
New appointment for Albion Eco Limited to serve Shotton

On 20 May 2016, Ofwat began a consultation on a proposal to grant a new appointment to Albion Eco Limited (**Albion Eco**) to become the water provider for a site in Albion Water's water supply area called Shotton (**the site**).

The consultation ended on 17 June 2016. During the consultation period, we received representations from two organisations, which we considered in making our decision. On 28 July 2016, we granted Albion Eco a new appointment to enable it to supply water to the site.

This notice gives our reasons for making this new appointment.

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 Eco applied to replace Albion Water to become 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:

- customers, or future customers, should be no worse off than if they had been supplied by the existing appointee; and
- 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 Eco applied to be the appointed water company for the site under the consent criterion set out in section 7(4)(a) of the Water Industry Act 1991 (“**WIA91**”), as Albion Water consented to the appointment.

Assessment of this application

We assess applications for new appointments and variations against two key policies – customers should be made no worse off, and the applicant must be able to finance its functions. In this case, we are satisfied that Albion Eco will be able to finance its functions and we are satisfied that the two customers on the site will be no worse off. For the following reasons, we followed a lighter touch approach to our assessment of this application:

- 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 the main customer, Shotton Paper Mill;
- 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 two customers on the site as currently provided by Albion Water.

Responses received to the consultation

We received two responses to our consultation; from the Environment Agency and the Consumer Council for Water (**CCWater**). We considered these responses before making the decision to grant Albion Eco's appointment. Both the Environment Agency and CCWater made no objections to us granting this new appointment.

Conclusion

Having assessed Albion Eco's application, and having taken account of the responses we received to our consultation, we decided to grant a new appointment to Albion Eco to allow it to serve the site for water. This appointment became effective on 29 July 2016.