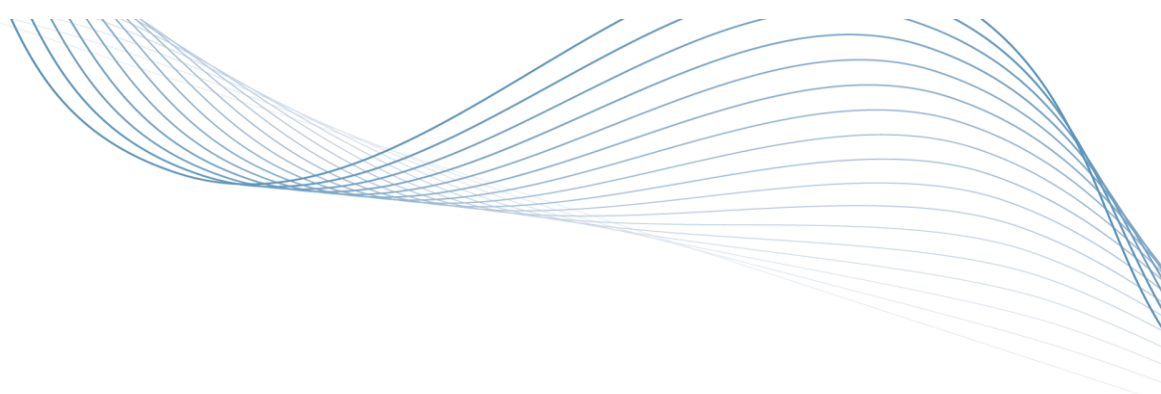


DECISION ON MEASURES IN SUPPORT OF THE RETAIL MARKET

4 February 2025



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Decision on measures in support of the retail market

The non-household retail market in Scotland has now been operating effectively for over sixteen years. During this time, WICS has regularly reviewed the regulatory framework to ensure that the market arrangements continue to serve the interests of customers and support the orderly participation of licensed providers.

On 1 November 2024, WICS published a [consultation](#) on measures to support the implementation of a Code of Practice and Market Health Check process. As part of the same consultation, WICS also launched a targeted review of the level playing field arrangements.

This document summarises the responses received and sets out WICS' decision.

This document has been sent to:

- All licensed providers;
- Scottish Water;
- The Central Market Agency Limited;
- Scottish Government;
- Scottish Public Services Ombudsman; and
- Consumer Scotland.

This decision document is also available on the WICS website: <https://wics.scot/consultations/retail-market-consultations/decisions>



1. Context

1.1. Background

Since market opening in April 2008, customers have enjoyed greater choice and access to a range of tailored services. WICS wants to ensure that the market continues to deliver a wide range of benefits to customers and that customers can make informed choices on the service offerings from licensed providers. WICS is also mindful that licensed providers have developed different value propositions. Ensuring that customers can access and have confidence in clear and transparent information about licensed providers' service commitments is critical to support and retain customers' trust and confidence in the market.

1.2. The Market Health Check

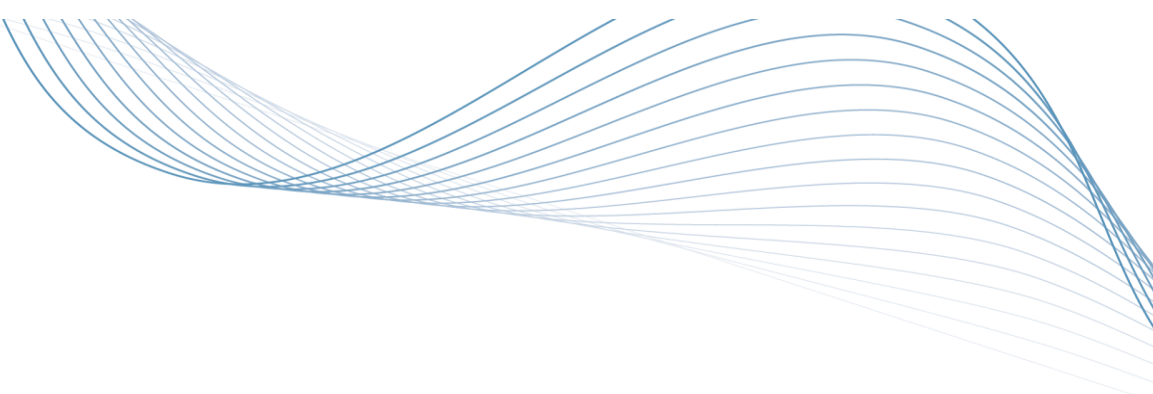
In 2018, WICS launched a root and branch review of the retail market to ensure that the market continues to work well for customers, licensed providers and Scottish Water. As part of this review, WICS [consulted](#) on the introduction of a market-wide process that would encourage market participants to demonstrate high standards of conduct. At the time, WICS set out a process that would form a key underpinning to the implementation of [Ethical Business Practice \(EBP\)](#) and improve customer outcomes by providing a mechanism to validate the service offerings from licensed providers who are seeking to go above and beyond the minimum default service. In May 2021, WICS confirmed this by publishing a [decision](#) to introduce the Market Health Check (**MHC**).

