rather than failure of the licensee's source. However, access agreements remain valid and fully effective where a special administration order is made in respect of a licensee.

If a licensee's introduction is significant, but the licensee fails and so becomes unable to continue its introduction, the water undertaker may face a substantial risk, in the very short term at least, of being unable to meet its statutory duties to maintain supply to its own customers and meet the domestic purpose needs of the licensee's customers.

Designating an introduction as strategic would mean that the assets relating to the supply would become protected via the special administration process and could only be disposed of in a way that would allow the associated supply to continue. Special administration will restrict licensees from disposing freely of any protected assets, which could potentially reduce the value of their business.

Section 24 WIA91 sets out the situations in which either Ofwat or the Secretary of State can apply to the High Court for a special administration order in relation to a licensee. These include where a company:

- Has been, or is likely to be, in a sufficiently serious contravention of a licence condition or a statutory requirement imposed on it because it holds a licence;
- Has been, or is likely to be, in a sufficiently serious contravention of an enforcement order;
- Has taken a sufficiently serious action that has caused a water undertaker to contravene section 37 or section 94 (where applicable) WIA91; or
- Is, or is likely to be, unable to pay its debts.

South East Water will assess during the detailed application stage whether a licensee's supply is likely to be designated strategic. This does not preclude the application for strategic status at

a later stage. The key factor that will determine the need for strategic supplies is whether South East Water has sufficient water available to supply its own customers and the licensee's customers' domestic needs in the event that the licensee fails. The factors that will be taken into account by South East Water include:

- The volume of the licensee's introduction that is used for domestic purposes;
- The volume of the South East Water's surplus in the water resource zone (WRZ) where the licensee's introduction takes place (including average and peak where relevant);
- The volume introduced by the licensee relative to total demand in the WRZ;
- The total volume introduced by all water supply licensees relative to total demand in the WRZ;
- The location of the licensee's introduction relative to other water resources in the WRZ;
- The location of the licensee's introduction relative to the geographical pattern of demand in the WRZ;
- Seasonal supply pattern of the licensee's introduction;
- Seasonal demand pattern of the licensee's and other customers;
- The location of the licensee's and other customers within the WRZ;
- The volumes of domestic and non-domestic water use by the licensee's customers within the WRZ;
- The relative scarcity of water resources in the WRZ, in both physical and economic terms, with reference to the long run marginal cost (LRMC) figures for that WRZ;
- The security and reliability of the licensee's introduction and others in the WRZ for average and peak conditions;
- Any other water quality or operational matters that are considered to be relevant, which could include known future demand, distribution issues, dependence on a licensee's introduction to maintain quality or flow direction and whether there are any alternative options for supply in the WRZ.

Designation or de-designation of strategic supplies can occur at any point during the access agreement.

Back-up supplies

For the combined supply, back up supplies will be available to the licensee's customers subject to separate agreements between South East Water and licensee's customers. This should be agreed during the combined supply negotiation and will be taken into account in the calculation of the access prices.

Back-up supplies will commence when a licensee's supply has failed but the supply was not designated as strategic.

Interim duty to supply

The interim supply duty for domestic use falls on South East Water under section 63AC WIA91 and applies immediately where a licensee serves notice of disconnection to a customer or fails to provide a supply for some other reason. This ensures that the customer continues to receive a supply for up to three months.

Such a duty would not apply if it put at risk South East Water's ability to meet its existing obligations.

The charge to the customer will revert to the standard applicable retail tariff when the interim duty of supply is applied.

Interruptible customer and interruptions to supply

South East Water does not have any interruptible customers or tariffs.

5.3.2.FLOW BALANCING AND RECONCILIATION PROCESS

Supply system usage forecasts for wholesale supplies

Licensees shall supply to South East Water demand forecasts of their customers when requested to enable South East Water to complete their Water Resources Plans or other such forecasts.

Such demand forecasts shall be based on current methodology commonly used within the water industry and agreed with the EA and other regulatory bodies.

Supply system usage forecasts for combined supplies

Licensees shall supply to South East Water demand forecasts of their input into the system and the customers usage when requested to enable South East Water to complete their Water Resources Plans or other such forecasts.

Forecasts of input into the system and usage by the licensee's customer will be subject to certain parameters, agreed and specified within the access agreement. These forecasts will build into the access price a certain degree of flexibility in order that accounting for demand and supply imbalance is not seen as essential, provided the parameters are not exceeded.

Such demand forecasts shall be based on current methodology commonly used within the water industry and agreed with the EA and other regulatory bodies.

Imbalance accounting and reconciliation

The purpose of imbalance accounting is to ensure that the cost principles are adhered to. Imbalance occurs when water input and output fall outside those agreed within the access agreement and built into the prices. The access agreement will detail how these imbalances will be dealt with and the following information will be important in deciding what imbalance accounting is required within the access agreement:

- Supply and demand forecasts, including planned maintenance and outages;
- Notice to South East Water of any changes to the forecast;
- Reconciling input and demands between both parties at agreed intervals, preferably annually;
- Financial adjustment for over or under supply.

Imbalances should be triggered based upon actual meter readings and not estimated. Processes for dealing with potential cases of imbalance are set out below:

- Licensee forecast input and customer forecast usage

Where a licensee's forecast input and customer forecast usage fall out of balance, this could result in South East Water having to treat more water and will result in a charge at the marginal cost of treating and distributing the water. This will vary but is likely to be equivalent to the cost calculations for resource saved, in the original access price. Where

the imbalance is more significant and will require additional pumping costs then this will also need to be reflected in any extra charges.

- Licensee forecast input and actual usage

Where the licensee's actual input is below the original forecast input then the extra charges will be calculated based on the marginal resource treatment and distribution costs used in calculating the original access price discount.

- Licensee actual input and customer actual usage

Where the actual input and output falls outside of the balance, past charges can be adjusted through the same mechanism as forecast imbalances being used to adjust future access prices.

- Customer forecast usage and actual usage

Customer usage will be based on the actual meter reading. Where customer usage is different from actual, accounting for the imbalance would not be required.

Imbalances from actual usage or input differences from forecast parameters should be carried out at the same annual review. This avoids taking account of imbalances due to short term differences.

Peak season and off peak reconciliation

At this time we do not operate any routine seasonally affected processes that shall apply to access agreements.

At the time of application we shall assess the impact of any seasonal inputs to or outputs from our water supply system and shall incorporate any specific seasonal dates and processes into the access agreement.

6. SUPPLY SYSTEM MAINTENANCE AND EMERGENCY PROCEDURES

South East Water and licensees share a joint responsibility to ensure that water supplied is fit for public consumption. Both parties are required to notify relevant bodies, as detailed in the Water Undertakers (Supplier's Information) Direction 2012 and the Water Supply (Water Quality) Regulations 2016, of any incident that may affect drinking water quality or sufficiency of supplies.

In addition the licensee and South East Water must undertake their business in such a way so as to ensure compliance with obligations under the Security & Emergency Measures (Water and Sewerage Undertakers) Direction 2006 and the Security & Emergency Measures (Licensed Water suppliers) Direction.

6.1. DIAGNOSIS OF SYSTEM ISSUES

In order that potential supply issues are identified and rectified promptly without undue delay, adequate information sharing must take place between South East Water and the licensee.

6.1.1. OBLIGATIONS WITH RESPECT TO DIAGNOSIS OF SUPPLY SYSTEM PROBLEMS

Responsibility of water undertaker

South East Water will manage, operate and maintain the Connecting Infrastructure and the Monitoring Facility. The costs of this shall be recovered from the licensee under the access agreement.

