



## **Robust and Demonstrable Separation**

As a prerequisite to the granting of a permanent licence to Scottish Water Business Stream (Business Stream), the Water Industry Commission for Scotland (the Commission) has required 'robust and demonstrable separation' between Scottish Water (SW) as wholesaler and Business Stream as retailer. This requirement is unique to Business Stream as the incumbent retailer and aims at ensuring a level playing field in the market that does not afford Business Stream any competitive advantage due to its ownership status.

Business Stream has undertaken an extensive separation programme in order to satisfy the Commission's requirement including:

### **Transfer of Staff and Assets**

Following a requirement by Scottish Ministers, SW transferred to Business Stream the property, assets and liabilities relating to the Retail Water Services and the Retail Sewerage Services business.

Staff were permanently transferred to Business Stream under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).

### **Physical Separation**

Business Stream operates from offices based in Edinburgh and Glasgow. The Edinburgh office is within a physically segregated area of an existing SW office. Business Stream staff have no access to SW areas of the building and vice versa. The Glasgow office is independent of SW. We have committed to moving to our own separate properties by 31 March 2010.

### **Separation of IT Systems**

Business Stream has undertaken an extensive programme of system separation to ensure that all our data is held within either physically separate or logically separate systems. No SW operational staff have access to Business Stream data. We have agreed to complete physical separation by 31 March 2010.

### **Provision of Intra-group Services**

Business Stream is prevented under its Licence from entering into any intra-group contract except on terms approved by the Commission. Business Stream currently procures a limited number of services from SW, such as property and facilities management. The terms of these agreements have been approved by the Commission and Business Stream and follows the principles of Regulatory Accounting Rule 5 pricing. Thus ensuring any transaction between SW and Business Stream is carried out on an arm's length basis.

### **Separate Culture and Identity**

Business Stream has created its own culture and identity, which is distinct from SW. A new brand and logo were introduced in November 2007 to emphasise the separation from SW.

**Financial Separation**

Business Stream operates as a standalone company with separate banking arrangements and separate accounting. Business Stream reports to a holding company, Scottish Water Business Stream Holdings (SWBSH). The relationship between Business Stream, SWBSH and Scottish Water is controlled by a Governance Code which is enforced by the Commission.

**Business Stream**

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