1.3. The Code of Practice

In April 2023, WICS published a [letter](#) setting out the foundations for an effective MHC, the steps that would help establish the governance and operational arrangements of the MHC, including the need for a Code of Practice (**CoP**) that would provide a baseline for the MHC by outlining the commitments made by licensed providers to their customers.

In August 2023, WICS, Consumer Scotland, the Central Market Agency (**CMA**) and Scottish Water signed a cooperation agreement that established a joint Steering Group (**SG**). The SG provided oversight and guidance to licensed providers working jointly with the Senior Stakeholder Group (**SSG**)¹ around the development of the CoP. In line with the principles of Ethical Business Regulation

¹ The Senior Stakeholder Group was formed to focus on strategic issues and provide leadership to the industry in engaging with WICS. It brings together representatives from licensed providers, Consumer Scotland and Scottish Water.



(**EBR**) and EBP, WICS invited market participants to work collaboratively on the development of the CoP with the leadership and guidance of the SSG.

The SG worked in close collaboration with the SSG in providing support for the development of the CoP. This also included involvement from other licensed providers that do not otherwise form part of the SSG in the development of these arrangements.

1.4. Voluntary commitments

In July 2024, WICS published a [letter](#) to all market participants, setting out a deadline on the development of the CoP of 4 October 2024, including its expectations on receiving written commitments from market participants by the same date.

On 9 September 2024, the SSG sent to WICS a final version of the CoP. Following the agreed deadline, eighteen licensed providers formally outlined their support and commitment to the CoP and the MHC process. This represents circa 99.9% (on a Supply Point basis) of the market.

1.5. Consultation

On 1 November 2024, WICS published a consultation on measures to support the implementation of the CoP, including the associated assurance process, the MHC.

As part of the implementation of the CoP, WICS also consulted on a draft Standard Licence Condition (**SLC**) B6 (Duty to comply with the Code of Practice), pursuant to Paragraph 2(6) of Schedule 2 to the Water Services etc. (Scotland) Act 2005 (the **2005 Act**). This would apply to all licensed providers who have committed to the CoP and the MHC process. This ensures a structured and formalised approach and is consistent with the recent implementation of SLC B4 (Financial Resilience).

The consultation also launched a targeted review of the level playing arrangements and sought views from market participants on a specific set of questions regarding the Scottish Water Business Stream Limited (**SWBS**) Governance Code (the **Code**), including some of the wider arrangements that apply to all licensed providers.

This document summarises the responses received and sets out WICS' decision.

2. Representations received

2.1. General representations

WICS has received seven responses to the consultation published on 1 November 2024. Responses were received from Scottish Water, Consumer Scotland and five licensed providers. WICS would like to thank those stakeholders for responding to the consultation. The key points outlined within those responses have been summarised as part of the following tables.