Additional responsibilities include:

- Informing licensees of any planned maintenance or other events that may affect the supply of water to the licensee's customers;
- Informing licensees of any emergency situations, including the necessary mitigation measures and progress updates on restoration of normal supplies;
- Monitoring and responding to system alarms and acting accordingly;
- Informing licensees of any information reported directly to the Company by the licensee's customers.

Responsibility of licensee

Licensee personnel, and their appointed contractors, shall not be permitted to operate or alter any part of the Network, Connecting Infrastructure or Monitoring Facility unless specifically authorised in writing by South East Water to do so.

The licensee will be required to:

- Pass on relevant information supplied by South East Water to the licensee's customers;
- Inform South East Water of any event that may cause water quality issues or impact on the supply of water to South East Water's customers;
- Inform South East Water of any customer complaints relating to supply issues – e.g. water quality, water pressure, interruptions to supply;
- Maintain and inform South East Water of a list of priority and special response customers, as required by Defra.

6.1.2. QUALITY ISSUES

South East Water is responsible for the quality of water in its supply network and the licensee is responsible for the quality of water input into this network. Notwithstanding the routine

monitoring of water quality compliance, in the event of a water quality issue the licensee must inform the South East Water 24-hour Emergency line immediately on 0333 000 0365.

Further details may be requested and as a minimum should include all information as described in the Direction. South East Water will provide information to the licensee in accordance with the licensee's own procedures.

6.1.3.HYDRAULIC ISSUES

Levels of Service, namely pressure and flow, shall exceed the minimum Ofwat requirements at all times in accordance with the WIA91. Within the Company's network there are embedded and mobile pressure logging devices that record base line system pressures as well as properties at risk of failure. Should the licensee's customer(s) become at risk of failure, either notified by the customer, by the licensee or via the Company's systems, then action will be taken as soon as practicable in resolving the potential failure. The course of subsequent actions will be agreed between the Company and the licensee at that time.

Interruptions to supply and low pressures resulting from reactive repair work or planned activity shall be monitored and recorded on the Company's works management system "Maximo". For planned work on the Company's network, adequate notice shall be given to the licensee. For urgent or emergency work, notification may initially be given directly to the licensee's customer in order to prevent or reduce any possible danger or harm to the customer's domestic or commercial operations.

6.1.4.REAL TIME INFORMATION CAPTURE SYSTEM

Information is captured on the Company's systems in real time, with no longer than four minutes between data entry and visibility.

The transmission of data, whether for planned or reactive work, shall be electronic by e-mail or other compatible application. For emergency work, an initial contact by telephone should be made with confirmation by e-mail as soon as possible thereafter. Both the licensee and Company shall keep a log of inbound and outbound calls and messages. The design and details of the e-mail messaging template and logs shall be subject to agreement under stages 3 or 4 of the access application.

6.1.5.REPORTING PROCEDURES

Points of contact, both in-hours, out-of hours and emergency, at the various hierarchical levels of the Company and the licensee's staff and management shall be subject to a Memorandum of Understanding (MoU) to be agreed under stage 4 of the access application. This will include procedures for communication within and between the two parties, communication to Regulators and communication to the Media and all other Stakeholders. Guidelines for reporting mechanisms are outlined in the Company's Emergency Procedural Manual and relevant excerpts are provided in the sections below.

Water Regulation Inspections

South East Water may carry out inspections of licensee's customer's site plumbing arrangements in accordance with the Water Supply (Water Fittings) Regulations, 1999, prior to the date of transfer. A copy of the report will be provided to the licensee. The responsibility to ensure future compliance with the Water Supply (Water Fittings) Regulations, 1999 rests with the licensee. The licensee shall provide South East Water with a copy of the inspection reports and details of any subsequent remedial work carried out from the date of transfer.

Should South East Water have reasonable doubt over the acceptability of the customer's site plumbing arrangements, it shall be permitted by the licensee to carry out inspections at its own cost. Should these identify a need for remedial action, South East Water shall inform the licensee, who shall reimburse the cost of the inspections and be responsible for ensuring that the necessary remedial work is carried out.

6.2. PLANNED SYSTEM MAINTENANCE

Planned work is carried out from time to time on the Company's supply network and treatment works in accordance with its maintenance and renewal strategies. Levels of hazard and risk are evaluated for each individual operation and activity to ensure compliance with best practice, Regulation and law. This will include, but not be limited to, the Health and Safety at Work Act, the New Roads and Streetworks Act and secondary regulation. On evaluating a risk assessment, the 'hazard' should always be considered for removal before reducing the 'risk'. Mitigation actions should always be considered if planned work becomes re-active.

All relevant Company staff has been trained to sufficient levels and competencies to carry out all normal planned work. Staff competencies are evaluated on a regular basis to ensure compliance with requirements.

For specialist work, nominated contractors are used under the Company's supervision to carry out particular work.

The licensee's (or its appointed agents) competencies and capabilities shall match those of the Company's for the execution of planned work on their sections of the supply network up to the point of supply. South East Water will require relevant training certificates to be provided and levels of assessed competencies of the licensee's network staff and their appointed agents at any time.

For planned maintenance works by the licensee on its network that may affect, but are not anticipated to have a material impact on the supply to the Entry Point, details of the works involved and the programme for their completion shall be provided to South East Water a minimum of ten working days in advance of their commencement.

For planned maintenance works by the licensee on its network that are anticipated to have a material impact on the supply to the Entry Point, details of the works involved and the programme for their completion shall be provided to South East Water a minimum of twenty working days in advance of their commencement.

Should South East Water raise any reasonable objection to the content or programme of any planned maintenance works by the licensee, the works shall be postponed until the two parties have agreed the course of action. Should the works require South East Water to adjust its network operation, commencement will be subject to the required adjustments having been completed. Any additional cost in the implementation and management of these adjustments shall be borne by the licensee.

For planned maintenance work by South East Water on the Network that is anticipated to have a material impact on the supply to the Entry Point, details of the works involved and the programme for their completion shall be provided to the licensee a minimum of ten working days in advance of their commencement. Should such works require the licensee to adjust its network operation, commencement will be subject to the required adjustments having been completed.

6.2.1. OBLIGATION WITH RESPECT TO PLANNED MAINTENANCE

Responsibility of water undertaker

South East Water will take responsibility for all planned maintenance on the Company's distribution network, pumping stations, reservoirs and treatment works.

Responsibility of licensee

The licensee will take responsibility for all planned maintenance on its distribution network, pumping stations, reservoirs and treatment works up to the Point of Supply to the Company's network.

All customers shall be warned in writing as to the nature of the planned work, its necessity and the estimated period of outage or reduced service. Special consumers shall be identified and

provision made to ensure that they receive adequate water supplies by alternative means. The period for warning shall comply with Ofwat's regulations on planned works.

All records and details of warning notices sent, customers affected, over-runs, and re-warning shall be logged and captured on the Company's works management system Maximo. The licensee will be required to supply this information to South East Water for each planned maintenance event.

6.2.2.SPECIFICATION OF ASSETS

Assets included in planned maintenance are:

- Water mains and their associated apparatus (valves, hydrants, meters, etc);
- Treatment works and their associated treatment and chemical processes;
- Pumping stations, switch-gear, control and starter systems, and chemical dosing;
- Service reservoirs and storage tanks;
- Telemetry alarms, meter calibration.

6.2.3.MAINTENANCE STANDARDS

Maintenance standards are the responsibility of the licensee and should be commensurate with their statutory obligations and licence conditions.

No GSS or other compensation payments will be made to the licensee or the licensee(s) customer for interruptions, additional work or impact on business unless provided for in the access agreement. South East Water will not discriminate between its own customers and the licensee's customer(s) when carrying out works and the same standards of care will apply.

