



Variation of Albion Water's appointment to include additional land at Rissington

In August 2013, Ofwat granted a variation enabling Albion Water to supply water and sewerage services to 368 new household properties at a site in Thames Water's area called Rissington. We also granted a variation enabling Albion Water to supply sewerage services to a further 370 existing household properties on the same site.

On 11 November 2013, Ofwat began a consultation on a proposal to vary Albion Water's appointment to become the water provider for 340 of the existing household properties at the site (in other words, properties which, since August 2013 were receiving sewerage services from Albion Water but not a water supply). The consultation ended on 9 December 2013. During the consultation period, we received representations from two organisations, which we considered in making our decision. On 19 December 2013, we granted Albion Water a variation to its existing appointment to enable it to supply water to these additional properties on the site.

This notice gives our reasons for making this variation.

Introduction

The new appointment and variation mechanism, specified by Parliament and set out in primary legislation, allows one company to replace the current company as the provider of water and/or sewerage services for a specific area. This mechanism can be used by new companies to enter the market and by existing companies to expand into areas where they are not the appointed company. In this case, Albion Water applied to replace Thames Water as the appointed water company for the site.

A company may apply for a new appointment (or a variation of its existing appointment to serve an additional site) if any of the following three criteria are met.

- None of the premises in the proposed area of appointment is served by the existing appointed company at the time the appointment is made (the '**unserved criterion**').

- Each premises is likely to be supplied with at least 50 mega litres per year (in England) or at least 250 mega litres per year (in Wales) and the customer in relation to each premises consents (**'the large user criterion'**).
- The existing water and sewerage supplier in the area consents to the appointment (**'the consent criterion'**).

When considering applications for new appointments and variations, Ofwat operates within the statutory framework set out by Parliament, including our duty to protect consumers wherever appropriate, by promoting effective competition. In particular, in relation to unserved sites, we seek to ensure that the future customers on the site – who do not have a choice of supplier – are adequately protected. When assessing applications for new appointments and variations, the two key policy principles we apply are:

1. customers, or future customers, should be no worse off than if they had been supplied by the existing appointee; and
2. we must be satisfied that an applicant will be able to finance the proper carrying out of its functions as a water and/or sewerage company.

Entry and expansion (and even the threat of such by potential competitors) can lead to benefits for different customers (such as household and non-household customers and developers of new housing sites). Benefits can include price discounts, better services, environmental improvements and innovation in the way services are delivered.

Benefits can also accrue to customers who remain with the existing appointee, because when the existing appointee faces a challenge to its business, that challenge can act as a spur for it to improve its services. We believe the wider benefits of competition through the new appointments and variations mechanism can offset any potential disbenefits for existing customers that might arise.

The application

Albion Water applied to be the water and sewerage services appointee for the site under the consent criterion set out in section 7(4)(a) of the Water Industry Act 1991 (**'WIA91'**) as Thames Water consented to the appointment. Albion Water will serve the site by entering into a bulk supply agreement with Thames Water.

Financial viability of the proposal

We will only make a new appointment or variation if we are satisfied that the proposal poses a low risk of being financially non-viable. We assess the risk of financial viability on a site-by-site basis and also consider the financial position of the company as a whole.

Based on the information available to us, we concluded that the proposal was at low risk of being financially non-viable.

We considered the impact of granting this variation on the financial position of the appointee as a whole. Having done this we are satisfied that granting this variation poses a low risk of a significant negative impact on the financial position of Albion Water.

Assessment of 'no worse off'

Albion Water will match both the fixed and volumetric water charges of Thames Water.

Albion Water has Codes of Practice and a Charges Scheme for this site. We are satisfied that customers will be offered an appropriate level of service. As such, we consider that customers will be 'no worse off' being served by Albion Water instead of by Thames Water.

Developer choice

We take into consideration the choices of the site developer. In this case, the two developers said that they wanted Albion Water to be the water company for the site.

Responses received to the consultation

We received two responses to our consultation, from the Consumer Council for Water ('**CCWater**') and the **Environment Agency**. We considered these responses before making the decision to vary Albion Water's appointment. The main points raised in the responses are set out below.

CCWater

CCWater supported Albion Water's application to be the water supplier to the existing household customers.

It was disappointed that Albion Water is not offering a discount to customers on the site, but acknowledged that customers will benefit as Albion Water plans to upgrade the on-site infrastructure.

The Environment Agency

The Environment Agency made no objections to us granting this variation, although it recommends that Albion Water completes the transfer and variation of the discharge permit for the private sewage treatment works as soon as possible. We have passed the Environment Agency's recommendation on to Albion Water.

Conclusion

Having assessed Albion Water's application, and having taken account of the responses we have received to our consultation, we decided to grant a variation to Albion Water's area of appointment to allow it to serve the site for water. This variation became effective on 20 December 2013.