

Date: 15 June 2022

Dear Stakeholder,

Consultation on a temporary suspension of retail licence applications

In 2018¹ and 2019², the Commission decided to suspend consideration of any new or existing applications for the remainder of the Commission's review of the water and sewerage non-household retail market (**the Review**). Later in April 2020, the Commission published a [decision document](#) to end its policy regarding the grant of self-supply licences. The suspension for general licences and specialist licences was lifted following the Review.

It now appears to the Commission that even though the Review has formally concluded, implementation of certain important processes will require further time. Accordingly, the Commission considers that it may be appropriate to reinstitute the suspension for new and existing applications for general licences and specialist licences.

The Commission is committed to Ethical Business Practice (**EBP**) and Regulation (**EBR**) in its approach to regulation, and as such, expects all market participants to evidence high standards of conduct and take individual and collective responsibility to promote the functioning of the retail market. A key component of this regulatory approach is the recent introduction of a new market-wide process, the Market Health Check (**MHC**). The MHC process will allow licensed providers to demonstrate that they operate in line with the letter and spirit of the licence. The MHC is expected to be in place within the next six months.

In May 2021, the Commission published a [decision document](#) following the Review and outlined that all new entrants to the retail non-household market will be required to complete a MHC within 12 months of obtaining a licence or the process being in place. As the MHC processes have not been yet fully implemented, and given the importance of validating, *inter alia*, operational and financial capability, the Commission considers that it would be preferable and prudent to again suspend consideration of any new or existing licence applications until the MHC processes are finalised and in place. As outlined above, the Commission expects the MHC process to be finalised within the next six months. As the MHC is central to the Commission's regulatory approach, including ensuring the operational and financial capability of new market entrants, it would not be appropriate to relax the MHC requirement for new applicants meantime.

The Commission has considered whether the suspension should apply to all applications for general licences and specialist licences, or whether it should be confined to particular types. As identified further above in this document and consistent with the Review, the MHC process will be integral to assessing the operational and financial capability of new market entrants. On this basis, the Commission proposes to suspend accepting new applications for any licence type, including suspending any further consideration of existing applications.

¹ June 2018 - the Commission [decided](#) to suspend its consideration for self-supply and specialist licences.

² July 2019 - the Commission [decided](#) to suspend its consideration for general licences.

The Commission recognises that existing applicants may wish to consider, in light of the review, whether to maintain or to withdraw their applications. The Commission confirms that it will refund any application fees where an application is withdrawn. The Commission can also confirm meantime that it would not seek to apply any revised level of application fee that may apply, once the MHC processes are finalised, to those applicants who choose to maintain their applications during the interim period.

The Commission would also be interested in receiving the views of existing applicants on these points and whether there are any matters they would wish the Commission to address in the event that applications were to be withdrawn.

Next steps

You are invited to submit your responses to this consultation no later than 6 July 2022.

These should be addressed to competitionteam@watercommission.co.uk.

Yours sincerely,



Alan D A Sutherland
Chief Executive Officer