

**NOTICE UNDER PARAGRAPH 2 OF SCHEDULE 2 TO THE WATER SERVICES ETC. (SCOTLAND) ACT 2005**

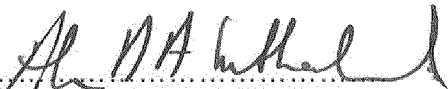
The Water Industry Commission for Scotland (the "Commission") hereby gives notice pursuant to paragraph 2 of schedule 2 to the Water Services etc. (Scotland) Act 2005 (the "Act") that it proposes to modify the standard licence conditions determined by the Commission under schedule 2 to the Water Services etc. (Scotland) Act 2005 in the manner set out in schedule 1 to this notice, with effect from such date or dates as it may direct.

The reasons for proposing modifications of the standard conditions are given in schedule 2 to this notice.

Any representations on these proposals must be made on or before **7 January 2008** and should be addressed to:

Katherine Russell  
Director of Corporate Affairs  
The Water Industry Commission for Scotland  
Ochil House  
Springkerse Business Park  
Stirling, FK7 7XE

For and on behalf of the Water Industry Commission for Scotland

  
Alan Sutherland  
Chief Executive

6 December 2007

Date

## **Schedule 1**

### **Proposed modifications to standard licence conditions**

1. The text shown struck through (viz. ~~in this manner~~) in the attached copy of the standard conditions shall be deleted from the standard conditions.
2. The text shown underlined (viz. in this manner) in the attached copy of the standard conditions shall be inserted into the standard conditions.

**STANDARD CONDITIONS OF**  
**WATER AND SEWERAGE SERVICES LICENCES**

**determined by**

**THE WATER INDUSTRY COMMISSION**  
**FOR SCOTLAND**

**17 May 2007**

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These conditions are the standard conditions determined by the Water Industry Commission for Scotland under paragraph 2(2) of schedule 2 to the Water Services etc (Scotland) Act 2005.

The standard conditions set out in Part A (standard conditions applying to all water services and sewerage services licences) shall apply to all water services and sewerage services licences granted under sections 6(1) and 6(3) of the 2005 Act.

As well as the standard conditions set out in Part A, each water services or sewerage services licence granted under section 6(1) or 6(3) of the 2005 Act shall include one of the following sets of standard conditions:

1. the standard conditions set out in Part B (standard conditions applying to general water services and sewerage services licences); or
2. the standard conditions set out in Part C (standard conditions applying to self-supply water services and sewerage services licences); or
3. the standard conditions set out in Part D (standard conditions applying to specialist water services and sewerage services licences).

These standard conditions shall not, except to the extent that the Commission may otherwise direct, apply to the water services licence or to the sewerage services licence granted to Scottish Water Business Stream Limited on 31 October 2006.

For and on behalf of the Water Industry Commission for Scotland

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Chief Executive

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Date: 17 May 2007

**PART A (STANDARD CONDITIONS APPLYING TO ALL WATER SERVICES AND SEWERAGE SERVICES LICENCES)**

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**Standard Condition A1, Definitions and interpretation**

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1. In this licence, unless the context otherwise requires:

<b>Term</b>	<b>Meaning</b>
2002 Act	means the Water Industry (Scotland) Act 2002;
2005 Act	means the Water Services etc (Scotland) Act 2005;
Agreement	includes any legally binding contract or arrangement (whether or not constituted or evidenced by any written document);
amendment	in relation to an agreement, shall (without limiting the generality) include the making, entering into and granting of: (a) any agreement which terminates, extends the duration of, varies or has the effect of affecting in any other way any right and/or obligation (or the enforceability of any right and/or obligation) of any person under the first mentioned agreement; and (b) any waiver or purported waiver (whether or not constituted or evidenced by any written document, and whether express, implied or otherwise) of any right of any person under that agreement and cognate expressions shall be construed accordingly;
business day	any day other than a Saturday or Sunday or a bank holiday in Scotland under the Banking and Financial Dealings Act 1971;

