

# Compliance Code

Yorkshire Water's Compliance Code - for the provision of  
wholesale water and wastewater supplies (Licence  
Condition R)

July 2023



YorkshireWater

# Contents

<b>1.</b>	<b>Compliance Statement</b> .....	<b>3</b>
<b>2.</b>	<b>Code Purpose</b> .....	<b>5</b>
<b>3.</b>	<b>Relevant legislation</b> .....	<b>6</b>
<b>4.</b>	<b>Group Structure</b> .....	<b>7</b>
<b>5.</b>	<b>Information handling</b> .....	<b>8</b>
<b>6.</b>	<b>Training</b> .....	<b>9</b>
<b>7.</b>	<b>Monitoring</b> .....	<b>11</b>
<b>8.</b>	<b>Disciplinary Procedures</b> .....	<b>12</b>
<b>9.</b>	<b>Roles and Responsibilities</b> .....	<b>13</b>
<b>10.</b>	<b>Review date/ version control</b> .....	<b>18</b>
<b>11.</b>	<b>Appendix A - Risk and Controls Map</b> .....	<b>19</b>

## 1. Compliance Statement

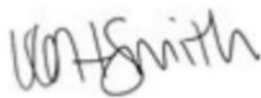
**Yorkshire Water Services Limited (YWS) provides wholesale water and wastewater services to over 5.5 million people in Yorkshire. With over 140,000 businesses in the region, we are proud to play water's role in making Yorkshire a great place to be now and always. As a regulated monopoly, we fully recognise our statutory obligations under competition law, and we understand we have a part to play in supporting effective markets in the water sector to deliver sustained and meaningful benefits to our customers.**

YWS supports competition in the water industry and is fully committed to complying with its obligations and taking the lead to ensure customers in Yorkshire can get the benefits markets can offer. As a wholesale provider of services, we commit to responsibly requesting and handling the information we need to receive from and in relation to market participants.

Yorkshire Water Business Services (YWBS), the business retail arm of Yorkshire Water exited the non-household retail market in October 2019. YWBS customers who hadn't already switched to a new Retailer transferred to Scottish Water Business Stream (SWBS) through an acquisition arrangement. In early 2022, Three Sixty, a subsidiary of The Kelda Group, also exited the non-household retail markets in both England and ended its provision of transitional retail services to SWBS. The transitional services agreement had been put in place in 2019 to maintain continued retail services during the customer migration process. YWS and Kelda Group no longer provide retail services in any capacity to the non-household retail market. YWS provides wholesale services to the non-household retail licensees that operate within the Yorkshire Water region.

Our vision is to create a thriving Yorkshire by doing the right things for the environment and our customers, including in business-to-business markets, and this Compliance Code (the Code) demonstrates how we fulfil our obligations under Condition R of our Instrument of Appointment (our Licence). This Code is published on our website and is available to all employees and stakeholders to support their understanding of our obligations and emphasise the importance of compliance in supporting effective markets that best serve customers.

Signed by the YWS Company Secretary on behalf of the Board of Directors

A handwritten signature in black ink that reads "Kathy Smith". The signature is written in a cursive style.

Kathy Smith, Company Secretary, Yorkshire Water

## 2. Code Purpose



The water industry is currently set up to provide for competition for retail services via Water Supply and/or Sewerage Licensees (WSSLs or Retailers) in the non-household retail market and New Appointments and Variations licensees (NAVs) in the wholesale and retail markets (serving both household and non-household end customers).

### **THIS COMPLIANCE CODE MEETS THE REQUIREMENTS OF CONDITION R OF OUR LICENCE AND DEMONSTRATES HOW YORKSHIRE WATER:**

- Maintains compliance with its confidentiality obligations and protects commercially sensitive information that we receive from, or in relation to market participants;
- Following the winding up of Three Sixty, Kelda Group has no businesses in the retail market that require YWS to operate at arm's length of a subsidiary company of the Group;
- Ensures relevant employees understand our obligations under our licence Condition R and under competition law; and
- Operates fairly and without discrimination.