2.1.1. CODE OF PRACTICE

Issue description	WICS response
<p>Most respondents outlined their support for the CoP. Respondents mentioned that the market wide collaborative process has been beneficial and felt that the CoP reflects the diverse perspective of participants and sets a strong foundation to enhance customer experience.</p>	<p>WICS has been encouraged by the level of collaboration from market participants in developing and agreeing a final version of the CoP, consistent with the principles of EBR and EBP. WICS thanks all market participants (including Scottish Water, Consumer Scotland and the CMA) for their support. The implementation of the CoP represents an important milestone which will help ensure that the market continues to deliver a wide range of benefits to consumers.</p>
<p>One respondent was unclear as to what standard the CoP is intended to exceed, arguing that the CoP is poised to function as a new baseline standard rather than exceeding an existing baseline.</p>	<p>All licensed providers are required to comply with a range of standards outlined as part of their licence conditions, including the current Market Code and its subsidiary documents. Whilst the CoP does address some new areas of focus, the CoP does predominantly aim to exceed current arrangements and ultimately improve customer outcomes. It is also worth reiterating that the CoP remains voluntary in nature and licensed providers are therefore free to choose whether to operate below the requirements outlined as part of the CoP. Equally, licensed providers can also choose to exceed those requirements.</p>
<p>One respondent raised concerns regarding the future governance of the CoP arguing that the process relies on a majority voting system with no requirement for formal consultation on amendments and does not require WICS approval.</p>	<p>It is important to reiterate that the CoP has been collaboratively developed by licences providers with the leadership and guidance of the SSG. Given the collaborative and voluntary nature of the CoP, WICS remains confident that any future developments will be carried out in a similar manner. Consistent with its duties, WICS will take appropriate action where necessary to ensure that the CoP continues to deliver benefits to customers.</p>
<p>Two respondents outlined that WICS decided not to consult on the CoP by highlighting its intention not to change the CoP.</p>	<p>WICS disagrees with this statement. Whilst WICS outlined that it did not propose to make any changes to the content of the CoP shared by the SSG (given the collaborative nature of its development), this certainly did not mean that any material responses to the recent consultation would not be appropriately reviewed or addressed. Consistent with its duties and regulatory approach (including the recent consultation on the implementation of the CoP), WICS will continue to provide opportunities for all market participants to outline their views.</p>

<p>One respondent raised concerns regarding the inclusion of the ability for customers to leave whilst still under contract arguing that this may cause Third Party Intermediaries to engage less (or exploit) this increased customer volatility.</p>	<p>Based on the information provided, it is not entirely clear how the CoP would introduce the ability for customers to leave whilst still under contract. Whilst WICS remains open to discuss and understand this matter further, it is important to outline that customers have always been able to terminate their contractual arrangements ahead of term in line with SLC B2 (Further obligations on charges and related matters) and consistent with WICS' duties to protect the interest of customers.</p>
<p>One respondent outlined that further clarity is required in relation to section 2.3.4 and 2.3.5 arguing that it is unclear why Scottish Water's backdating policy (7 years) exceeds the Statute of Limitations (5 years).</p>	<p>Consistent with the Wholesale Data Changes Policy, increases in charges caused specifically by an inaccuracy in the data held by Scottish Water are not backdated. Inaccuracies triggered by customer actions can be backdated by Scottish Water no further than the most recent date of the customer action occurring or 1 April of the previous tariff year. However, Scottish Water can ultimately apply retrospective decreases in charges, caused by an inaccuracy in the data held by Scottish Water, up to 7 years from the end of the relevant tariff year.</p> <p>Consistent with the Wholesale Charges Backdating Policy, Scottish Water can agree to recalculate charges, where a complete and valid request is received from a licensed provider, up to 7 years from the end of the relevant tariff year. Sections 2.3.3 and 2.3.4 of the CoP limit the ability of licensed providers to request backdated increases in charges to two years (or five years due to specific customer actions consistent with section 2.3.4). In contrast, section 2.3.5 relates solely to refunds. This is important as it ensures that licensed providers are refunding customers the full value resulting from a decrease in charges from Scottish Water up to 7 years from the end of the relevant tariff year.</p> <p>Finally, whilst this is a matter for Scottish Water, it is our understanding that Scottish Water's interpretation of the relevant legislation is that charges should be recalculated up to 5 years after the final reconciliation, equating to 7 years from the end of the relevant tariff year. Please note that WICS cannot determine nor intervene in legislative matters. As such, it would be inappropriate for us to provide any further comment on this matter.</p>
<p>One respondent raised concerns regarding section 2.2.2 arguing that a final bill can take longer due to a variety of factors that may not explicitly meet the criteria of 'critical information' being required.</p>	<p>It is unclear what other factors (apart from critical information) might affect the ability of a licensed provider to produce a final bill to an existing customer (or a recent customer) consistent with section 2.2.2 of the CoP. Given that the non-household retail market has now been operating for over sixteen years, WICS believes that it is entirely reasonable to expect licensed providers to produce a final bill consistent with the requirements outlined as part of the CoP. Billing accuracy and timeliness are important key factors in supporting and retaining the trust and confidence of customers in the market.</p>
<p>One respondent raised concerns regarding section 1.4.4 outlining the potential for disproportionate cost being incurred due to the variety of potential communication channels through which requests could be submitted.</p>	<p>WICS believes that it is entirely reasonable to expect licensed providers to be able to provide a copy of the agreed contractual arrangements, in any form convenient to customers and regardless of communication channels.</p>