6.2.4.RISK ASSESSMENT PROCESS

The Company operates a mandatory risk assessment protocol for all interventions (planned and unplanned) on its supply network. The risk assessment tool is electronic and lies within the Maximo works management system. Hard copy by fax can be utilised if Maximo is unavailable. Details of this process will be discussed and requirements agreed by MoU under stages 3 and 4 of the application.

Maintenance work on treatment and pumping station sites are undertaken through a 'permit to work' system that is regulated by Company staff. Generic risk assessments for strategic transmission main isolation, confined spaces and electrical isolation are some of the key areas in which risks and hazards are assessed. The licensee shall submit when requested risk assessments to South East Water. Areas where risk assessments are required shall be agreed at stages 3 or 4 of the application.

Failure to comply with South East Water's request for information could result in delay to the application process and suspension of supply.

6.3. UNPLANNED MAINTENANCE

6.3.1.OBLIGATIONS WITH RESPECT TO UNPLANNED MAINTENANCE

The general obligations with respect to unplanned maintenance are the same as for planned work. The primary exception is in communication and the issue of warning notices.

Unplanned work on the licensee's network or source works shall be communicated through to the Company's operations centre immediately. Cause of outage, time for repair and any consequential impact shall be assessed and communicated as soon as possible. Temporary

operational systems to overcome the outage shall be implemented without delay. Communication with the licensee's customer shall be the responsibility of the licensee. The Company shall communicate with any of its affected customers.

Communication with Regulatory bodies and stakeholders, including the media, shall be carried out by Company personnel.

The operation procedure will follow the industry's Guaranteed Standards as apply from time to time.

6.3.2.RISK ASSESSMENT PROCESSES

Both the Licensee and South East Water will need to be involved in a risk assessment exercise to ensure unplanned maintenance caused interruptions can be assessed.

6.3.3.EMERGENCY NOTICES

South East Water will retain primary control for managing any emergency arising within the network and inform the licensee as soon as practicable.

Under the access agreement, the licensee will be responsible for managing any emergency arising within the licensee's network. The licensee should have in place emergency procedures to apply an emergency notice direct to its customer(s) and to South East Water.

6.4. SAFETY ASPECTS OF UNPLANNED AND EMERGENCY WORK

6.4.1.STATUS CLASSIFICATION

South East Water's definition of status is detailed below. With events involving quality or sufficiency of water supply, protection of public health is the first priority, and this should be the first assessment made to determine the scale of the incident.

The severity of an incident should be assessed against the following criteria:

- Contamination of supply – 'Do not use'
- Contamination of supply – 'Do not drink'
- Contamination of supply – 'Boil before use'
- Loss of supply – Able to rezone
- Loss of supply – Unable to rezone
- Non-routine events – e.g. Facility loss, bomb threat

Definitions of scales of incident are shown below:

Properties Affected

- Scale 1 Up to 500
- Scale 2 501 to 3,000
- Scale 3 3,001 to 20,000
- Scale 4 20,001 to 35,000
- Scale 5 Over 35,000

Estimated Duration

- Scale A Up to 12 hours
- Scale B Over 12, up to 24 hours
- Scale C Over 24, up to 48 hours
- Scale D Over 48 hours

The scales may overlap so that a particular incident may be assigned to a lower or higher scale depending on the nature of the incident.

The provision of resources should be geared to the anticipated scale of an incident. As the incident develops the scale may change up or down.

6.4.2.STANDARD EMERGENCY REPORTING PROCEDURES

The following is an extract from South East Water standard emergency reporting procedures. The licensee will as part of an access agreement be required to develop their own procedures to align with those of the Company. This should include having contacts available who can liaise with the South East Water incident team.

Scale 1 and 2 incidents (up to 3,000 properties); will be dealt with by local area teams under standard operating procedures and standby arrangements. Occurrences falling into Scale 2 must be closely monitored for escalation. In most cases, the designated Incident Manager should be informed so that if a situation escalates he will be ready to act.

Scale 3 incidents (up to 20,000 properties) require the appointment of an Incident Manager. Depending on the nature of the incident, the Incident

Manager will decide on the need to appoint a full incident team. Occurrences in Scale 3 must be closely monitored for escalation to Scales 4 or 5.

Once an Incident Manager has been appointed the name and contact details must be communicated to all staff likely to be involved. This will stop any confusion and ensure clear lines of communication.

Scale 4 and 5 incidents (over 20,000 properties) require the setting up of a full incident team appropriate to the needs of the incident.

If it is assessed that if an incident will fall into Scales 4C, 4D, 5C or 5D, then the full incident and communication teams must be set up. Section 1, (4)(b)(i) and (4)(b)(ii) of the Security and Emergency Measures (Water & Sewerage Undertakers) Direction 2006 must be complied with. Where the estimated duration of an incident is Scale B, C or D, a second team should be pre-nominated.

Once an incident has been identified it is important to react swiftly.

6.4.3.MAJOR EMERGENCY REPORTING PROCEDURES

Water undertakers and licensees are required to inform the relevant bodies of any incident that may affect water quality or adequacies of supplies, as detailed within the Water Undertakers (Information) Direction 2004. Licensees must inform South East Water of any incident that would put the company at risk of supplying unwholesome water or of committing an offence under section 70 WIA91.

Details of emergency procedures will be dependent upon the results of the feasibility study.

6.5. EMERGENCY PROCEDURES FOR DEALING WITH SPECIFIC EVENTS, ISSUES AND INCIDENTS

Procedures shall be established between South East Water and the licensee to cover communication and action in the event of an emergency affecting the ability of the licensee to supply or the ability of South East Water to accept the supply in accordance with the access agreement. Such procedures shall include but not be limited to the following, in so far as they are applicable to the incident concerned:

- Incident notification;
- Establishment of Emergency Control Centre;
- Publicity and communication with customers and other members of the general public;
- Shut-down procedures;
- Re-introduction of supplies.
- Interim supplies.

South East Water will continue to supply the licensee's customers during the duration of the emergency. However, if the interim supply puts at risk the Company's ability to meet its existing supply obligations to its customers, then the interim supply will not apply.

The access agreement shall set out the arrangements for the provision of firefighting water.

6.6. CUSTOMER PROTECTION

6.6.1. SPECIAL CONSUMERS

Special consumers include customers with particular needs and priority premises. They require a higher level of service or priority attention with regard to water supply during emergencies. Special consumers fall into a number of categories listed below.

Special consumers are categorised as follows:

- Blind/Sight Difficulty;
- Deaf/Hearing Difficulty;
- Deaf and Blind/Hearing and Sight Difficulty;
- Dentist;
- Dialysis Patient;
- Doctors' Surgery;
- Educational Establishment;
- Food Processing Plant;
- Health Centre;
- High Profile Customer;
- Hospital;

- Key Accounts;
- Nursing Home/Residential Home;
- Special Needs Customer;
- Vet/Animal Care/Rescue Centre;
- Vulnerable Groups.

The requirements of Special consumers must be assessed and bottled water provided as required depending upon the scale of the incident.

A decision will be taken early in any incident as to the best method of supplying alternate water supplies. Distribution must commence as early as possible, especially if an incident is or is likely to escalate to Scale C or D (Scales of Incident).

For all other incidents, mobile water containers (bowsers) will be used with bottled water used to augment these in rural areas and for Special consumers.

Special consumers, including health and educational establishments and major customers are informed of the incident by telephone. The telephone warning would include the availability of bottled water.

It is the responsibility of the licensee to identify and maintain a record of Special consumers and to notify South East Water of such customers.