Term	Meaning
central market agency	a body established by or under any directions made by the Commission inter alia for that purpose to exercise certain central market functions in relation to the participation of licensed providers in the provision of water and sewerage services;
Control	shall, together with the expression, "change of control", be construed in accordance with article 3 of Council Regulation 139/2004/EC;
eligible customer	means an occupier of eligible premises within the meaning of section 6 of the 2005 Act;
go live date	means 1 April 2008 or such other date as may be determined by or under a direction given by the Commission;
licensed provider	means a water services provider or a sewerage services provider;
licensed service	means any service which a licensed provider (including the licensee) is authorised by its licence to provide;
market code	means the code to be designated as such by or under any directions made by the Commission inter alia for that purpose (or any other direction which amends, replaces or supplements, or is made in respect of substantially the same subject matter as those directions) and to be complied with by the licensee in terms of standard condition A4 (Compliance with market code);
material change in circumstances	means (a) any event or state of affairs which adversely affects or may reasonably be expected to adversely affect the licensee's ability to perform adequately the activities

Term	Meaning
	authorised by this licence and (b), except as directed otherwise by the Commission, any change to the information (including, but not limited to, the identity of the licensee's directors, the location of its business premises and its ownership structure) (i) provided in writing by the licensee to the Commission in connection with its application for this licence or (ii) subsequently notified to the Commission under paragraph 6 of standard condition A3 (Provision of information);
operational code	means the code designated as such by or under any directions made by the Commission inter alia for that purpose (or any other direction which amends, replaces or supplements, or is made in respect of substantially the same subject matter as those directions), and to be complied with by the licensee in terms of standard condition A5 (Compliance with operational code);
relevant statutory requirement	has the meaning ascribed to it by standard condition A2 (Compliance with statutory requirements);
section 29E departure	means a departure from a charges scheme made by Scottish Water with the consent of the Commission under section 29E of the 2002 Act in respect of something done, or agreed to, by a customer of the licensee; and
wholesale services agreement	means any agreement entered into pursuant to section 16 of the 2005 Act.

2. Any words or expressions used in the 2005 Act or the 2002 Act shall, unless the contrary intention appears, have the same meaning when used in this licence.
3. Except where the context otherwise requires, any reference to a numbered condition (with or without a letter) or schedule is a reference to the condition or schedule (with or without a letter) bearing that number in this licence, and any reference to a numbered paragraph (with or without a letter) is a reference to the paragraph bearing that number in the condition or schedule in which the reference occurs, and reference to a part is a reference to that part in this licence.
4. This licence shall have effect as if, in relation to a licensee who is a natural person, for the words “it”, “its” and “which” there were substituted the words “he”, “him”, “his”, and “whom”, and similar expressions shall be construed accordingly.
5. Except where the context otherwise requires, a reference in a condition to a paragraph is a reference to a paragraph of that condition and a reference in a paragraph to a sub-paragraph is a reference to a sub-paragraph of that paragraph.
6. Any reference in this licence to:
  - (a) a provision (including any term or condition) thereof,
  - (b) a provision of the standard conditions of water services licences,
  - (c) a provision of the standard conditions of sewerage services licences,shall, if any such provision or the standard conditions in question come to be modified, be construed, so far as the context permits, as a reference to the corresponding provision of this licence or the other standard conditions in question as modified.
7. In construing this licence, the heading or title of any condition or paragraph shall be disregarded.
8. Where any obligation placed on the licensee under this licence is required to be performed by a specified date or time, or within a specified period, and where the licensee has failed so to perform by such date or time, or within such period, such obligation shall continue to be binding and enforceable after the specified date or time, or after the expiry of the specified period (but without prejudice to all rights and remedies available against the licensee by reason of the licensee’s failure to perform by that date or time, or within that period).

9. Anything required by or under this licence to be done in writing may be done by facsimile transmission of the instrument in question or by other electronic means and, in such case:
  - (a) the original instrument or other confirmation in writing shall be delivered or sent by pre-paid post as soon as is reasonably practicable, and
  - (b) where the means of transmission had been agreed in advance between the parties concerned, in the absence of and pending such confirmation, there shall be a rebuttable presumption that what was received duly represented the original instrument.
  