### **3. Relevant legislation**

The Competition Act 1998 prohibits anti-competitive behaviour including any agreement (or other action) by undertakings which has as its object or effect the prevention, restriction or distortion of competition and any conduct which amounts to an abuse of a dominant position.

The competitive Water Supply Licensing regime was introduced by the Water Act 2003. Licence Condition R was added by Ofwat to water companies' Instruments of Appointment in order to facilitate the implementation of competition.

Licence Condition E1 is a condition under YWS's Instrument of Appointment that reinforces two important requirements relating to competition and wholesale market participants:

- YWS must not show undue preference (including towards itself) or undue discrimination against wholesale market participants.
- YWS must restrict the use of information submitted to it in relation to a bid for the provision of wholesale services or submitted by those making enquiries about, or entering into, agreements for the adoption of self-laid infrastructure.

## 4. Group Structure

**YWS** is part of the Kelda Group. The Kelda Group is made up of several companies, including YWS.

YWS provides wholesale water and wastewater services to market participants in the Yorkshire region and has an obligation to ensure all participants operating in competitive markets are treated fairly and receive an equitable level of service.

Kelda Group no longer has businesses that provide retail services in the non-household retail market or new appointee services in the NAV market.

## 5. Information handling

As a wholesale water provider, we understand that we will receive information from market participants that could be commercially sensitive.

As a regulated monopoly, market participants will also need to receive information from us in a secure and timely fashion to enable them to operate effectively.

YWS will never ask for more information than is required to fulfil our contractual obligations with a market participant.

YWS has a suite of policies that underpin the requirements and expectations for handling information. This includes our:

- Data protection policy;
- IT security policy – detailing system access control, access to market data is only granted to roles that require it to legitimately process service requests and to fulfil our duties as a wholesale water provider; and
- Competition law policy.

YWS has a dedicated wholesale market services team that will act as the primary contact and be responsible for information exchanges between us and other market participants securely.

We use a bi-lateral portal called SWIM-pool that holds information and tracks service requests from Retailers, with secure access Retailers can view progress in real time.

We utilise a secured SharePoint drive that both holds and shares NAV related information between Developer Services and the wider business (Wholesale, Water Distribution etc.) in relation to serving NAVs. The applications from NAVs are also logged and tracked on a customer management system called ICE.



## 6. Training

YWS is committed to making sure that all its employees have the level of competition law training proportionate and relevant to the role they undertake.

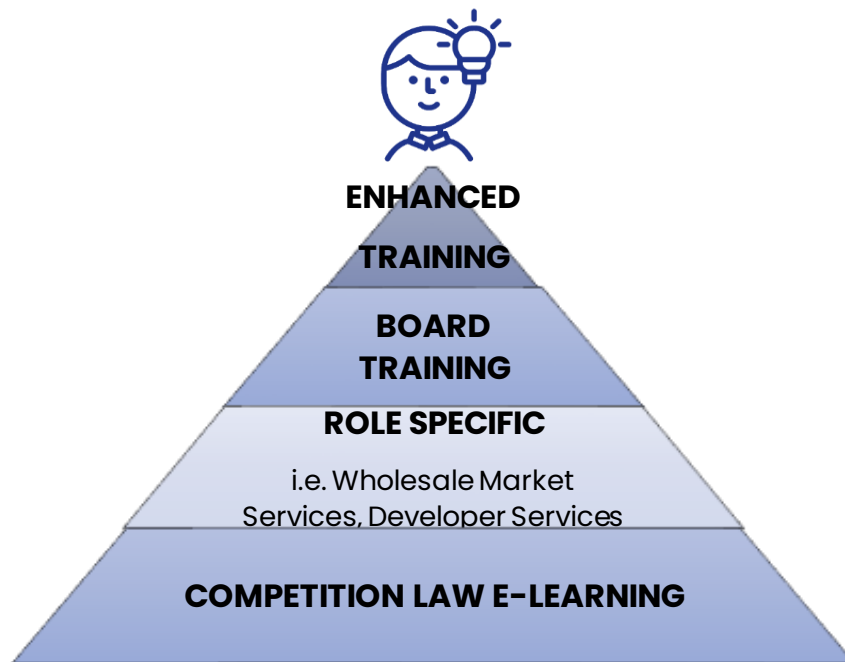
We have embedded a tiered training approach (Diagram A) into the compliance programme to ensure all colleagues (including key contractors of YWS) have the appropriate training and awareness required to operate in the water retail and NAV markets.