<p>One respondent raised concerns regarding section 2.1.1 outlining that the requirement is excessive and may not be fundamentally possible to deliver in all instances (i.e. a legislative change requiring immediate change).</p>	<p>It is unclear what specific instances of legislative change would prohibit licensed providers from carrying out the requirement outlined in section 2.1.1 of the CoP. In the absence of any other information, WICS believes that it is entirely appropriate to expect licensed providers to be able to provide customers the notice period outlined as part of the CoP.</p>
<p>One respondent raised concerns regarding sections 3.5 and 3.7 outlining that these requirements are highly inefficient and may lead to poorer customer outcomes.</p>	<p>WICS disagrees with this comment and believes that it is important for licensed providers to provide an initial acknowledgement and a complete response thereafter to customer complaints consistent with the requirements outlined as part of the CoP. These requirements ultimately benefit customers by providing transparency and assurance regarding the service commitments that customers can expect to receive from their licensed provider. It is also worth reiterating that the CoP, including this specific requirement, has been collaboratively developed by licensed providers, therefore suggesting that this requirement remains entirely reasonable.</p>
<p>One respondent raised concerns regarding section 3.9 outlining that the introduction of further reporting requirements on customer complaints would lead to additional operational costs.</p>	<p>Consistent with section 3.10, the requirements included in section 3.9 will enable the MHC team to access the necessary information to verify whether a licensed provider has met some of the specific requirements outlined as part of Section 3 of the CoP (complaints and dispute resolution). WICS believes that these requirements remain important in validating the commitments made by licensed providers to customers.</p>
<p>One respondent outlined that it would be more transparent and equitable if all LPs were required to comply with the terms of the CoP.</p>	<p>Consistent with the principles of EBP and EBR, WICS continues to believe that the CoP should remain a voluntary process given that it aims to deliver an enhanced service, above and beyond the minimum default service. WICS will however monitor the levels of participation going forward to ensure that this approach is delivering the intended benefits to customers. This would include consideration as to whether SLC B6 should remain voluntary in nature.</p>
<p>One respondent outlined that customers prioritise price and service quality / speed above all else, generally trusting regulatory systems to ensure compliance. The respondent believes that customers are unlikely to view the CoP and MHC as directly relevant to their needs.</p>	<p>The CoP helps explain (and where appropriate measure) the service commitments that customers can expect to receive from their licensed providers. As outlined by the CoP, it also aims to deliver an enhanced service to customers (i.e. increased service quality and responsiveness). In contrast, the MHC builds greater confidence amongst customers by determining whether licensed providers are complying with the requirements outlined as part of the CoP and their existing licence conditions. The MHC therefore supports licensed providers in demonstrating this enhanced level of service by confirming their compliance with those commitments. Providing greater customer confidence remains of key importance for WICS in light of its general function to promote the interest of customers.</p>