10. References in this licence to an approval or consent given by the Commission shall be construed (except as the Commission otherwise directs) as references to an approval or consent given (a) prior to the occurrence or bringing about of the event or state of affairs to which it relates, (b) in response to a written request by the licensee and after proper disclosure by the licensee to the Commission of the circumstances giving rise to the request and (c) subject to such conditions as the Commission may impose. References in this licence to a decision of the Commission (including, but not limited to, a consent, approval, requirement or direction) shall be construed as references to a decision in written form.

**Standard Condition A2, Compliance with statutory requirements**

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1. The licensee shall comply with all relevant statutory requirements, except in so far as expressly permitted otherwise by the 2002 Act or the 2005 Act.
  
2. In this condition, the expression "relevant statutory requirement" means:
  - (a) a condition imposed by the Commission in relation to the licensee under section 29E(3) of the 2002 Act;
  - (b) a direction issued to the licensee under section 8(2) of the 2005 Act for the purpose of ensuring compliance with the terms and conditions of this licence;
  - (c) any obligation imposed on the licensee pursuant to section 9 of the 2005 Act to pay fees to the Commission;
  - (d) a requirement imposed upon the licensee under section 10(1) of the 2005 Act to provide information to the Commission;
  - (e) a direction issued to the licensee under section 11(2) of the 2005 Act to take steps for the purposes mentioned in section 11(1) of the 2005 Act;
  - (f) a requirement imposed upon the licensee under paragraph 5(5) of schedule 2 to the 2005 Act to provide assistance or information; and
  - (g) a notice issued to the licensee under paragraph 8(1) of schedule 2 to the 2005 Act and which is in effect.
  
3. For the purposes of paragraph 2 above, a direction or notice shall be taken to be issued to, and a requirement or obligation shall be taken to be imposed upon, the licensee whether or not such direction, requirement or obligation is issued or, as the case may be, imposed upon, the licensee individually or as part of a larger class or group.

**Standard Condition A3, Provision of information**

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1. Subject to paragraph 3 below, the licensee shall furnish to the Commission, in such a manner and at such times as the Commission may require, such information and shall procure and furnish to it such reports, as the Commission may require for the purpose of performing its functions under the 2005 Act, the 1968 Act, the 1980 Act or the 2002 Act.
2. The licensee shall, if so requested by the Commission, give reasoned comments on the accuracy and text of any information and advice (so far as relating to the licensed services) which the Commission proposes to publish.
3. This condition shall not require the licensee to produce any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court. To the fullest extent possible, the licensee shall take all steps necessary to redact those parts of such documents that it could not be compelled to produce.
4. The power of the Commission to call for information under paragraph 1 above is in addition to the power of the Commission to call for information under or pursuant to any other provision of this licence or of the 2005 Act.
5. The licensee shall (except with the Commission's approval or consent) promptly provide the Commission with full details of any investigation or proceedings relating directly or indirectly to the licensed services and instituted in respect of the licensee by or before any court, governmental or regulatory agency.
6. The licensee shall notify the Commission of any change of control of the licensee or any material change in circumstances of the licensee as soon as practicable after the licensee has become (or should reasonably have been) aware that the change has occurred, or, if earlier, as soon as practicable after the licensee has become aware that the change is likely to occur.
7. The licensee shall provide to the Commission such reports in such form and at such times as the Commission may require detailing all transactions that it has entered into with Scottish Water (and any entity controlled by Scottish Water) during the period covered by the reports.

### Standard Condition A4, Compliance with market code

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1. From the market code effective date, the licensee shall be a party to, and comply with, the market code that is in force at any time, including any requirement thereunder (a) for the Commission's approval or consent, (b) for compliance with directions issued by the Commission, (c) relating to determinations made by the Commission and (d) for compliance with any directions issued by the Commission under paragraph 2 below.
  
2. The Commission may (following such consultation as the Commission may consider appropriate) issue directions relieving the licensee of its obligations under paragraph 1 above in respect of such parts of the market code and to such extent as may be specified in those directions and/or providing that the market code in force for the time being shall have effect with or subject to such modifications as are specified in those directions.
  