All colleagues are required to complete a mandatory e-learning course addressing the risks around competition law. All colleagues will undertake refresher training at least once every 2 years.

Further bespoke training has been delivered to employees who are involved in the day-to-day operations of markets. The Legal team works with the Wholesale markets team on a regular basis to ensure decision making (where it relates to retailers) is consistent with our duties under Competition Law. The Legal team has also provided legal training to our Developer Services team to ensure that our service offering to NAVs and SLPs is compliant. Legal training is also provided to the Yorkshire Water Leadership Team and to our board of directors on a periodic basis.

It is important that employees understand our obligations and the risks faced when operating in competitive markets. YWS owns a compliance policy and a compliance handbook, both documents are hosted on the company intranet site and are easily accessible to all colleagues at YWS.

Our training approach helps colleagues recognise and identify anti-competitive behaviour and enables us to offer a level playing field to all market participants.



In the event of any doubt or ambiguity regarding any aspect of competition law, Condition R or this Code, employees should discuss with their line manager initially and seek further advice from Retail Competition Compliance Team. All training related enquiries should be directed to HR.

## 7. Monitoring

The three lines of defence assurance model is used to ensure the risks and controls associated with operating in markets are identified, recorded, and monitored in our corporate risk management system. Appendix A (below) provides a high-level summary of the risks and controls.

YWS has a central compliance function that assigns a Compliance Lead to oversee its Compliance Framework which includes monitoring, reporting and assurance. The level of monitoring undertaken will be proportionate to the risk and controls the business has in place to manage compliance.

Mandatory company-wide e-learning courses are monitored by a dedicated dashboard, a visual tool that enables People Leaders to better understand and effectively manage their team's training requirements.

A risk-based compliance monitoring plan is embedded to ensure proportionate assurance takes place.



## 8. Disciplinary Procedures

YWS wants to conduct business with honesty and integrity. We want to make sure we are doing the right thing for our customers, the environment, and the communities that we serve.

YWS takes non-compliance with any group policy very seriously, and this is the case in relation to actual or potential breaches of competition law or our Instrument of Appointment.

Colleagues shall comply with the requirements of all YW policies and procedures. Non-compliance may be deemed as a conduct issue and managed under the company Conduct Policy.

Any failure to comply with the terms of this Code will lead to a formal investigation and corrective action plan, which could include following disciplinary procedures with employees.

We would also seek to learn from any breaches of the Code, to enable us to review and strengthen our controls and ensure future compliance.



## 9. Roles and Responsibilities

### **Roles and Responsibilities in relation to Wholesale services:**

#### ***Wholesale Contracts (in the business retail market)***

- The Wholesale Market Services team (WMS) is responsible for the setup and on-going management of the wholesale contract.
- WMS invoices Retailers for water and sewerage services supplied and billing data is held in secure systems in line with the company IT policy.
- WMS ensures that contractual details held are accurate and complete and remain confidential and secure at all times.
- WMS has policies and procedures in place to ensure Retailers are treated fairly in line with the requirements of the Market Codes and the Competition Act 1998 (CA98).
- WMS will work with Regulatory Finance to ensure Wholesale Charges (primary and non-primary) are set and published annually for use by Retailers. The Wholesale Charges will be assured that they are set and published in compliance with Ofwat's charging rules and be assured using the YWS three lines of assurance approach prior to be signed-off by the Board.