6.6.2.LARGE SCALE CUSTOMER WARNING PROCEDURE

Where South East Water has a warning procedure to notify large scale users, the licensee will ordinarily be required to disseminate this information to its large user customers. Only under emergency procedures will the customer receive such notifications directly and in addition to the licensee.

6.6.3.EMERGENCY COMPENSATION PAYMENTS

As South East Water will have no direct relationship with the licensee's customer, compensation will not be paid directly for any incident requiring such compensation payments, unless required under statute to do so. Any specific case where South East Water is directly at fault, will be dealt with on a case-by-case basis with the licensee and in accordance with current Ofwat requirements.

6.6.4.EMERGENCY OPERATIONAL PLANNING EXERCISES

South East Water carries out exercises through a series of simulated operational exercises at regular intervals to test the operation of the Emergency Procedures and associated activities. During any incident, an incident log to record all actions taken, decisions made, time and date is compiled. Incident logs must contain details of:

- Incident response;
- Use of bowsers;
- Use of tankers;
- Use of bottled water;
- Communications;
- Other issues.

A licensee's procedures and ability to respond to emergency situations will at times be included in any South East Water exercise. The licensee will be expected to participate in and assist in any such exercise.

6.7. SUPPORT PROCESSES

6.7.1. ARRANGEMENTS FOR PRESS LIAISONS

In the event of an emergency, contact with the media shall be via South East Water's communication department. The Incident Media Manager will prepare and issue press notices. The access agreement should specify a press liaison contact with the licensee to enable joint statement to be made where applicable.

6.7.2. ARRANGEMENTS FOR THE DISSEMINATION OF SEVERE WEATHER WARNINGS

When South East Water receives a severe weather warning, this information will be forwarded to the licensee's nominated liaison contact providing it is agreed within the access agreement. South East Water will not be responsible to communicate such information unless agreed otherwise. It will be the licensee's responsibility to take what action it deems to be necessary and such action shall be communicated to South East Water within 12 hours.

6.7.3. EMERGENCY CONTACTS

South East Water has various telephone numbers for our customers to contact us. It is imperative that these systems are effectively managed to ensure that customers get accurate and up-to-date information during an emergency situation. Each number is followed by a brief description of how it is managed during normal working hours.

The licensee shall provide to South East Water a similar list of emergency contacts in respect of its organisation and customers. This list shall include contact names and numbers for out-of-office and weekend contact. Such lists shall be kept up dated and issued following amendment.

South East Water shall hold the contact list within its Operations Centre.

6.8. REPORTABLE SITUATIONS

Any events described in DWI Guidance on the notification of events must be notified to the DWI. Details of the relevant guidance can be found on the DWI website.

The licensee must communicate to South East Water, all such events in addition to the other parties that require notification within the Direction. South East Water must be notified as soon as possible after the event. Communication should be made to the Operations Centre of South East Water.

Should an outbreak control team need to be created in relation to an event associated with the licensee's plant then both the licensee and a representative from South East Water will be required to join this team.

7. CUSTOMER CONTACT ARRANGEMENTS

With the introduction of a new supplier it is important to establish clear lines of communication and points of contact for various situations including routine customer service queries (e.g. billing queries) and emergency contacts.

It is the responsibility of the licensee to ensure adequate customer contact arrangements for their customers in respect of the services they provide and to maintain and retain contact histories with each customer for audit and operational review.

As South East Water will maintain operational control of the supply network it is important that the licensee's customers are still able to report directly to South East Water in the event of an emergency.

7.1. CUSTOMER CONTACT ARRANGEMENTS FOR OPERATIONAL QUERIES AND COMPLAINTS

Ordinarily, any routine customer queries or complaints will be dealt with solely by the licensee. However any information that is obtained which relates to the operation of the supply system should be copied to South East Water.

7.1.1. CUSTOMER METER READING

Responsibility for reading eligible customers' meters rests with the licensee. These will be provided to South East Water in line with the frequency agreed in the access agreement (normally monthly). South East Water may make check reads of its own for audit and network balancing purposes, normally every six months.

7.1.2. BILLING AND DEBT COLLECTION

The licensee is responsible for issuing bills and collecting payments from its customers.

South East Water will bill licensees for water used under access agreements on a monthly basis. Where a licensee persistently defaults on the payment terms agreed within the access agreement, South East Water may declare the licensee in breach of the access agreement and terminate such agreement.

South East Water will undertake a credit check of the licensee as part of the access agreement process. Should the licensee pose an unacceptable credit risk to the Company, South East Water reserves the right to take a deposit from the licensee, in advance of customer transfer taking place.

In the case of non-payment South East Water will take legal action to recover all monies owing to it. The relevant sewerage undertaker will be notified of any issues regarding payment.

7.1.3. OPERATIONAL ISSUES

The licensee will assume responsibility for the identification and resolution of any water supply issues on the customer's or the licensee's pipework and will notify South East Water, where either:

- The Company's involvement is required; or
- Where there may be an infringement of water regulations; or
- Where there may be an impact on the operation of South East Water's supply network.

Issues relating to sewerage services should be directed directly to the relevant sewerage undertaker, or to South East Water where the Company acts as a billing agent for the sewerage undertaker. Such arrangements will be clarified in the access agreement.

7.1.4.COMPLAINTS HANDLING PROCESSES

Complaints from a licensee's customer will be dealt with in the first instance by the licensee.

Customer complaints relating to meter reading, billing or debt collection processes associated with the potable water supply, will be dealt with by the licensee. Where such complaints relate to sewerage services, responsibility will remain with the sewerage undertaker, or South East Water, where the Company acts as a billing agent to the sewerage undertaker.

Complaints relating to the operation of the water supply network should be copied to South East Water, who will investigate the case and provide information back to the licensee to inform its customers.

Where complaints remain unresolved or are not resolved to the customer's satisfaction, the matter can be referred to Consumer Council for Water or Ofwat where appropriate.

7.1.5.OBLIGATIONS ON SOUTH EAST WATER

South East Water will deal with all complaints in an open and constructive manner and will inform licensees of any matter that may impact their customers. Relevant contact details will be provided to the licensee and set out in the access agreement.

The Company will investigate any operational issues referred to it and report to the licensee the results of such investigation, in order that the licensee can inform their customers accordingly.

The Company will provide the licensee with relevant details, if it is aware that a special consumer occupies or is likely to occupy any premises which the licensee is proposing to supply. Special consumers may include, for example, those living in eligible premises who require water urgently for medical purposes.

7.1.6.OBLIGATIONS ON LICENSEES

Licensees are required to furnish their customers with all relevant contact details and clearly distinguish between the communication lines for general customer service enquiries and the reporting of operational or emergency incidents.

All customer communication should be logged and recorded in order to facilitate audit or investigation at a later stage if required.

Licensees must inform South East Water of relevant details if a special consumer occupies or is likely to occupy any premises that the licensee supplies.

South East Water must be promptly provided with any information which is reported to the licensee which may impact on the operation of South East Water's supply system.

7.1.7.DISCONNECTION

South East Water may disconnect the supply to the licensee's water supply into the company's network for either of following instances.

- Financial failure where the licensee has not met the agreed payment terms (wholesale and combined supply).
- Persistent failure to supply agreed volume of water into the Company's network (combined supply). Any breach of Water Quality Regulations which results in unwholesome water being supplied into the Company's mains network shall result in the supply being shut off until the water supplied meets Water Quality regulations. Should similar breaches occur on a persistent and frequent occurrence, the Company may disconnect the licensee's supplies

until such times that the Company is satisfied that the licensee can comply with the Water Quality Regulations.