3. The licensee shall not make or agree to the making of any amendment to the market code except where such amendment is made in accordance with the specified requirements. The licensee shall also exercise all powers available to it to procure that those requirements are complied with in all respects.
  
4. For the purposes of this condition:

market code effective date	means such date as may be specified for the purpose of paragraph 1 above by a direction made by the Commission for that purpose; and
specified requirements	means such requirements regarding the manner in which the market code may be amended as may be specified from time to time in directions made by the Commission.

### Standard Condition A5, Compliance with operational code

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1. From the operational code effective date, the licensee shall be a party to, and comply with, the operational code that is in force at any time, including any requirement thereunder (a) for the Commission's approval or consent, (b) for compliance with directions issued by the Commission, (c) relating to determinations made by the Commission, and (d) for compliance with any directions issued by the Commission under paragraph 2 below.
  
2. The Commission may (following such consultation as the Commission may consider appropriate) issue directions relieving the licensee of its obligations under paragraph 1 above in respect of such parts of the operational code and to such extent as may be specified in those directions and/or providing that the operational code in force for the time being shall have effect with or subject to such modifications as are specified in those directions.
  
3. The licensee shall not make or agree to the making of any amendment to the operational code except where such amendment is made in accordance with the specified requirements. The licensee shall also exercise all powers available to it to procure that those requirements are complied with in all respects.
  
4. For the purposes of this condition:

operational code effective date	means such date as may be specified for the purpose of paragraph 1 above by a direction made by the Commission for that purpose; and
specified requirements	means such requirements regarding the manner in which the operational code may be amended as may be specified from time to time in directions made by the Commission.

**Standard Condition A6, Water Environment and Water Services (Scotland) Act 2003**

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1. The licensee shall provide full written details to the Scottish Environment Protection Agency of any breach or any anticipated or threatened breach of Part 1 of the Water Environment and Water Services (Scotland) Act 2003 (whether on the part of Scottish Water or any eligible customer) forthwith upon becoming aware of the same in connection with the provision of any licensed service and shall cooperate with any subsequent investigation.
  
2. This condition shall not require the licensee to produce any documents or give any information that it could not be compelled to produce or give in evidence in civil proceedings before a court. To the fullest extent possible, the licensee shall take all steps necessary to redact those parts of such documents that it could not be compelled to produce.
  
3. In this condition, "Scottish Environment Protection Agency" means the body established under Section 20 of the Environment Act 1995 or any successor thereof.

**Standard Condition A7, Wholesale services agreement**

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1. The licensee shall not enter into a wholesale services agreement without the approval or consent of the Commission, unless the terms and conditions of the wholesale services agreement are determined by the Commission under section 16(7) of the 2005 Act.
2. The licensee shall not make or agree to the making of any amendment to a wholesale services agreement to which it is party except where such amendment is made in accordance with the specified requirements. The licensee shall also exercise all powers available to it to procure that those requirements are complied with in all respects.
3. The Commission's approval or consent under paragraph 1 above may include requirements as to provisions to be included in the relevant agreement (a) for the Commission's approval or consent, (b) for compliance with directions issued by the Commission, (c) relating to determinations made by the Commission, and (d) for compliance with any directions issued by the Commission under paragraph 6 below.
4. The licensee shall supply to the Commission, in connection with any request for approval or consent made pursuant to paragraph 1 above, with such information as the Commission may require.
5. The licensee shall comply with the provisions of any wholesale services agreement to which it is party, including any requirements thereunder (a) for the Commission's approval or consent, (b) for compliance with directions issued by the Commission, (c) relating to determinations made by the Commission and (d) for compliance with any directions issued by the Commission under paragraph 6 below.
6. The Commission may (following such consultation as the Commission may consider appropriate) issue directions providing that any wholesale services agreement to which the licensee is party shall have effect with or subject to such modifications as are specified in such directions.
7. For the purposes of this condition 'specified requirements' means such requirements regarding the manner in which any wholesale services agreement may be amended as may be specified from time to time in directions made by the Commission.