#### ***NAVs Bulk Supply Contracts***

- WMS is responsible for the set up and ongoing management of the bulk supply contract.
- WMS invoice NAVs for bulk water and sewerage services supplied and billing data is held in secure systems in line with the company IT policy.
- WMS ensures that contractual details held are accurate and complete and remain confidential and secure at all times
- WMS has policies and procedures in place to ensure NAVs are treated fairly in line with CA98.

### **Roles and Responsibilities in relation to Developer Services:**

- The Developer Services team (DS) are responsible for NAV applications – both water and sewerage.
- DS manage NAV applications from enquiry stage through to the point of connection/point of discharge. WMS take over accountability and arrange the Bulk Supply Agreement and the Bulk Discharge Agreement.
- Throughout the application process, DS provide points of contact that the NAV can engage with.
- A key role of the DS is to ensure that YWS treats NAV applicants fairly.
- DS will ensure that all information and costs in relation to NAV applications are consistent, and that the information is supplied within the regulatory timescales.
- DS will ensure that all information received is confidential, and ensure customer information kept on file is secure, reliable, and accurate.
- The NAV pays DS for the services provided throughout the application process.
- When required, DS will ensure that our Service Partner carries out any construction related activity required to the NAV project within regulatory timescales.
- The DS has policies and procedures in place to ensure NAVs are treated fairly in line with CA98.
- The NAV's application process is subject to industry standard SLA (service level agreements) via Water UK and monitored via the common customer experience performance commitment.
- In order to safeguard a level playing field with respect to incumbent charges to customers, DS will ensure in setting annually or from time to time, YWS charges for new connections services these remain fair and appropriate for NAVs as well as other customers in the market.
- Prior to publication of new connections charging arrangements, DS will consult with customers on the proposed charges and structures. DS will apply YWS three lines of assurance approach

to confirm the new connections charges comply with Ofwat's prevailing charging rules and principles therein and obtain Board sign-off.

### **Roles and Responsibilities in relation to Regulation:**

- The Regulatory Strategy team (RS) is responsible for advising on regulatory issues and increase regulatory awareness.
- RS treat all information received from NAV or Retailer participants as confidential information and must not pass this to any other NAV or Retailer.
- RS support the WMS team and others where new areas of work on competition require policies to be updated or developed.
- RS produce at least annually the Bulk Supply Pricing Model and pricing approach for NAVs. The model enables NAVs to produce bulk supply and discharge tariff information relevant to their development site opportunities.
- In setting the Bulk Supply Pricing approach, RS applies three lines of assurance to confirm the charges for bulk supply of services meet the prevailing guidance published by Ofwat and do not act to restrict competition in the NAV market.
- RS deal with relevant correspondence with Ofwat.

### **Roles and Responsibilities in relation to Legal Team:**

- The Legal team advises on legal issues.
- Legal drafts and negotiates any contract with NAVs, Retailers, and other market participants.
- Legal manages any correspondence of a legal nature.
- Legal provides competition law advice to colleagues who interact with market participants to ensure our policies and procedures are compliant with competition law.

### **Competition and Markets Committee:**

Use of markets has become an increasing feature of both Yorkshire Water's regulatory obligations and the solution to many of the challenges the company faces. On 28 May 2019, Ofwat issued a letter to all water company CEO's questioning incumbents' overall level of support for effective markets. This was followed by a call for evidence of how incumbent companies were making progress to support key markets. Yorkshire Water's comprehensive response to Ofwat set out amongst several initiatives, the company's intention to create an internal committee with a focus on markets and competition that adds value. The Competition and Markets Committee focuses on promoting and supporting the development and use of markets by YWS. The Competition and Markets Committee is chaired by a Director of YWS (the Director of Strategy and Regulation has this role at the time this document was published).