Termination of the agreement with the licensee will in most cases trigger the interim supply duty.

South East Water may interrupt the supply to the premises of the licensee's customer to carry out necessary works and to prevent contamination or waste.

7.2. CUSTOMER CONTACT ARRANGEMENTS FOR EMERGENCY AND EVENTS

7.2.1.SPECIAL CONSUMERS

Special customers are defined in the relevant section above. South East Water has a duty to ensure that these customers have special consideration in the customer contact arrangements for emergencies and special events.

South East Water keeps a log of such customers and licensees will be required to provide information on their customers to South East Water to ensure the log is kept up to date.

7.2.2.LARGE SCALE CUSTOMER WARNING PROCEDURES

For incidents of up to 2,500 properties (including licensee's customers), the Company's preferred option is to hand deliver communications. It is necessary that we put plans in place to maximise delivery numbers over a 24- hour period.

Where the scale of incident dictates, direct delivery will be used to confirm to customers that there is a problem, and to explain the actions they must take, and to confirm that the service has returned to normal.

The plan to source, mobilise and manage leafleting staff will be implemented and managed by the Incident Customer Communications Manager at South East Water.

Supplies of pre-printed notices are held at Depot level and South East Water's mailing house. Minimum Stock Holdings at each location are held for "Boil Notices", "Do Not Use Notices", "Do Not Drink Notices" and "Back to Normal Notices". Arrangements are in place with local printers for additional supplies at short notice.

In an incident effecting over 2,500 properties, standard communications will be sent to customers via the Royal Mail using the Public Emergency Communication Facility (PECF).

South East Water will inform the licensee that an incident has occurred and the large scale customer warning procedure has taken place. The licensee will be expected to notify South East Water that their customers have been made fully aware of the situation and keep in regular contact with South East Water during any incident.

7.2.3.OBLIGATIONS ON SOUTH EAST WATER

South East Water is required to establish customer contact arrangements for emergency situations and other such events. These arrangements are fully detailed within South East Water's emergency procedure manual.

7.2.4.OBLIGATIONS ON LICENSEES

To ensure South East Water has the most up-to-date information when communicating emergencies, licensees will be required to regularly keep South East Water informed of any changes in information on their customers. They will also be required to have in place their own procedures that align with those of South East Water and detail the communication process between all parties.

South East Water carries out exercises through a series of simulated operational exercises at regular intervals to test the operation of the Emergency Procedures and associated activities. The licensee will be expected to participate in such exercises.

8. SUPPLY SYSTEM CONNECTIONS

In accordance with a signed access agreement and on the basis that all eligibility criteria have been met, South East Water is obliged under sections 66B-66C WIA91 to take steps to enable a supply to be made for the following purposes:

- To enable a licensee to introduce water into South East Water's supply system for the purpose of supplying customers at eligible premises under a combined licensee's retail authorisation;
- To permit a combined licensee to introduce water into South East Water's treatment works for the purpose of making specific retail supplies to specific retail customers at eligible premises under the combined licensee's retail authorisation;
- To enable a licensee to make an introduction of water from a secondary undertaker into South East Water's supply system to supply eligible customer's premises in accordance with the licensee's retail authorisation;
- To provide a supply to the licensee as a secondary undertaker.

8.1. CONNECTION OF LICENSEES' SOURCE TO SUPPLY SYSTEM

The additional infrastructure necessary to extend South East Water's network to connect to a licensee's network shall be termed the Connecting Infrastructure and shall be specified and agreed on a case-specific basis during the assessment phase of the access agreement. The cost relating to the provision of the Connecting Infrastructure shall be recovered from the licensee under the access agreement.

The installation of the relevant part of the Connecting Infrastructure may be carried out by the licensee, to a design approved in writing by South East Water under a self-lay arrangement. Once final connection is made South East Water shall adopt the relevant part of the Connecting Infrastructure, including the Monitoring Facility, as part of the network.

The physical connection of the Connecting Infrastructure to South East Water's network shall only be carried out by South East Water. All costs associated with such a connection will be recovered from the licensee under the access agreement.

To the extent they are applicable, the fixed costs relating to the requisition of water mains set out in South East Water's charging arrangements for new connection services shall be used to calculate the costs of the Connecting Infrastructure and of the connection to South East Water's supply system.

South East Water shall own, operate and maintain the Connecting Infrastructure. The costs associated with this will be recovered from the licensee under the access agreement.

8.2. CONNECTION OF QUALIFYING PREMISES TO THE SUPPLY SYSTEM

In most cases, the licensee's customer is likely to be already connected to South East Water's supply system and therefore no change of pipes or meters is required.

Where, however, the licensee identifies that a new connection is required, then this will be subject to South East Water's standard New Connections process. Information on the process and charges is available in the developer services section of our website and set out in our charging arrangements for new connection services.

8.3. CONNECTION OF SECONDARY WATER UNDERTAKER'S SUPPLY SYSTEM TO THE PRIMARY WATER UNDERTAKER'S SUPPLY SYSTEM

Where a licensee requires water from a secondary undertaker to be introduced into the primary water undertaker's supply system, responsibility for making these arrangements with the secondary undertaker rests with the licensee.

The licensee will need to inform South East Water of any such arrangements when making an application for access, in order that the necessary arrangements can be agreed for connection with South East Water's supply system during the detailed assessment phase of the contract. The charges relating to the construction of the connecting infrastructure between the supply systems of the two undertakers and its operation and maintenance will reflect the allocation of the relevant works and responsibilities between the parties.

The physical connection of the connecting infrastructure to South East Water's network shall only be carried out by South East Water. All costs associated with such a connection will be recovered from the licensee under the access agreement.

This arrangement will involve two discrete agreements / transactions: in the first instance, the licensee will need to make an agreement with the secondary undertaker for the supply of water; and second, the licensee will need to reach agreement with the primary water undertaker to introduce water into that undertaker's supply system, for the purpose of conveying to the licensee's eligible customer premises.

9. CONTRACT, ARBITRATION AND DISPUTES RESOLUTION

South East Water and licensees are required to negotiate case-specific contract terms for any access agreement in a manner which is consistent with the principles contained in the primary legislation and statutory guidance issued by Ofwat.

Ofwat, DWI and EA all have powers to mediate in disputes that arise over contract terms and ultimately Ofwat has the power to determine any terms in an access agreement.

9.1. CONTRACT TERMS

For combined supplies, the contract terms offered by South East Water will be negotiated between the parties involved. For example, the licensee may wish to change the services requested, which may affect the price or non-price terms. Where a change is requested, South East Water will draft a new contract or modify an existing contract to include the new terms offered. If the licensee accepts the terms (subject to execution by both parties of a formal written contract), South East Water will send the licensee a signed contract, normally within ten working days. The licensee should sign the contract and return it within ten working days.

South East Water will deal fairly with all applications for access from licensees. In a situation where concurrent, duplicate or consecutive applications are received, South East Water will inform licensees within the limitations of the confidentiality agreements and our duty of confidentiality under our licence condition. Access prices may vary between concurrent applications, even for the same customer, depending on the stage to which each agreement has progressed and the terms, for example contract length, of each agreement.

Where consecutive applications for access are received by South East Water, these will be dealt with in turn, based on the date of application. Some may be progressed more speedily than others however, depending upon the case-specific local conditions of access and supply and the complexity of the contract negotiations.

If South East Water receives multiple concurrent applications for access, then the target timescales for turnaround may be put under pressure. In this situation, the licensees will be notified accordingly.

9.2. CONTENTS (COMBINED SUPPLIES)

A typical case-specific contract for access will contain but not be limited to the conditions outlined below.