**Standard Condition A8, Charges and related matters**

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1. The licensee shall comply with any direction given to it by the Commission under this paragraph as to any change to be made to the charges to be fixed, demanded or recovered by the licensee in connection with a section 29E departure.
  
2. Where the licensee makes arrangements for the provision of licensed services to which paragraph 2(5) of schedule 3 of the 2005 Act applies, it shall fix its charges in accordance with paragraph 2(6) of that schedule 3.

## Standard Condition A9, Constraints on certain arrangements

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1. The licensee shall not, without the approval or consent of the Commission, provide any licensed services to which paragraph 2 below applies.
2. This paragraph applies to the making of arrangements for the supply of water to, or (as the case may be) the provision of sewerage to or the disposal of sewage from, eligible premises (a) prior to the go live date, or (b) in circumstances in which the central market agency, or Scottish Water, would not be able under the respective terms of the market code or a charges scheme made by Scottish Water under section 29A of the 2002 Act to calculate the charges payable by the licensee to Scottish Water in respect of such supply, provision or disposal.
3. Subject to paragraph 4 below, the licensee shall not receive, or procure the receipt of, financial support from another market participant, nor shall it enter into any arrangement for the purpose of receiving or procuring the receipt of such support.
4. The following shall not be regarded as financial support for the purposes of paragraph 3 above:
  - a. trade credit provided to the licensee by another market participant on arms length, commercial terms;
  - b. any sum which a market participant is obliged to pay to the licensee under the market code, the operational code or a wholesale services agreement; and
  - c. any other form of financial support which the Commission may from time to time specify by direction.
5. For the purposes of this condition:

market participant	means (a) a licensed provider or (b) Scottish Water or (c) any entity controlled by a licensed provider or Scottish Water; and
financial support	means the provision of support to the licensee, or in respect of its liabilities or commitments, through financial means, including but not limited to by means of grants, loans, subsidies or guarantees.

**Standard Condition A10, Market implementation arrangements**

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1. The licensee shall be party to, and shall comply with all relevant provisions of, the market implementation arrangements.
  
2. In this condition:

<p>market implementation arrangements</p>	<p>means arrangements made by or under directions issued by the Commission for the purpose of: (a) the establishment and operation of the central market agency; (b) facilitating the making by licensed providers of arrangements with eligible customers in anticipation of the go live date; and (c) related transitional, supplemental and ancillary matters; and</p>
<p><u>r</u>Relevant provisions</p>	<p>means any provisions contained in the market implementation arrangements which are expressed as applying to licensed providers, <u>a</u> class or group of licensed providers, or any particular licensed provider.</p>

### Standard Condition A11, Compliance with disconnections document

1. The licensee shall comply with the disconnections document, including any requirement thereunder (a) for the Commission's approval or consent, (b) for compliance with directions issued by the Commission, (c) relating to determinations made by the Commission and (d) for compliance with any directions issued by the Commission under paragraph 2 below.
2. The Commission may (following such consultation as the Commission may consider appropriate) issue directions relieving the licensee of its obligations under paragraph 1 above in respect of such parts of the disconnections document as do not form part of the disconnections code and to such extent as may be specified in those directions and/or providing that the disconnections document shall have effect with or subject to such modifications as are specified in those directions.
3. For the purpose of this condition:

<u>disconnections document</u>	<u>means the document designated as such by or under directions made for that purpose (or any other direction which amends, replaces or supplements, or is made in respect of substantially the same subject matter as those directions); and</u>
<u>disconnections code</u>	<u>means the code made from time to time by the Commission under section 19 of the 2005 Act.</u>

**PART B (STANDARD CONDITIONS APPLYING TO GENERAL WATER SERVICES AND SEWERAGE SERVICES LICENCES)**

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**Standard Condition B1, Duty to provide default services**

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1. Subject to paragraph ~~4~~ below and in accordance with paragraph 2 below, the licensee shall offer terms and conditions for the provision of default services at the default standard to any eligible customer who requests them in respect of any eligible premises. In the event that an eligible customer accepts the terms and conditions so offered, the licensee shall also be obliged to provide the licensed services offered.
  