2.1.2. MARKET HEALTH CHECK

Issue description	WICS response
<p>Most respondents agreed that the proposed MHC process is clear and appropriate. Respondents outlined that the objectives and operating principles are positive and that the process is consistent with previous audit experience.</p>	<p>WICS thanks all market participants for their feedback and support throughout the development of the MHC process. The introduction of the MHC represents an important initiative that can help ensure that any licensed provider who seeks to compete on levels of service can do so credibly and that customers can access (and have confidence in) clear and transparent information about licensed providers' service commitments. This is critical to support and retain customers' trust in the market.</p>
<p>Three respondents raised concerns regarding the level of detail provided and sought further operational details to enable planning and resource allocation.</p>	<p>WICS plans to publish further information in the coming months, including the MHC standard Terms of Reference. This will provide further operational details consistent with the information that has already been provided as part of the recent consultation document.</p>
<p>One respondent raised concerns regarding the potential burden and costs to provide the required information.</p>	<p>Consistent with the operating principles on proportionality and cost-effectiveness, WICS has already outlined that the MHC process will account for the size of licensed providers, focusing on the high-impact and high-risk areas of the CoP in the most cost-effective manner.</p>
<p>One respondent requested further details regarding the monitoring actions that will be undertaken in cases where minor issues have been identified (acknowledging that the relevant licensed provider will take overall ownership).</p>	<p>Recognising that these are minor issues for the appropriate licensed provider to resolve internally, the MHC team would not propose to take any further immediate action. The MHC team may however decide to verify, as part of the subsequent MHC, whether that particular licensed provider has addressed those recommendations.</p>
<p>One respondent outlined that it may be worth considering how the CoP could evolve in the context of a 'multi-tiered' approach to allow licensed providers to achieve further levels of differentiation.</p>	<p>Whilst previous discussions have considered this option, at this stage, the MHC process will not include any further levels of differentiation. This ensures a more straightforward and streamlined implementation. It is however important to reiterate that licensed providers can always choose to provide a service offering that exceeds the requirements set out as part of the CoP. Following implementation, the governance panel of the CoP may also explore the prospect of differentiated levels.</p>
<p>One respondent outlined that the MHC should focus on areas that contribute to the customer experience rather than processes or systems.</p>	<p>Whilst the MHC team will limit its assessment to the high-impact and high-risk areas that are relevant to customers, depending on the scope and specific requirement being tested, this may involve certain focus on the processes or systems that sit at the basis of those key areas, especially in cases where a system issue may be present.</p>
<p>One respondent stated that the market requires a well-defined understanding of the objectives and the problems the MHC seeks to address.</p>	<p>The objectives of the MHC have been outlined on numerous previous occasions, including the recent consultation document. As previously stated, the main purpose of the MHC process is to build greater confidence amongst customers by determining whether licensed providers are complying with the requirements outlined as part of the CoP and their existing licence conditions. It also provides an opportunity for licensed providers to monitor their performance against their commitments and address any identified issues for the ultimate benefit of customers. The same objectives will also be outlined as part of the MHC standard Terms of Reference.</p>

<p>One respondent outlined the requirement for clear guidance on the minimum performance standards.</p>	<p>In relation to licensed providers that have outlined their commitment to the CoP, the minimum performance standards represent the requirements outlined as part of the CoP as well as all other existing licence conditions that licensed providers are required to comply with.</p>
<p>Several respondents outlined that the first MHC should prioritise the following key areas of the CoP:</p> <ul style="list-style-type: none"> • Sales, quotes, communications and TPIs • Billing accuracy and timeliness • Contract renewal and early termination • Customer transfers 	<p>WICS thanks all respondents for outlining some of the high-risk, high-impact areas of the CoP that the MHC could prioritise as part of its first iteration.</p>
<p>One respondent outlined that the first MHC should prioritise the SLCs that are not covered by the CoP. This could include SLC A11 (Compliance with disconnections document) and SLC B1 (Duty to provide default services).</p>	<p>WICS thanks the respondent for outlining the SLCs that the MHC could prioritise as part of its first iteration.</p>
<p>One respondent outlined that sufficient resources must be allocated to ensure the MHC process is adequately supported to deliver its intended outcomes.</p>	<p>Consistent with the recent consultation document, WICS has proposed to take responsibility for undertaking the MHC process. The activities associated with the MHC process would therefore form part of WICS' ordinary workplan, similarly to the day-to-day management of the licencing regime or compliance monitoring.</p>
<p>One respondent outlined that it is unclear as to why a link has been established between the CoP and the financial payment terms.</p>	<p>This approach has been covered by previous public consultations and already forms part of the Financial Resilience Statement utilised by Scottish Water to determine the levels of prepayment. As outlined previously, the MHC process determines whether licensed providers are complying with the requirements outlined as part of the CoP and their existing licence conditions, which helps build confidence in the ability of licensed providers to undertake their licensing functions. Therefore, some of the MHC areas of focus could consider the operational and financial sustainability of licensed providers. For instance, this could include the ability of licensed providers to comply with certain requirements regarding financial resilience, provider of last resort and payment of licence fees.</p>
<p>One respondent requested further clarification as to where changes to financial resilience will sit within the proposed escalation pathways for non-compliance.</p>	<p>The level of prepayment is determined by Scottish Water consistent with the assessment criteria outlined as part of the Financial Resilience Statement. For clarity, any changes to the level of prepayment would be actioned by Scottish Water directly.</p>
<p>One respondent mentioned that it would be useful to explore how licensed providers can support climate change ameliorating initiatives thorough the MHC.</p>	<p>Climate change initiatives are of paramount importance. WICS therefore remains open to discuss further how future iterations of the MHC process could be developed to verify evidence that supports climate change related statements or initiatives made by licensed providers (i.e. reduction of carbon footprint).</p>
<p>One respondent outlined that an additional month's prepayment could be requested with minimal notice.</p>	<p>This is not the case given that clause 8.1A.2 of the WSA clarifies that a licensed provider would receive over one month notice prior to any change in the prepayment level taking effect.</p>