Recitals

Provides an overview of the main purpose of the contract – who the parties to the agreement are and what activities are covered.

Definitions

A list of terms used in the Contract will be defined.

Conditions precedent

Ensures that the parties to the agreement possess the necessary statutory authorisations and permissions to undertake activities covered by the contract.

Permission to access the network in relation to the Contract in question

Specifies in more detail the statutory provisions for access.

Acceptance of Network Access Code

This clause ensures that both parties accept the validity of the network access code.

Modifications

Specifying that any modifications to this contract must be appended to the contract in writing. Will also cover any agreed modifications to the provisions of the access code.

Ownership of Network / Vesting

A statement to clarify where ownership is vested. A clause will specify the rights and the obligations that arise from water supply licensing, thereby limiting the rights of the user of the supply network to those defined in the contract.

Material change

Specifying the basis of any changes to the terms and conditions of the agreement, for example the application of new or amended legislation.

Liability

A clause limiting the liability of both parties in respect of certain claims.

Force Majeure

A definition of the events (generally those events over which the parties or one of them does not have direct control) in relation to which the agreement may be suspended for the duration of the force majeure event and the pre- conditions which must be satisfied before this clause will operate.

Exclusions

A clause excluding certain circumstances from being covered by the terms of this agreement.

Indemnity

Specifying scenarios which would require both parties to indemnify the other against any costs, liabilities, expenses etc which arise from any default, including any criminal liability to the extent that that is permitted by public policy.

Duration

A clause specifying the time period over which the contract will apply.

Termination

The circumstances, if any, which entitle a party to terminate the Contract, the period of notice required to effect such termination and the consequences of termination. A clause will also specify in what circumstances parties will be deemed to be in breach or default and the action to be subsequently taken.

Emergency suspension

A clause specifying the emergency circumstances under which the contract can be suspended, the period of notice required, the length of the suspension and any consequences of suspension.

Payment

A clause setting out the payment terms: frequency, methods of payment, liability for interest and action to be taken in the case of non-payment.

Dispute resolution

A clause setting out the mechanisms available to both parties to resolve disputes which may arise.

Notices

A clause to specify the mechanics of serving notice pursuant to the Agreement upon the other party.

Assignment

A clause limiting assignment to the circumstances when the contract can be assigned to another party.

Variations

A clause specifying that all amendments must be agreed in writing.

Waiver

A clause providing that the failure to exercise a right or remedy will not constitute a waiver.

Severability

A clause specifying the intention of the parties that, in the event that any clause or part of a clause is found to be invalid, that the clause or part thereof would be severed from the remainder of the Agreement or clause and that the parties would be expected to agree alternative wording.

Entire agreement

A clause specifying that the Agreement and the documents attached to it constitute the entire agreement.

Jurisdiction

The Contract will be governed by the law of England and Wales.

Confidentiality

A clause which defines confidential information and stipulates the basis upon which the parties may use or disclose such information, subject to the provisions of the Freedom of Information Act. Reference may also be made to the confidentiality agreement already in place between the parties.

Insurance

Sets out the risks associated with the agreement and the level of insurance cover required to cover those risks.

Third party rights

A clause limiting third party rights to those specified in the agreement.

Compensation

A clause limiting compensation to those situations specified in the agreement.

Provision of bonds and guarantees.

Sets out the circumstances under which a bond or guarantee may be required.

No Partnership/Agency

A clause specifying the fact that there is no partnership/agency between the parties and requiring the Licensee to obtain consent before using South East Water's name and logo for any purpose.

Credit provisions and limits

A clause specifying the credit limits on the licensee's account and the provisions that relate to this limit.

Customer contact and customer services

A clause specifying specific requirements of the end customer in relation to the agreement and the methods of contact the end customer must use in communication with South East Water.

Health and Safety procedures

Any health and safety requirements in relation to the contract

Emergency procedures

Action and communication processes to be carried out in the event of an emergency situation

Water quality and contingency procedures

Action to be taken to monitor water quality and when the water quality varies from the agreed parameters.

Strategic supplies

Dealing with the processes and procedures relating to the designation of any inputs as strategic supplies

Back-up supplies

These are supplies that can be called into operation in the event of failure of the 'duty' supply.

9.3. ARBITRATION AND DISPUTE RESOLUTION PROCESSES

The parties will seek to resolve any differences or disputes without the need for recourse to the Courts in the event that the parties are unable to reach agreement. The agreement will set out a process of negotiation, conciliation and mediation to attempt to resolve disputes before litigation becomes necessary.

9.3.1.NEGOTIATION

In the event that the parties are unable to agree the period, terms and conditions of the contract, the parties shall enter negotiation to resolve the dispute. The licensee shall supply full information relating to the points of the contract in dispute. South East Water shall consider the information and provide a response within 14 days of receipt of the information.

If the licensee remains dissatisfied with the response from South East Water, the matters shall be referred to senior managers or representatives of the parties. They shall consider the matter and attempt to reach an agreement within seven days of the matter being referred to them.

9.3.2.CONCILIATION

If the Licensee and South East Water agree, then an expert can be appointed to conciliate and assist with further discussions should negotiation not resolve the dispute. The parties should agree on an expert, such as the President of the Chartered Institute of Water and Environmental Management (CIWEM). The costs of this stage should be shared equally between the parties.

9.3.3.MEDIATION

If, after following the negotiation procedure the parties have failed to reach an agreement within 21 days of the commencement of the negotiation procedure, the parties may, by mutual agreement refer the matter for mediation. Mediation may also be pursued in cases where Ofwat is not competent to make a determination on the point or points in dispute. The costs of this stage would be shared equally between the parties and the decision by the mediator would be non-binding at this stage.

9.3.4.DETERMINATION BY OFWAT

If, despite negotiations, the parties are unable to agree the period, terms and conditions, the licensee may refer the matter to Ofwat for determination. Negotiations up to this point would ordinarily be completed within 40 working days. The purpose is to resolve disputes as quickly as possible.

Ofwat is competent to make determination on disputes between the parties in the following areas:

- Eligibility in respect of the proposed supply arrangement, including eligibility criteria to be satisfied in order for a customer's premises to be supplied by a licensee and whether a proposed supply of water by the licensee to the customer would be in accordance with the licensee's retail authorisation;
- Terms and conditions of the proposed access agreement;
- Conditions under which South East Water has no duty to provide a supply of water to a licensee or provide access.

Any determination made by Ofwat on these matters will be final and binding on both parties, with the proviso that the Licensee may decide not to proceed with the access agreement after a determination is made on the terms and conditions of agreement.

Where it deems appropriate, Ofwat will consult the DWI, Environment Agency or the Consumer Council for Water Committee in making its determination.

10. ACCESS PRICING

Condition S of undertakers' instrument of appointment and Ofwat's guidance on access codes requires undertakers to publish indicative access prices.

The Water Act 2014 included provisions amending the water supply licensing regime including both section 66D dealing with access agreements and section 66E dealing with the cost principle for the calculation of access charges. It provides for Ofwat to make charging rules in respect of wholesale charges to licensees replacing the cost principle. The Water Act 2014 also introduced a new section 66B (which at the time of writing is not yet in force) dealing with the introduction of water by a licensee into the supply system of an undertaker and a new section 66C (which came into force on 1 April 2017 subject to further changes) dealing with secondary supplies.

The Water Act 2014 (Commencement No 9 and Transitional Provisions) Order 2017 includes transitional provisions relating to the old section 66B and secondary supplies and the new wholesale authorisation. These transitional provisions provide that until the new section 66B(1) comes into force, the old section 66B and other sections including the old section 66E (as they were before the Water Act 2014) continue to apply in respect of combined supplies.

