
Proposal by the Water Services Regulation Authority (Ofwat) to grant an appointment to Albion Eco Limited as a water company and vary the appointment of Albion Water Limited as a water company

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 Albion Eco Limited (Albion Eco) an appointment as a water company and make the consequent variation to Albion Water Limited's (Albion Water) appointment.

The Site

Albion Eco has applied to be the water company to supply a site in Deeside (the Site). There are two non-household customers on the Site, Shotton Paper Mill and PB Power. The Site has been supplied by Albion Water since 1999.

The applicant

Albion Eco and Albion Water are both owned and managed by Albion Water Group Limited. Albion Eco has never traded, although it is a registered company in England.

The proposal

Ofwat proposes to:

- grant an appointment to Albion Eco as a water company; and

- vary the appointment of Albion Water as a water company by excluding the Site from its water supply area.

By means of these variations, Albion Eco will become the water supplier for the Site.

The application

Albion Eco has applied to be the water company for the Site under section 7(4)(a) Water Industry Act 1991, which allows Ofwat to vary an appointment if the two undertakers involved consent to the variation (the consent criterion).

Albion Water Group Limited's rationale for the application

Albion Eco and Albion Water have given the following reasons for proposing to transfer the Site:

- The non-household retail market that will apply to undertakers whose areas are wholly or mainly in England from 1 April 2017, will not apply to undertakers whose areas are wholly or mainly in Wales; and
- Until recently, Albion Water was an undertaker whose area was wholly or mainly in Wales for water. It is currently an undertaker whose area is wholly or mainly in England for water and sewerage services¹, but if it were to be granted further variations in Wales it could switch to being an undertaker whose area is wholly or mainly in Wales (for water or sewerage, or both). Albion Water would like the regulatory stability of knowing it will remain an undertaker operating wholly or mainly in England, and for this reason it wishes to transfer the Site to a different company within the Albion Water Group Limited.

¹ We consider ALB has been an English undertaker since we granted it the Rissington appointment in August 2013.

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, Albion Water has consented to Albion Eco becoming the water supplier for the Site.

Our approach to the assessment of this application

We have historically assessed applications for new appointments and variations (NAVs) using 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.

Our policy on NAVs sets out our normal process for assessing applications against these two key policy principles. In this case, we have departed from that policy in certain respects in order to take a more proportionate, flexible and common sense approach to the assessment of this application. Our reasons for this are:

- The application has been made under the consent criterion;
- Albion Water and Albion Eco are under common ownership;
- Albion Eco says the proposed transfer has been fully discussed with and is supported by Shotton Paper Mill (the primary customer on the Site);
- The Site consists of two non-household customers (and no household customers); and
- Albion Eco proposes to maintain the same charges and levels of service to the Site as currently provided by Albion Water.

Price

Albion Eco proposes to charge customers on the same basis as Albion Water's current charges to those customers.

Levels of service

Albion Eco proposes to provide customers with the same levels of service provided by Albion Water.

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.

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.

Albion Eco will supply the site under the same arrangements that have been in place between Shotton Water and Albion Water since 1999. The current supply arrangement is via a bulk supply that Albion Water receives from Welsh Water. We have satisfied ourselves that this arrangement will continue to apply if Albion Eco is appointed to supply the site and that this will be on the same price terms that are currently operative between Welsh Water and Albion Water. We are therefore satisfied that there will be no significant change in the risk of this site not being viable with Albion Eco supplying the site as opposed to Albion Water.

Conclusion and next steps

We are minded to grant the appointment 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 17 June 2016. Submissions can also be emailed to: Richard.Field@ofwat.gsi.gov.uk