



Water Act 2014

2014 CHAPTER 21

PART 1 **E+W**

WATER INDUSTRY

CHAPTER 2 **E+W**

WATER AND SEWERAGE UNDERTAKERS

Duty of CMA to refer mergers of relevant undertakers

14 Exceptions to duty and undertakings in lieu of merger references **E+W**

- (1) In section 32 of the Water Industry Act 1991 (duty to refer merger of water or sewerage undertaking), for “Subject to section 33 below,” there is substituted “ Subject to sections 33 and 33A below, ”.
- (2) After section 33 (exclusion of small mergers) there is inserted—

“33A Exceptions to duty to make reference

- (1) The CMA may decide not to make a merger reference under section 32 as regards a case falling within section 32(a) if it believes that—
 - (a) the arrangements concerned are not sufficiently far advanced, or are not sufficiently likely to proceed, to justify the making of a merger reference;
 - (b) the prospective merger is not likely to prejudice the ability of the Authority, in carrying out its functions by virtue of this Act, to make comparisons between water enterprises; or
 - (c) the prospective merger is likely to prejudice that ability, but the prejudice in question is outweighed by relevant customer benefits relating to the merger.

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- (2) The CMA may decide not to make a merger reference under section 32 as regards a case falling within section 32(b) if it believes that—
 - (a) the merger has not prejudiced and is not likely to prejudice the ability of the Authority, in carrying out its functions by virtue of this Act, to make comparisons between water enterprises; or
 - (b) the merger has prejudiced or is likely to prejudice that ability, but the prejudice in question is outweighed by relevant customer benefits relating to the merger.
- (3) Before forming a view as to the matters in subsection (1)(b) or (c) or (2)(a) or (b), the CMA must—
 - (a) request the Authority to give an opinion under section 33B, and
 - (b) consider that opinion.
- (4) The CMA may not make a merger reference under section 32 if—
 - (a) it is considering whether to accept an undertaking under section 33D instead of making such a reference; or
 - (b) it is prevented by section 74 of the Enterprise Act 2002 (effect of accepting an undertaking in lieu), in a case where that section as applied by paragraph 1 of Schedule 4ZA may have effect to prevent such a merger reference.
- (5) In this section “relevant customer benefit” has the meaning given by paragraph 7 of Schedule 4ZA.

33B Opinion of the Authority

- (1) Where the CMA makes a request under section 33A(3), the Authority must give its opinion on—
 - (a) whether and to what extent the actual or prospective merger has prejudiced or is likely to prejudice the Authority's ability, in carrying out its functions by virtue of this Act, to make comparisons between water enterprises, and
 - (b) where it forms the view that the actual or prospective merger has prejudiced or is likely to prejudice that ability, whether the prejudice in question is outweighed by any relevant customer benefits relating to the merger.
- (2) In forming an opinion on the matters in subsection (1), the Authority must apply the methods set out in the statement under section 33C that has effect when the request under section 33A(3) is made.
- (3) In this section “relevant customer benefit” has the meaning given by paragraph 7 of Schedule 4ZA, except that references in paragraph 7 to what the CMA believes are to be read for the purposes of this section as references to what the Authority believes.

33C Statement of methods

- (1) The Authority must prepare and keep under review a statement of the methods to be applied in forming an opinion on the matters in section 33B(1).

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- (2) The statement must in particular set out—
 - (a) the criteria to be used for assessing the effect of any particular water enterprise ceasing to be a distinct enterprise on the Authority's ability, in carrying out its functions by virtue of this Act, to make comparisons between water enterprises;
 - (b) the relative weight to be given to the criteria.
 - (3) Before preparing or altering the statement, the Authority must consult—
 - (a) the Secretary of State,
 - (b) the Welsh Ministers,
 - (c) the CMA, and
 - (d) relevant undertakers.
 - (4) The Authority must from time to time publish the statement as it has effect for the time being.”
- (3) After section 33C (inserted by subsection (2)) there is inserted—

“33D Undertakings in lieu of a merger reference

- (1) If the CMA considers that it is under a duty to make a merger reference under section 32, it may instead of making such a reference accept undertakings to take such action as it thinks appropriate from such of the parties concerned in the actual or prospective merger as it considers appropriate.
- (2) The power under subsection (1) is to be exercised for the purpose of remedying, mitigating or preventing the prejudicial effect on the Authority's ability, in carrying out its functions by virtue of this Act, to make comparisons between water enterprises that the actual or prospective merger has had, may have had or may be likely to have.
- (3) In forming a view for the purposes of subsection (1) as to whether it is under a duty to make a merger reference under section 32, the CMA—
 - (a) is to disregard the effect of section 33A(4)(a), but
 - (b) is to take into account the powers under section 33A(1) and (2) to decide not to make a merger reference.
- (4) In proceeding under subsection (1), the CMA must, in particular, have regard to the need to achieve as comprehensive a solution as is reasonable and practicable to the prejudicial effect on the Authority's ability, in carrying out its functions by virtue of this Act, to make comparisons between water enterprises.
- (5) In proceeding under subsection (1), the CMA may, in particular, have regard to the effect of any action on any relevant customer benefits in relation to the actual or prospective merger.
- (6) Before deciding whether or not to accept an undertaking under this section, the CMA must—
 - (a) request the Authority to give its opinion on the effect of the undertakings offered, and
 - (b) consider the Authority's opinion.

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- (7) Where the CMA makes a request under subsection (6), the Authority must give its opinion on the effect of the undertakings offered.
- (8) An undertaking under this section—
- (a) comes into force when accepted;
 - (b) may be varied or superseded by another undertaking under this section;
 - (c) may be released by the CMA.
- (9) An undertaking under this section ceases to be in force if an order under section 75 or 76 of the Enterprise Act 2002 (powers to make an order where an undertaking is not fulfilled) is made, in a case where that provision of the Enterprise Act 2002 as applied by paragraph 1 of Schedule 4ZA may have effect in relation to such an undertaking.
- (10) The CMA must consider any representations received by it in relation to varying or releasing an undertaking under this section as soon as reasonably practicable.
- (11) In this section “relevant customer benefit” has the meaning given by paragraph 7 of Schedule 4ZA, except that references in paragraph 7 to what the CMA believes are to be read for the purposes of subsection (7) as references to what the Authority believes.”

Commencement Information

- I1** S. 14(1)(3) in force at 18.12.2015 by S.I. 2015/1938, art. 2(d)
- I2** S. 14(2) in force at 6.4.2015 for specified purposes by S.I. 2015/773, art. 2(2)(a)
- I3** S. 14(2) in force at 18.12.2015 in so far as not already in force by S.I. 2015/1938, art. 2(d)

15 Exclusion of small mergers: advice of CMA on threshold **E+W**

In section 33 of the Water Industry Act 1991 (exclusion of small mergers from the duty to make a merger reference under section 32), after subsection (6) there is inserted—

- “(6A) The CMA must—
- (a) keep under review the conditions set out in subsection (1)(a) and (b), and
 - (b) from time to time advise the Secretary of State as to whether the conditions in subsection (1)(a) and (b), and the sums mentioned in those paragraphs, are still appropriate.”

Changes to legislation:

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Changes and effects yet to be applied to :

- specified provision(s) amendment to earlier commencing S.I. 2017/1288, art. 3(c)(d) by [S.I. 2019/706 art. 2](#)
- specified provision(s) amendment to earlier commencing S.I. 2017/462, arts. 4, 5 by [S.I. 2017/926 art. 2](#)