2. The licensee shall, in fixing, demanding or recovering charges for the provision of default services at the default standard ensure that such charges do not exceed the default maximum tariff.
  
3. The licensee shall take appropriate steps to ensure that its customers are, at all relevant times, made aware of its duties to provide default services pursuant to this condition B1. The Commission may (following such consultation as it may consider appropriate) issue directions as to any particular steps to be taken by the licensee at any particular time for the purposes of this paragraph.
  
- ~~3.4.~~ The licensee shall not be bound by paragraph 1 above where offering terms and conditions for the provision of licensed services to the eligible customer would cause the licensee to be in breach of:
  - (a) the operational code;
  - (b) the market code;
  - (c) the conditions of this licence; or
  - (d) the 2005 Act or any regulations, orders or directions made under the 2005 Act applicable in respect of the provision of licensed services;
 or where the provision of licensed services to the eligible customer would amount to the making of arrangements for the provision of services to which relevant charges apply, within the meaning of paragraph 2(5) of schedule 3 to the 2005 Act.

4.5. If, after such period as may be specified by the Commission, the licensee has failed to enter into an agreement with an eligible customer who has made (or is deemed pursuant to paragraph 67 below to have made) a request for an offer of services under paragraph 1 above, the Commission may, on the application of the eligible customer or the licensee, determine any terms and conditions of the agreement in dispute between the licensee and the eligible customer in such manner as the Commission may direct.

5.6. Insofar as the eligible customer wishes to proceed on the basis determined by the Commission pursuant to paragraph 54 above, the licensee shall forthwith enter into and implement such agreement in accordance with the Commission's determination.

6.7. In designated circumstances an eligible customer shall be deemed to have made a request (and the licensee shall be deemed to have responded to such a request by making an offer) pursuant to this condition for the provision of designated services at the relevant default standard with effect from the designated time. The licensee shall be entitled to specify, by serving notice to that effect on the eligible customer, or in such other way as the Commission may approve, the deemed offer terms and conditions.

7.8. Pending agreement with the eligible customer as to the terms and conditions to apply to the provision of designated services, the licensee shall provide those services to that customer subject to the deemed offer terms and conditions.

8.9. The Commission may make a direction specifying that this condition shall cease to have effect from a specified date. In such an instance, this condition shall be suspended and shall cease to have effect in this licence from the date specified in the notice.

9.10. For the purposes of this condition:

deemed offer terms and conditions	means such terms and conditions as the licensee may, with the approval of the Commission, specify as those upon which any offer shall be deemed to have been made by it pursuant to paragraph <u>76</u> above;
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	provided that such terms and conditions shall not fix a charge for the provision of the relevant designated service which exceeds the default maximum tariff;
default maximum tariff	means such maximum tariff as the Commission may (following such consultation as the Commission may consider appropriate) by direction designate as applicable to a particular default service or group or class of default services, which direction may be replaced or amended from time to time;
default services	means such relevant services as the Commission may (following such consultation as the Commission may consider appropriate), by direction, designate as such (including but not limited to, by reference to scope and/or subject matter), which direction may be replaced or amended from time to time;
default standard	means such standard of performance as the Commission may (following such consultation as the Commission may consider appropriate), by direction, designate as applicable to a particular default service, or group or class of default services, or all of the default services, which direction may, be replaced or amended from time to time; and
designated circumstances	means circumstances, specified by or under the market code, in which the licensee is regarded as providing licensed services to an eligible customer allocated to it by or at the instance of the central market agency;

designated services	means those default services which the licensee is regarded, for the purposes of the market code, as providing to an eligible customer in designated circumstances.
designated time	means the point in time from which the licensee is regarded, for the purposes of the market code, as providing designated services; and
relevant services	means licensed services other than services provided by the licensee in connection with a section 29E departure.

## Standard Condition B2, Further obligations on charges and related matters

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1. The licensee shall:
  - (a) in fixing, demanding or recovering charges for relevant services, and
  - (b) in choosing whether, or on what terms and conditions, to provide relevant services, ensure that no undue preference is shown to, and that there is no undue discrimination against, any eligible customer(s) or any potential eligible customer(s).
  