2.1.3. MEASURES IN RELATION TO BUSINESS STREAM

Questions	Responses	WICS response
How do we ensure that the Code arrangements can stand the test of time and that SWBS continues to operate in a financially independent way?	One respondent agreed that periodic reviews are useful to ensure that the Code remains fit for purpose. Whilst the respondent agreed that some amendments may be required, it was not aware of any specific concerns. Another respondent outlined that it is not aware of any evidence that SWBS' structure is causing any practical issues.	WICS notes both comments. Consistent with its duties, it is important that WICS periodically monitors the Code to ensure that these arrangements remain effective, up to date and fit for purpose.
Are the financial covenants still effective and consistent with demonstrating financial viability whilst providing SWBS with the necessary flexibility to respond to market changes?	Two respondents outlined that the current financial covenants appear effective.	WICS believes that it is important to retain all relevant financial covenants outlined as part of the Code whilst ensuring that these are set at an appropriate level that allows SWBS to retain and demonstrate an appropriate level of financial strength. WICS will review this further to ensure that these arrangements remain effective and relevant.
	One respondent outlined that SWBS has received funding to run its regulated business as per 6.1 of the Code and must warrant that it has sufficient funding. The same respondent outlined that it seems clear from the Code that SWBS should be financially insulated from Scottish Water. Another respondent outlined that SWBS should be required to pay arm's length costs for any financial support to demonstrate independence.	The Code, including Section 14 of the Water Services etc. (Scotland) Act 2005, allow SWBS to access financing from specific sources. The Code arrangements already outline certain restrictions ensuring that any such transactions or financing can only be accessed at arms' length and on market equivalent terms (i.e. on a normal commercial basis). Equally, the financial covenants outlined as part of the Code also ensure that SWBS can retain and demonstrate an appropriate level of financial strength. The Code therefore continues to play an important role in demonstrating a level playing field.
Are there any changes required to the information sharing controls between SWBS and Scottish Water?	One respondent outlined that it does not see a need for additional information-sharing controls. Another respondent outlined that the current arrangements are sufficiently robust and in line with regulatory best practice across other utilities.	Consistent with its duties, it is important that WICS periodically reviews the Code to ensure that these arrangements remain effective, up to date and fit for purpose.
Should there be any specificity on who should (or should not) hold Board level positions within SWBS?	Two respondents outlined that these arrangements are robust and there does not appear to be a need for further specificity regarding board level positions at SWBS. Another respondent outlined that there should be a clear distinction between SWBSH and SWBS. The respondent clarified that no SWBSH directors or employees should be on the SWBS board to maintain decision making independence.	WICS notes these statements and recognises the importance of ensuring an arms' length separation regarding Board level positions. WICS will review these arrangements further to ensure that these are effective in demonstrating a level playing field.

<p>What additional evidence could be required to demonstrate that the English regulated business is not adversely impacting the Scottish regulated business? Could a form of separation between the two elements be considered?</p>	<p>One respondent outlined that it did not identify any issues with the current arrangements. Another respondent opposed any proposals to enforce separation arguing that it could result in increased prices and reduced service quality. A further respondent outlined that it will be difficult to obtain assurance that there is no cross subsidy if there is no verifiable arm's length cross charge for services if both regulated and non-regulated business are within the same legal entity.</p>	<p>Whilst WICS agrees that any future steps should be reasonable and proportionate, given its statutory duties, WICS is primarily focused on ensuring that there is no cross subsidisation and that Scottish customers are not adversely impacted by the non-regulated business of SWBS. WICS recognises that the Code focuses on the regulated activities of SWBS and remains fully aware of the key regulatory design differences across the two markets, including the available level of the gross retail margins. WICS therefore aims to review this area further, consistent with its statutory duties.</p>
<p>What other changes to the Code could reinforce confidence in a level playing field?</p>	<p>One respondent raised concerns around having confidence in the level playing field given SWBS's ownership position and given that it competes in the English market. Another respondent notes that the Scottish situation is probably unique in that Scottish taxpayers' money is being used to run SWBS competing within the water retail business in England.</p>	<p>The Code was established precisely to support a level playing field in the retail market by ensuring business separation between SWBS and Scottish Water. The Code establishes the principles of independence ensuring that SWBS can take all strategic and operational decisions independently of Scottish Water. Equally important, these arrangements also include certain restrictions ensuring that all transactions between Scottish Water (or any of its subsidiaries) and SWBS are carried out at arms' length and on a normal commercial basis. The Code primarily focuses on the regulated activities of SWBS recognising that SWBS' non-regulated business in the English market is regulated separately by Ofwat.</p>

