
Proposal by the Water Services Regulation Authority (Ofwat) to vary the appointments of South Staffordshire Water and Severn Trent Water as water companies

Water Industry Act 1991 Section 8(3)

This notice is a consultation on this proposal. The consultation period will last for 28 days. Having considered any representations submitted in response to the consultation, Ofwat will decide whether or not to grant the variations to these companies' appointments.

The Site

South Staffordshire Water has applied to be the water company to two new non-household properties at a development site called Tamworth West (the Site). South Staffordshire Water expects both customers to be connected before the end of 2016.

The Site straddles the water supply areas of South Staffordshire Water and Severn Trent Water. South Staffordshire Water will use its own water resources to serve the site, while Severn Trent Water will provide wastewater services.

The proposal

Ofwat proposes to:

- (i) vary the appointment of South Staffordshire Water as a water company by adding the Site to its water supply area; and
- (ii) vary the appointment of Severn Trent Water as a water company by excluding the Site from its water supply area.

By means of these variations, South Staffordshire Water will become the water supplier for the Site.

The application

South Staffordshire Water has applied to be the water company for the Site under the consent criterion, set out in section 7(4)(a) Water Industry Act 1991.

Consent criterion

To qualify under the consent criterion, an applicant must provide a letter of consent from the existing appointee consenting to the application and consenting to the variation of its area of appointment corresponding to the applicant's application.

In this case, Severn Trent Water has consented to South Staffordshire Water becoming the water supplier for the Site. South Staffordshire Water provided us with a letter of consent from Severn Trent Water, dated 19 January 2016.

Our approach to the assessment of this application

We have historically assessed applications for new appointments and variations against two key policy principles:

1. Customers whose supplier is changed should be no worse off than if they had remained with the existing appointee; and
2. Ofwat must be satisfied that a potential new appointee will be able to finance the proper carrying out of its functions as a water and/or sewerage appointee.

However, we have taken a more proportionate, flexible and common-sense approach to the assessment of this application for the following reasons:

- The application has been made under the consent criterion.
- The incumbent (Severn Trent Water) suggested the developer ask South Staffordshire Water for a water supply.
- South Staffordshire Water has the consent of the developer to serve the Site.
- The Site straddles the water supply area of two incumbent companies, so a variation is the sensible option to enable one company to serve the whole Site.
- The Site will consist of two non-household customers (and no household customers).
- As South Staffordshire Water is an established undertaker, we have not carried out a detailed financial viability assessment of the Site or the company.
- We have not carried out a detailed assessment of South Staffordshire Water's service levels.

Price

South Staffordshire Water proposes to charge customers at Tamworth West based on its usual metered charges for water set out in its charges scheme.

Levels of service

Every appointee is required under conditions G, H and I of its conditions of appointment to publish Codes of Practice on debt, leakage and a Customer Code for its household customers.

South Staffordshire Water currently has a set of codes for its current appointment, which satisfy the relevant licence conditions. South Staffordshire Water's Customer Code of Practice sets out the standards of service its customers can expect to receive in a range of areas, and sets out the payments the company will make to customers if it fails to meet these standards. These satisfactorily cover the minimum requirements of the GSS Regulations¹. South Staffordshire Water proposes to apply these codes to customers at Tamworth West.

Developer choice

Ofwat takes into consideration the choice of the site developer. In this case, the Site developer has said that it wants South Staffordshire Water to be the water company for the Site.

Environment Agency (EA) and Drinking Water Inspectorate (DWI)

We take the views of these organisations into account before progressing to consultation on an application for a new appointment. Both EA and DWI informed us that they are content for us to consult on this application.

¹ The Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008

Ability to finance and properly carry out its functions

We have a statutory duty to ensure that efficient appointees can finance the proper carrying out of their functions. When a company applies for a new appointment or variation, it must satisfy us that it is able to carry out all of the duties and obligations associated with being an appointed water or sewerage company.

As South Staffordshire Water is an established undertaker, we are satisfied that it can finance its functions.

Conclusion and next steps

We are minded to grant the variation under the consent criterion. We are consulting on our proposal to do so.

Where to send submissions

Any representations about, or objections to, this proposal should be sent in writing to Richard Field, Senior Case Officer, Markets and Economics Division, Ofwat, Centre City Tower, 7 Hill Street, Birmingham, B5 4UA so as to be received no later than 24 May 2016. Submissions can also be emailed to: Richard.Field@ofwat.gsi.gov.uk