2. The licensee shall ensure that, except with the Commission's consent, any relevant arrangements may be terminated by the customer without payment of any penalty on giving not more than twenty business days prior written notice.
  
3. The Commission may, following such consultation as it may consider appropriate, issue directions prescribing circumstances which do or do not amount to undue preference or undue discrimination in any particular case or class of cases for the purposes of paragraph 1 above.
  
4. ~~This condition shall not have effect in this licence unless the Commission directs otherwise, in which case it shall have effect in this licence from such date and to such extent as may be specified in such direction.~~ The Commission may make a direction specifying that this condition shall cease to have effect from a specified date. In such an instance, this condition shall be suspended and shall cease to have effect in this licence from the date specified in the notice.
  
5. For the purposes of this condition:

licensee charges	means charges fixed by the licensee pursuant to section 6(1)(a)(ii) or, as the case may be, section 6(3)(a)(ii) of the 2005 Act;
penalty	means any sum payable to, or at the instance of, a licensee or any person designated by it in circumstances where a customer gives notice terminating relevant arrangements, in addition to permitted termination charges;
permitted termination charges	means licensee charges accruing in the ordinary

	<p>course (and not, in whole or in part, as a consequence of, or in connection with, termination of the relevant arrangements) up to the date of termination together with any interest payable under the relevant arrangements in that respect;</p>
relevant arrangements	<p>means any arrangements for the provision of licensed services to which the licensee may from time to time be party, including any such arrangements as may be established by or under a transfer made in accordance with section 15 of the 2005 Act; and</p>
relevant services	<p>means licensed services other than services provided by the licensee in connection with a section 29E departure.</p>

## PART C (STANDARD CONDITIONS APPLYING TO SELF-SUPPLY WATER SERVICES AND SEWERAGE SERVICES LICENCES)

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### Standard Condition C1, Self-supply obligations

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1. Subject to paragraph 2 below, the licensee:
  - (a) shall ensure that no member of its self-supply group is provided with relevant licensed services by any other licensed provider; and
  - (b) shall not provide relevant licensed services to an eligible customer which is not a member of its self-supply group;

and for the purposes of this paragraph 1, "relevant licensed services" means the licensed services which the licensee is authorised to provide by this licence.
  
2. In relation to paragraph 1 above:
  - (a) when an eligible customer joins the licensee's self-supply group, the licensee must commence licensed services to that eligible customer within 20 business days; and
  - (b) when an eligible customer leaves the licensee's self-supply group, the licensee may continue to supply licensed services to that eligible customer for a period of 20 business days only, by the end of which time that eligible customer must have switched to a new licensed provider.
  
3. For the purposes of this condition, "self-supply group" means, in relation to the licensee:
  - (a). the subsidiary undertaking(s) of the licensee (within the meaning of section 258 of the Companies Act 1985), the parent undertaking(s) of the licensee (within the meaning of that section) and the subsidiary undertaking(s) of such parent undertaking(s);  
and/or
  - (b). such ~~other~~ persons as may be specified (whether by category or otherwise) in directions published by the Commission from time to time.
  
4. To the extent that Commission has specified the members of a self-supply group in accordance with paragraph 3(b) above, the licensee shall notify the Commission of any change in membership of the self-supply group as soon as practicable after the licensee has become (or

should have reasonably become) aware that the change has occurred, or, if earlier, as soon as practicable after the licensee has become aware that the change is likely to occur.

5. This condition shall not have effect in this licence unless the Commission directs otherwise, in which case it shall have effect in this licence from such date and to such extent as may be specified in such direction.

**PART D (STANDARD CONDITIONS APPLYING TO SPECIALIST WATER SERVICES AND SEWERAGE SERVICES LICENCES)**

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**Standard Condition D1, Specialist obligations**

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1. Subject to paragraphs 2 and 3 below, the licensee may only provide licensed services to eligible customers at premises in relation to which a section 29E departure is in effect.
  