2.1.4. MEASURES IN RELATION TO OTHER LICENSED PROVIDERS

Questions	Issue description	WICS response
<p>Are these annual declarations sufficient to ensure there is confidence in a level playing field?</p> <p>Should we require additional evidence to be provided to support the declaration? For example, can we be fully confident that any support to a licensee from a related undertaking is provided on an arm's length and commercial basis?</p>	<p>One respondent raised concerns that SLC A9 (Constraints on certain arrangements) could be interpreted as meaning that the same undertaking could not employ staff providing services across multiple products (i.e. finance, legal and IT) and that a parent company could not issue one bill for all services.</p> <p>Several respondents outlined that the current declarations provide a reasonable level of assurance and believe those to be sufficient. Another respondent outlined that WICS could address any concerns by seeking additional information to support the annual SLC A9 statements or by verifying compliance as part of the MHC process.</p>	<p>SLC A9 does not place any such constraints on licensed providers. Instead, it ensures that no cross subsidisation occurs between different services and other jurisdictions (i.e. no cross-subsidy between water and telecoms services or between the water services of the English regulated business and the Scottish regulated business).</p> <p>WICS notes these comments. The current requirements are solely reliant on an annual statement with no additional evidence provided to support how each licensed provider has satisfied their Board and Ultimate Controller of their compliance. As suggested by one of the responses, going forward, WICS may seek additional evidence on a case-by-case basis when deemed necessary to satisfy any concerns.</p>
<p>What additional evidence could be required to demonstrate that the English regulated business is not adversely impacting the Scottish regulated business? Could a form of separation between the entities holding the two licences be considered?</p>	<p>One respondent outlined that it is not uncommon to have varying degrees of separation to reflect distinct regulatory obligations. Two respondents outlined that any steps would have to be reasonable as separation requirements could increase costs and lead to higher charges for customers.</p> <p>One respondent mentioned that Ofwat has recently taken steps to proactively monitor retailers to maintain visibility of financial resilience in the market.</p>	<p>Whilst WICS agrees that any steps should be reasonable and proportionate, given its statutory duties, WICS remains focused on ensuring that no cross subsidisation occurs and customers are not adversely impacted by the related undertakings of licensed providers or the provision of other services.</p> <p>The Covid-19 pandemic, including the international energy crisis have shown the importance of ensuring that licensed providers remain appropriately capitalised to withstand external economic shocks and can manage systematic risk for which they are remunerated through the allowed gross margin. Mindful of its statutory duties, WICS remains committed to ensure that the lessons from these events are appropriately considered. Following extensive consultation, in March 2023 WICS introduced SCL B4 on financial resilience, which has been accepted by all market participants. As part of these arrangements, the financial resilience of licensed providers is consistently monitored in line with the criteria outlined as part of the Financial Resilience Statement.</p>

3. Next steps

3.1. The Code of Practice and Market Health Check

Having carefully considered all representations made by stakeholders and in light of the successful market wide collaboration in developing and agreeing a final version of the CoP, WICS is confirming its decision to implement SLC B6². For clarity, the introduction of SLC B6 finalises the implementation of the CoP³ and the MHC process. Consistent with SLC B6, the CoP goes live from **30 April 2025**.

WICS will now issue directions to all licensed providers who confirmed their commitment to the CoP and the MHC process. WICS will also publish a list outlining whether each licensed provider has opted in or out of the CoP. This list will be shared with Scottish Water to inform the financial resilience assessment consistent with the Financial Resilience Statement.

