

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Seventh Delegated Legislation Committee

DRAFT WATER INDUSTRY DESIGNATED CODES  
(APPEALS TO THE COMPETITION AND  
MARKETS AUTHORITY) REGULATIONS 2017

DRAFT WATER SUPPLY LICENCE AND  
SEWERAGE LICENCE (MODIFICATION OF  
STANDARD CONDITIONS) ORDER 2017

DRAFT WATER ACT 2014 (CONSEQUENTIAL  
AMENDMENTS ETC.) ORDER 2017

*Wednesday 8 March 2017*

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**Sunday 12 March 2017**

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**The Committee consisted of the following Members:**

*Chair:* MR DAVID NUTTALL

Ali, Rushanara (*Bethnal Green and Bow*) (Lab)  
 Allen, Mr Graham (*Nottingham North*) (Lab)  
 † Arkless, Richard (*Dumfries and Galloway*) (SNP)  
 † Coffey, Dr Thérèse (*Parliamentary Under-Secretary  
 of State for Environment, Food and Rural Affairs*)  
 † Debbonaire, Thangam (*Bristol West*) (Lab)  
 † Glindon, Mary (*North Tyneside*) (Lab)  
 † Green, Chris (*Bolton West*) (Con)  
 † Harper, Mr Mark (*Forest of Dean*) (Con)  
 † Merriman, Huw (*Bexhill and Battle*) (Con)  
 † Milling, Amanda (*Cannock Chase*) (Con)

† Morris, David (*Morecambe and Lunesdale*) (Con)  
 † Murray, Mrs Sheryll (*South East Cornwall*) (Con)  
 † Poulter, Dr Daniel (*Central Suffolk and North  
 Ipswich*) (Con)  
 † Selous, Andrew (*South West Bedfordshire*) (Con)  
 Sheerman, Mr Barry (*Huddersfield*) (Lab/Co-op)  
 † Smyth, Karin (*Bristol South*) (Lab)  
 † Spencer, Mark (*Sherwood*) (Con)

Gail Bartlett, *Committee Clerk*

† **attended the Committee**

## Seventh Delegated Legislation Committee

Wednesday 8 March 2017

[MR DAVID NUTTALL *in the Chair*]

### Draft Water Industry Designated Codes (Appeals to the Competition and Markets Authority) Regulations 2017

8.55 am

**The Chair:** We have a little housekeeping before we start. If anyone wishes to take their jackets off, as Mr Spencer has already done, they may do so.

**The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Dr Thérèse Coffey):** I beg to move,

That the Committee has considered the draft Water Industry Designated Codes (Appeals to the Competition and Markets Authority) Regulations 2017.

**The Chair:** With this it will be convenient to consider the draft Water Supply Licence and Sewerage Licence (Modification of Standard Conditions) Order 2017 and the draft Water Act 2014 (Consequential Amendments etc.) Order 2017.

**Dr Coffey:** It is a pleasure to serve under your chairmanship, Mr Nuttall. The three statutory instruments are part of a larger package of reforms introduced through the Water Act 2014 that will provide more competition in the water industry for non-household customers. A new market in water and wastewater services, which is due to open on 1 April, will allow all eligible business, charity and public sector customers in England to choose a new supplier to provide customer-facing services such as billing, call handling and water efficiency advice. My Department has worked closely with our delivery partners, Ofwat and Market Operator Services Ltd, as well as the water industry, to complete a huge programme of work, including the last remaining pieces of the legislative framework for the new market, which we are debating.

The draft Water Industry Designated Codes (Appeals to the Competition and Markets Authority) Regulations 2017 will provide a fast-track appeal process whereby market participants who are materially affected by a decision made by Ofwat to revise or not revise a code may apply to the Competition and Markets Authority for that decision to be reconsidered. Codes form an important part of the regulatory framework because they contain the rules and processes that incumbent water companies and new entrant retailers participating within the retail market must meet when making their agreements on providing services in the new market. The regulations incentivise Ofwat to make code proposals that benefit the retail market and provide a transparent and predictable fast-track appeal mechanism for market participants to challenge those decisions should they wish to.

The draft Water Supply Licence and Sewerage Licence (Modification of Standard Conditions) Order 2017 sets the percentage of licensees by market share that must agree proposals made by Ofwat to change standard conditions in their licences before such changes may be imposed on all licensees. The order provides a means for Ofwat to modify standard licence conditions when at least 80% of licensees by market share agree to those changes. That will prevent a minority of licensees blocking or delaying the implementation of important changes to licences. Where more than 20% do not agree to an Ofwat proposal, the matter may be referred to the Competition and Markets Authority for a determination on whether the proposed change is in the public interest. The order will contribute to the smooth running of the retail market by ensuring that Ofwat can make important changes to licences without negotiating individually with each licensee.

The draft Water Act 2014 (Consequential Amendments etc.) Order 2017 includes amendments to primary and secondary legislation that are required because of changes introduced by the Water Act 2014. The amendments mainly relate to the opening of the retail market in April 2017 and are minor and technical in nature. The order includes changes to legislation relating to the existing water supply licensing regime and makes consequential changes needed because of the introduction of the sewerage licensing regime.

These SIs form a small but important part of the regulatory framework that will allow the competitive market to run smoothly and to function and evolve effectively. I commend them to the Committee.

8.59 am

**Mary Glendon** (North Tyneside) (Lab): It is a pleasure to serve under your chairmanship, Mr Nuttall. I thank the Minister for presenting the statutory instruments. I will highlight the issues that Opposition Members consider important.

The draft water industry designated codes regulations set up a right of appeal to the Competition and Markets Authority against a decision by the water services regulation authority to revise or not revise a code designated for the purposes of section 207A(2) of the Water Industry Act 1991.

The draft water supply licence and sewerage licence order relates to the 1991 Act, as amended by the Water Act 2014, allowing the Secretary of State for Environment, Food and Rural Affairs to determine standard conditions in water supply and sewerage licences. The order specifies relevant percentages in relation to the condition that specified percentages of licence holders do not object to such modification. Modifications cannot proceed without reference to the Competition and Markets Authority if objections are made by 20% or more of relevant licence holders. The order specifies how licence holders are weighted in order to measure market share.

The draft Water Act 2014 order relates to the 1991 Act, as amended by the 2014 Act, which makes changes to the water supply licensing regime and introduces a new sewerage licensing regime in the areas of sewerage undertakers wholly or mainly in England. The order makes amendments to primary legislation in consequence of those changes and of the Water Act 2003, and also makes modifications to secondary legislation.

The Labour party broadly welcomes these measures and does not intend to divide the Committee on them.

9.1 am

**Dr Coffey:** I thank the hon. Lady for her support on behalf of Her Majesty's loyal Opposition. The Government are committed to opening the water retail market on 1 April, giving businesses, charities and public sector customers choice over their water retailer.

*Question put and agreed to.*

**DRAFT WATER SUPPLY LICENCE AND  
SEWERAGE LICENCE (MODIFICATION OF  
STANDARD CONDITIONS) ORDER 2017**

*Resolved,*

That the Committee has considered the draft Water Supply Licence and Sewerage Licence (Modification of Standard Conditions) Order 2017.—(*Dr Thérèse Coffey.*)

**DRAFT WATER ACT 2014 (CONSEQUENTIAL  
AMENDMENTS ETC.) ORDER 2017**

*Resolved,*

That the Committee has considered the draft Water Act 2014 (Consequential Amendments etc.) Order 2017.—(*Dr Thérèse Coffey.*)

9.3 am

*Committee rose.*