Although the secondary legislation to repeal the costs principle from legislation has not yet taken effect indicative access prices have been prepared using wholesale prices in line with the Final Determination published by Ofwat on 12th December 2014 for consistency and comparability. In particular, the indicative access charges are based on the wholesale indicative charges published on our website. To reflect the persistence of the cost principle consideration will be given to its potential impact on access charges applied to combined licensees when defining the actual access prices.

10.1. INDICATIVE COMBINED ACCESS PRICES

South East Water has produced the indicative prices set out here based on the Company's Final Determination. It should be noted that these prices are indicative. We expect that access prices will be based on wholesale charges, taking also account of the cost principle to ensure in particular no disadvantage to combined licensees and the individual access situation and the terms and conditions agreed as part of the access agreement. Depending on the details of the case-specific situation, the actual prices could be higher, lower or broadly the same as those indicated here.

South East Water's indicative access prices will be reviewed and updated each year, however if any of the costs or underlying assumptions change significantly during the year, revised prices will be published.

Hampshire, Berkshire & Surrey Indicative Wholesale Prices			2020/21
500MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.0937
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-
50MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.1721
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-
25MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.2289
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-
5MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.3948
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-

Sussex & West Kent Indicative Wholesale Prices			2020/21
500MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.4392
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-
50MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.5444
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-
25MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.6181
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-
5MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.8349
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-

Mid Kent Indicative Wholesale Prices			2020/21
500MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.4392
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-
50MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.5444
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-
25MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.6181
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-
5MI	Retail price	£/m3	n/a
	Wholesale price - first customer	£/m3	1.8349
	Wholesale discount - first customer	£/m3	-
	Wholesale discount - second customer with same licensee	£/m3	-

As well as taking into account the wholesale access price calculation, the indicative combined supply prices have been calculated by assessing the effect that a Licensee introducing water into South East Water's supply system has on the forecast costs for obtaining and treating water in each water resource zone.

Using the Company's long term Water Resource Plan, modelling the water resource inputs for each of the two customer scenarios, results in no avoidance or deferral of any capital schemes.

The tables below gives South East Water's indicative combined supply prices for the next five years in each resource zone, with entry starting in each of the next five years as required by Ofwat.

Hampshire, Berkshire & Surrey Indicative Combined Supply Prices			2020/21
Forecast supply surplus without licensee's water or water undertaker's investment (negative is deficit)			46.55
Entry in 2020/21			
500MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0380
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	49.02
50MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0380
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	47.78
25MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0380
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	47.71
5MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0380
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	47.66

Sussex & West Kent Indicative Combined Supply Prices			2020/21
Forecast supply surplus without licensee's water or water undertaker's investment (negative is deficit)			11.26
Entry in 2020/21			
500MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0501
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	13.50
50MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0501
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	12.27
25MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0501
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	12.20
5MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0501
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	12.14

Mid Kent Indicative Combined Supply Prices			2020/21
Forecast supply surplus without licensee's water or water undertaker's investment (negative is deficit)			4.22
Entry in 2020/21			
500MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0501
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	6.36
50MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0501
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	5.12
25MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0501
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	5.06
5MI	Retail price	£/m3	n/a
	Combined supply discount	£/m3	0.0501
	Supply surplus with licensee's water and water undertaker's revised investment plan	MI/d	5.00

10.2. CASE SPECIFIC ACCESS PRICES

Case specific prices will be part of the access application process and the calculation will require detailed information from the licensee. Provision of prices will not be available without this information, and the cost for calculating case specific access prices will not be refundable. All case specific prices will be calculated transparently and the calculation must not discriminate licensees with respect to water resource positions and pricing.

In order to calculate the access price for a particular customer, South East Water will need to use information that is specific to the licensee, customer and arrangement in question.

For combined supply price calculations, more information will be required as this will also depend on the entry point(s) for the licensee's water, whether the licensee requires connection and whether network reinforcement would be necessary. South East Water would also need to consider whether there is potential to change their investment plans when licensees make water available. It may be possible to make changes to the timing and funding of planned projects needed to optimise future costs of maintaining the supply/demand balance, if significant South East Water input was replaced by a licensee's source.

11. GLOSSARY OF TERMS USED

This section sets out definitions for terms used within the access code.

Access: The wholesale supply of water by a water undertaker to a licensee for the purpose of making a retail supply of water to the premises of the licensee's customer; and the introduction of water by the licensee into a water undertaker's supply system for that purpose (common carriage).

Access agreement: An agreement between a water undertaker and a licensee for access by a licensee to a water undertaker's supply system pursuant to the Retail Authorisation and/or Wholesale authorisation.

Access code: A water undertaker's document that sets out all principal aspects of access to its supply system and the terms and conditions on which it will grant access to its supply system by a licensee.

Access terms: The terms under which a water undertaker and a licensee agree access to a water undertaker's supply system.

Adjoining supply system: Supply systems of other water undertakers with direct physical connections to the water undertaker's own supply system.

ARROW costs: Expenses that can be Avoided or Reduced, or any amount that is Recoverable in some Other Way (other than from other customers of the water undertaker) (see old section 66E(3) WIA91).

Back-syphonage: Unwanted syphoning of water into the supply system.

Back-up supplies: These are supplies that can be called into operation in the event of failure of the 'duty' supply.

Boil notices: A notice issued by the undertaker as a warning that water should be boiled before drinking as a precautionary measure.

Borehole: A hole for abstracting groundwater constructed by boring.

Chemical parameters: Limits for the level of chemicals found in water. Examples are iron, chlorine, sulphates, pesticides, ammonium compounds.

Chlorination: The use of chlorine to disinfect water.

Coliform bacteria: A group of bacteria found in the intestine and faeces of most animals. Coliforms can sometimes be found in untreated water. The treatment process removes them and disinfection prevents their reappearance in the distribution system.

Combined Licence: A Retail Licence with the wholesale authorisation, authorising the holder to introduce water into a water undertaker's supply system and to retail that water to a customer's eligible premises.

Combined supply: A supply made pursuant to a combined licence.

Compensation water: Water released to the environment to offset impacts of abstraction or to comply with Appointment Conditions (or both).

Costs principle: As defined in the old section 66E of the WIA91.

Cryptosporidium: A waterborne micro-organism, single celled protozoan parasite, which causes disease and illness.

Deployable output: The output of a commissioned water supply source, group of sources or bulk supply under worst historic drought conditions as constrained by: abstraction license, if applicable;

environment; treatment; raw water mains and/or aquifers; pumping plant and/or well/aquifer properties; transfer and/or output main; water quality.

Disinfection: The process of treating water in order to kill harmful organisms.

Diurnal variations: Variations occurring within a daily (24 hrs) cycle.

Drought: A prolonged period of dry weather that reduces rivers flows, reservoir inflows or groundwater levels to unusually low levels.

E.Coli: A bacterium taken as an indicator of faecal contamination.

Eligible premises: Premises that satisfy the eligibility requirements in accordance with the Water Industry Act 1991 and relevant Ofwat guidance.

Fit and proper person: For the purpose of making an access agreement, a person or party will not be deemed fit and proper if there are any relevant convictions, concerns over technical ability, insufficient financial resources available.

Fluoridation: Application of fluoride to drinking water at the request of Strategic Health Authorities as a preventative measure against dental decay.

Groundwater: For the purposes of an access agreement groundwater is defined as water abstracted directly from an aquifer by means of a well, borehole or spring.

Guaranteed Standards Scheme (GSS): A scheme that lays down the minimum guaranteed standards of service that water companies have to deliver. Water companies have to pay compensation to customers if they fail to meet these standards.