Whilst WICS has already shared information regarding the process and governance of the MHC, we plan to publish further details in the coming months, including the MHC Standard Terms of Reference. This will set out some of the high-level operational criteria associated with the MHC process.

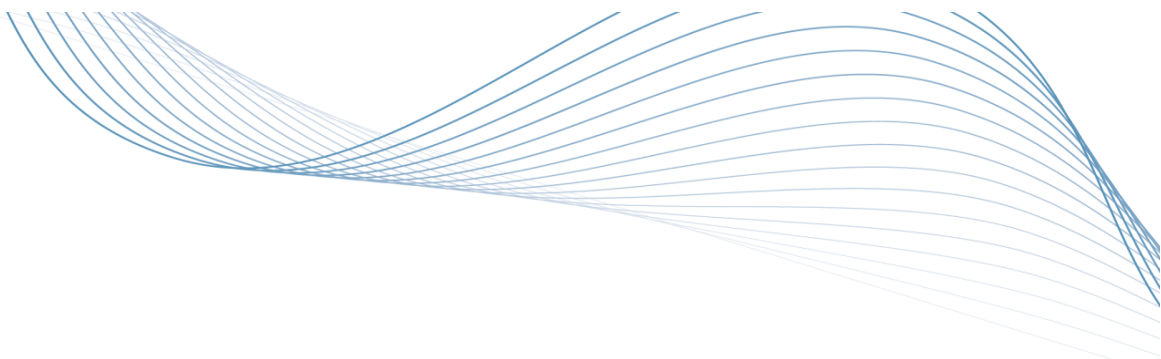
Recognising the importance of providing clarity, this document sets out the remaining timelines below:

Table 1: Timelines

Events	Date
WICS publishes the Standard Conditions as modified to include SLC B6	February 2025
WICS publishes list of licensed providers who have opted in/out	February 2025
WICS informs Scottish Water of licensed providers who have opted in/out	February 2025
Scottish Water informs licensed providers of changes to prepayments	March 2025
New licence condition and CoP come into effect	April 2025
WICS publishes MHC Standard Terms of Reference	April 2025
Changes to level of prepayments takes effect	April 2025
WICS undertakes a compliance audit for licensed providers who opted out	June 2025
MHC process starts	October 2025

² Appendix 2 contains the Standard Conditions as amended to include SLC B6.

³ Appendix 1 of this document contains a clean version of the CoP.



MHC finishes	April 2026
WICS publishes list of MHC results	April 2026
WICS informs Scottish Water of licensed providers who do not pass MHC	April 2026
Scottish Water informs licensed providers of changes to prepayments	May 2026
Changes to level of prepayments takes effect	June 2026
WICS undertakes a review of the MHC to identify lessons learnt	Summer 2026

The Commission will continue to work closely with Scottish Water, the CMA, Consumer Scotland and licensed providers to help ensure that these arrangements are working effectively and are delivering the intended benefits to customers.

3.2. Measures in relation to other licensed providers

Following careful review of the feedback received from respondents, there do not appear to be any material concerns regarding the current arrangements in support of a level playing field.

WICS however remains concerned that the current requirements regarding SLC A9 are solely reliant on an annual statement with no additional evidence to explain how each licensed provider has demonstrated their level of compliance to their Board and Ultimate Controller. Whilst WICS does not propose to make any specific changes to SLC A9, going forward, WICS may seek additional evidence on a case-by-case basis when deemed necessary to satisfy any concerns.

Consistent with its duties, WICS will continue to periodically monitor the effectiveness of the licensing framework to ensure that these arrangements remain effective and demonstrate confidence in a level playing across all market participants.

3.3. Measures in relation to Business Stream

Whilst there do not appear to be any material comments regarding the Code, WICS considers that the key issues outlined as part of the recent consultation continue to apply. Given that the Code plays a key role in building and maintaining a level playing field, WICS will continue to review these matters further and take appropriate steps to ensure that these arrangements are up to date, that elements that are no longer relevant (e.g. the capital structure of SWBS at the time of market opening) are removed, and that it remains fit for purpose in light of 16 years of SWBS operating in the market.



4. Annex

4.1. Code of Practice

Accessible separately

4.2. Standard Conditions (as modified to include SLC B6)

Accessible separately

4.3. Consultation responses

Accessible separately (includes responses from licensed providers that have outlined their consent for publishing)



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