2. Subject to paragraph 3 below, the licensee may, with a view to satisfying paragraph 1 above as soon as reasonably practicable, offer services to an eligible customer in relation to whom a section 29E departure is not in effect (to the extent required by paragraph 1) if:
  - (a) a relevant application in relation to that eligible customer is received by the Commission within 3 months (or such longer period as the Commission may direct) of the date (the "start date") which is the later of (i) the date on which the licensee commenced services to that eligible customer and (ii) the date on which any section 29E departure has ceased to have effect; and
  - (b) such application is granted by the Commission within 12 months (or such longer period as the Commission may direct) of the start date;and, for the purpose of this paragraph 2, a "relevant application" means one or more applications for a section 29E departure which, taken together with any section 29E departure(s) otherwise in effect, would, if granted, allow the licensee to satisfy the requirements of paragraph 1 above.
  
3. The licensee shall be entitled to continue to provide licensed services in circumstances otherwise prohibited by paragraphs 1 and 2 above for such period (which shall not, except with the Commission's consent, exceed twenty business days) as may be required to terminate the provision of those services. In such circumstances, the licensee shall promptly inform the relevant eligible customer that it should seek the provision of licensed services from another licensed provider.
  
4. This condition shall not have effect in this licence unless the Commission directs otherwise, in which case it shall have effect in this licence from such date and to such extent as may be specified in such direction.

### Standard Condition D2, Further obligations on charges and related matters

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1. The licensee shall ensure that, except with the Commission's consent, any relevant arrangements may be terminated by the customer without payment of any penalty on giving not more than twenty business days prior written notice.
  
2. This condition shall not have effect in this licence unless the Commission directs otherwise, in which case it shall have effect in this licence from such date and to such extent as may be specified in such direction.
  
3. For the purposes of this condition:

licensee charges	means charges fixed by the licensee pursuant to section 6(1)(a)(ii) or, as the case may be, section 6(3)(a)(ii) of the 2005 Act;
penalty	means any sum payable to, or at the instance of, a licensee or any person designated by it in circumstances where a customer gives notice terminating relevant arrangements, in addition to permitted termination charges;
permitted termination charges	means licensee charges accruing in the ordinary course (and not, in whole or in part, as a consequence of, or in connection with, termination of the relevant arrangements) up to the date of termination together with any interest payable under the relevant arrangements in that respect;
relevant arrangements	means any arrangements for the provision of licensed services to which the licensee may from time to time be party, including any such arrangements as may be established by or under a transfer made in accordance with section 15 of

	the 2005 Act; and
relevant services	means licensed services other than services provided by the licensee in connection with a section 29E departure.

## Schedule 2

### Explanatory notes

1. The Commission determined the standard licence conditions on 17 May 2007. These conditions are incorporated into each water services licence or sewerage services licence granted by the Commission. On 26 September 2007, the Commission revised the standard conditions to make specialist and self-supply licences available. This document proposes further minor clarifications to licensed providers' responsibilities under the standard conditions.
2. On 6 December 2007, the Commission published a Disconnections document, which incorporated the provisions of the previous Disconnections Code and Disconnections Guidance. The Commission indicated its intention for the Disconnections document to be enforceable against licensed providers through the standard licence conditions. To this end, these proposed changes would insert a new standard condition A11 (Compliance with the Disconnections document).
3. Under standard condition B1 (Duty to provide default services), licensed providers holding a general licence are required to offer the default level of service at the default tariff to any customer that requests them. Licensed providers can also offer any other package of services and tariffs to a customer, as long as the customer has the opportunity to choose the default package. The Commission considers it important that all customers are able to make informed decisions in relation to their service packages and so proposes to include a requirement to ensure that the licensed provider takes appropriate steps to make its customers aware of the availability of the default package.
4. The Commission proposes to modify standard condition B2 (Further obligations on charges and related matters) in order that the condition applies to a licensed provider unless the Commission directs otherwise. This amendment brings the condition in line with the position in relation to standard condition B1 (Duty to provide default services).
5. In the process of revising the standard conditions we have identified minor typographical errors and points of clarification which the proposed amendments will address.