### **Roles and Responsibilities in relation to Competition and Markets Committee:**

- The Competition and Markets Committee (C&MC) reviews and provides the strategic direction for the company and supports the development and use of effective markets which deliver better outcomes for customers and society; objectives which are entirely consistent with the company's Vision and Behaviours.
- The C&MC ensures that the business acts in a manner consistent with the statutory and regulatory responsibilities of the company.
- The C&MC receives reports from senior leaders regarding the level and effectiveness of market engagement and more generally on any significant matters or issues relating to competition and markets.
- The C&MC keeps under review the effectiveness of, and controls relating to, the bidding process and contractual arrangements associated with the markets the company engages with.
- The C&MC may report to the Board in relation to key financial information, material operational or performance issues and



other material developments or issues affecting the business or competition and markets more generally.

## 10. Review date/ version control

### Document Control

<b>Document Control Ref:</b>	Condition R Compliance Code
<b>Document Custodian:</b>	Regulatory Strategy Team
<b>Review Period:</b>	Condition R Licence requirement to review and publish annually.

### Document Approval

<b>Document Owner (Author)</b> Regulatory Strategy Team	<b>Document Approval Manager</b> Company Secretary
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### Document Revision History

Version	Date	Amendment Details
1	2017	Update for the introduction of Retail Competition opening in the Water Industry.
2	2018	Update to include risks and controls embedded through the introduction of the Water Retail Market.
3	2019	Rebranded in line with PR19 and simplified.
4	2020	Update to reflect the sale of Three Sixty to SWBS.
5	2021	Updated to the new brand and widened the scope to cover competition in the wider markets and update the controls.
6	2022	Updated to reflect the closure of Three Sixty. Updated to include NAV information. Two new sections called Relevant legislation and Roles & Responsibilities were added.
7	2023	Updated to reflect the latest Corporate Strategy and updated monitoring and disciplinary procedures.

## 11. Appendix A – Risk and Controls Map

Risk	Could result in...	CONTROLS		
		Level 1	Level 2	Level 3
YWS discloses commercially sensitive information about market participant	<ul style="list-style-type: none"> <li>• A Competition Act investigation/ breach</li> <li>• A DPA breach</li> <li>• Fines of up to 10% of group turnover</li> <li>• Reputational damage</li> <li>• Disadvantage to market participants</li> </ul>	<ul style="list-style-type: none"> <li>• Competition act policy and handbook</li> <li>• Information security policy – System access controls and Secure physical security</li> <li>• Data protection policy</li> <li>• Documented processes for handling information in relation to market participants</li> <li>• Limited number of colleagues with access to information- only colleagues who legitimately need information have access</li> <li>• Competition and Markets training</li> </ul>	<ul style="list-style-type: none"> <li>• Management oversight</li> <li>• Disciplinary procedures</li> <li>• Risk-based assurance reviews including Level Playing Field (LPF) reporting as required.</li> </ul>	<ul style="list-style-type: none"> <li>• Internal risk-based audits.</li> </ul>
Employees of YWS do not understand its obligations under competition law	<ul style="list-style-type: none"> <li>• A Competition Act investigation/ breach</li> <li>• Fines of up to 10% of group turnover</li> <li>• Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>• Mandatory e-Learning provided to all employees</li> <li>• Bespoke training for Market facing teams</li> <li>• Enhanced training for the limited number of individuals who have dual responsibilities</li> <li>• Compliance manual published on the intranet</li> <li>• Compliance built into processes</li> </ul>		
YWS treat market participants unfairly	<ul style="list-style-type: none"> <li>• A Competition Act investigation/ breach</li> <li>• A DPA breach</li> <li>• Fines of up to 10% of group turnover</li> <li>• Reputational damage</li> <li>• Disadvantage</li> </ul>	<ul style="list-style-type: none"> <li>• Competition act policy and handbook</li> <li>• Documented processes</li> <li>• Risk Management</li> <li>• Competition and Markets training</li> <li>• Service Level Agreements and Jeopardy Management</li> <li>• Quality Assurance</li> </ul>		

# Thank you

For more information contact:

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