Hardness: Characteristics of waters containing dissolved calcium and magnesium salts.

HSE: Health and Safety Executive, a government agency responsible for administering all regulations pertaining to health and safety and public security.

Instrument of Appointment: The water (and sewerage) companies operate under Instruments of Appointment, granted by the then Secretaries of State for the Environment and for Wales, or by the Director, to provide water and sewerage services in England and Wales. The Instrument of Appointment imposes conditions on the companies, which the Director is required to enforce.

Interruptible supply points: These are supply points where a continuous water supply is not necessary.

Leakage: the loss of water from the supply network which escapes other than through a controlled action.

Licensee: A company holding either a retail licence or a combined licence.

Major Emergency Procedures: The Major Emergency Procedures are evoked when the situation or the number of people affected is in excess of those which can be dealt with by the Standard Emergency Procedures.

Mandatory parameters: Levels of chemical or biological indicators that must be measured by law. Examples for drinking water are E coli, nitrates, chlorides.

Microbiological parameters: Levels of bacteria for example E coli, coliforms, enterococci, whose presence indicate that the water may be polluted and therefore should not be used as drinking water.

Non-potable water: Water which is not intended for domestic or food production purposes.

Outage: A temporary loss of unusable water output due to planned or unplanned events.

Pathogen: An organism which is capable of producing disease.

Point of entry: The point at which treated water enters the supply system as defined by the isolation valve provided by the primary undertaker.

Point of exit: The point at which treated water leaves the supply system. In general this will be either to specific premises or to the supply system of an adjoining water company.

Potable: Water for domestic and food production purposes which is wholesome at the time of supply. This is defined in section 68 of the WIA91 and section 4 of the Water Supply (Water Quality) Regulations.

Primary water undertaker: For the purposes of section 66C WIA91 (wholesale water supply by secondary water undertaker), a water undertaker is the primary water undertaker if the undertaker's supply system is to be used for the purposes of making the supply to the premises of the licensee's customer.

Priority supply points: Supply points as specified by Defra.

Rechlorination: Usually applied to injection of chlorine to drinking water in the distribution system after it has left the treatment works. Often used to boost chlorine levels at a service reservoir.

Reconciliation process: The balancing of actual demand against actual water supplied into the supply system and the associated financial implications.

Regulatory Compliance Sampling Programme: This is the annual programme of drinking water sampling which the Water Companies must undertake to comply with the requirements of the Water Supply (Water Quality) Regulations 2016 (for England) and 2001 (for Wales) and subsequent amendments.

Retail authorisation: An authorisation to a company to use a water undertaker's supply system for the purpose of supplying water to the eligible premises of customers of the company.

Retail Licence: A Water Supply Licence giving the holder the Retail Authorisation, entitling the holder to purchase wholesale a supply of water from the water undertaker and to supply it retail to a customer's eligible premises.

Secondary water undertaker: A water undertaker other than the relevant primary water undertaker.

Security of supply: The extent to which water supplies to customers are reliable and not subject to possible restrictions because of a lack of rainfall over a period of time.

Service reservoirs: Any reservoir, statutory or otherwise, which is used to store, treated drinking water.

Sewerage undertaker: A company appointed under the WIA91 to provide sewerage services in respect of a geographical area of England and Wales.

Special Consumers: As defined in condition of appointment S and the Standard Licence Conditions.

Standard Emergency Procedure: These are a set of procedures for dealing with an emergency. The full or partial implementation of the procedures is dependent on the degree of seriousness of the emergency.

Wholesale authorisation: An authorisation to a company to introduce water into a water undertaker's supply system for the purpose of making a retail supply of water to a customer.

Supply system: Any water mains and other pipes used for the purposes of conveying water from a water undertaker's treatment works to customer's premises and any water mains and other pipes used to convey non-domestic water from any source to premises that are not connected directly or indirectly to any water mains or pipes connected to those treatment works.

Supply system balancing: The process of matching the 'water in' against the 'water out' from the supply system.

Telemetry: The technology for automatically measuring and transmitting data by radio or other means from remote sources to receiving stations.

Treated water: Water of a suitable quality for input to the treated water distribution system and that which results in satisfactory DWI compliance at the customer's tap.

Treated water quality monitoring: Regular sampling and analysis of untreated and treated water. Examples include daily measurement of free chlorine at treatment works or annual sampling for mercury at customers' taps.

Treatment works: Works where raw water from rivers or reservoirs is treated to produce drinking water. Treatment typically includes coagulation, filtration and disinfection.

Trihalomethanes: A group of chemicals produced by the reaction of chlorine with natural organic chemicals present in the raw water.

Turbidity: A measure of the optical clarity of water.

UKWIR: UK Water Industry Research Limited.

Ultra-violet disinfection: Inactivation of microbiological organisms by ultraviolet radiation.

Untreated water: Raw water not of a suitable quality to the supply system.

Water Fittings Regulations: The Water Supply (Water Fittings) Regulations 1999. These Regulations replaced the Water Bylaws in England and Wales and are largely enforced by the water undertakers.

Water resources management plan: A water undertaker's long term strategic plan for water resource development in its area (see section 37A WIA91).

Water Supply Licence: A licence granted to a company giving it the Retail Authorisation, or both the Retail Authorisation and the Wholesale authorisation.

Water Supply (Water Quality) Regulations: The Water Supply (Water Quality) Regulations 2016 which apply to water undertakers whose area of supply is wholly or mainly in England. These Regulations specify the standards used to define wholesomeness of drinking water, the level of monitoring required, treatment requirements, reporting requirements and also specify the requirements for using approved substances and products. The DWI enforces these Regulations.

WIA91: The Water Industry Act 1991 (as amended by the Water Act 2003 and the Water Act 2014)

Water undertaker: A company appointed under the WIA91 to provide water services to a defined geographic area and which owns the supply system and other infrastructure.

Wholesale supplies: Supply of water to a licensee by a water undertaker for the purposes of retail by the licensee to its customer's premises.

WRZ: Water Resources Zone

APPENDIX 1 – LEGISLATIVE FRAMEWORK AND DOCUMENTS

Primary and Secondary Legislation

Legislation may be accessed at: www.legislation.gov.uk

- Water Industry Act 1991
- Water Act 2013
- Water Act 2014
- Water Act 2014 (Commencement No 9 and Transitional Provisions) Order 2017
- Water Supply (Water Quality) Regulations 2016
- Water Supply (Water Fittings) Regulations 1999
- Competition Act 1998

Guidance

Ofwat guidance and documents are available on Ofwat's website (www.ofwat.gov.uk) and on the legacy website at:

<http://webarchive.nationalarchives.gov.uk/20150624091829/http://www.ofwat.gov.uk/>

- Ofwat Guidance on Access Codes updated in September 2011 and relevant guidance on eligibility
- Ofwat Guidance on Applying for a Water Supply Licence
- Customer Transfer Protocol
- Ofwat Guidance on Strategic Supplies
- Ofwat Water Supply Licensing Determinations Procedure
- Guidance on Ofwat's approach to the application of the Competition Act 1998 in the water and wastewater sector in England and Wales

South East Water's Instrument of Appointment

<http://www.ofwat.gov.uk/regulated-companies/licences/>

Other Documents

Water quality legislation and guidance is available on the DWI's website at: www.dwi.gov.uk

- Common Carriage: Guidance on the drinking water quality aspects
- Guidance on the Notification of Events
- Security and Emergency Measures (Licensed water suppliers) Directions for licensed water suppliers: Notification and guidance
- The Water Industry (Suppliers' Information) Direction 2012