

September 2020

Variation of Independent Water Network Limited's appointment to include Monksbridge, Leeds

1. About this document

Variation of Independent Water Networks Limited's appointment to include Monksbridge, Leeds.

On 26 June 2020, Ofwat began a [consultation on a proposal](#) to vary Independent Water Network Limited's ("IWN") appointment to become the water and sewerage services provider for a development in Yorkshire Water Services Limited's ("Yorkshire Water") water and sewerage services area called Monksbridge in Leeds ("the Site").

The consultation ended on 22 July 2020. During the consultation period, we received representations from two organisations, which we considered in making our decision. On 21 August 2020, we granted IWN a variation to its existing appointment to enable it to supply water and sewerage services to the Site.

This notice gives our reasons for making this variation.

Contents

1. About this document	2
2. Introduction	4
3. The application	6
4. Responses received to the consultation	8
5. Conclusion	10
Appendix 1: Site Map	11

2. 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, IWN applied to replace Yorkshire Water to become the appointed water and sewerage services 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 business 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. We consider these potential disbenefits in more detail below.

3. The application

IWN applied to be the water and sewerage services provider for the Site under the unserved criterion set out in section 7(4)(b) of the Water Industry Act 1991 (“**WIA91**”). IWN will serve the Site by way of a bulk supply for sewerage services and bulk discharge for water from Yorkshire Water.

3.1 Unserved status of the Site

To qualify under the unserved criterion, an applicant must show that at the time the appointment or variation is made, none of the premises in the proposed area of appointment is served by the existing appointee.

IWN is applying for a variation based on the unserved criterion. Yorkshire Water has provided a letter, dated 7 November 2019, confirming that, in its view, the Site is unserved. This is due to the fact that Yorkshire Water has not identified any served properties for water supply or sewerage services on the Site.

There is also a site map attached to the application which confirms that there are currently no properties on the Site.

Having considered the facts of the Site, the maps and the letters from Yorkshire Water, we are satisfied that this Site may be considered as unserved.

3.2 Financial viability of the proposal

We will only make an 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 Site demonstrates sufficient financial viability, and IWN has satisfied us that it can finance its functions and that it is able to properly carry them out.

3.3 Assessment of ‘no worse off’

IWN will match the charges of Yorkshire Water at the Site.

With regard to service levels, we have reviewed IWN’s Codes of Practice and its proposed service levels and compared these to the Codes of Practice and the

performance commitments of Yorkshire Water. Based on this review, we are satisfied that customers will be offered an appropriate level of service by IWN and that overall customers will be 'no worse off' being served by IWN instead of by Yorkshire Water.

3.4 Effect of variation on Yorkshire Water's customers

In considering whether customers will be no worse off, we also looked at the potential effects of this variation on the charges that Yorkshire Water's existing customer base may face.

The calculation necessarily depends on a range of assumptions, and there are clearly difficulties involved in quantifying the effect on customers of Yorkshire Water. It is therefore necessary to use a simplified set of figures. We have expressed the effect in 'per bill' terms to try and quantify the possible effect in an easily understandable way. Broadly, we have assessed the potential magnitude of this impact by comparing how much Yorkshire Water might have expected to receive in revenue from serving the Site directly, were it to serve the Site, with the revenues it might expect from the proposed arrangement with IWN.

In this case, we have calculated that if we grant the Site to IWN, there may be a potential impact on the bills of Yorkshire Water's existing customers of £0.006 increase for water bills and £0.007 for wastewater charges.

This impact does not take into account the potential spillover benefits to customers arising from dynamic efficiencies achieved as a result of the competitive process to win new sites.

3.5 Developer choice

Where relevant, we take into consideration the choices of the site developer. In this case, the developer, Buro Happold Engineering has given its consent for IWN to be the water supplier and sewerage services provider for the Site.

4. Responses received to the consultation

We received two responses to our consultation, from the Drinking Water Inspectorate (“**DWI**”) and the Environment Agency (“**EA**”). DWI stated that it has no comments to make regarding this consultation.

4.1 EA

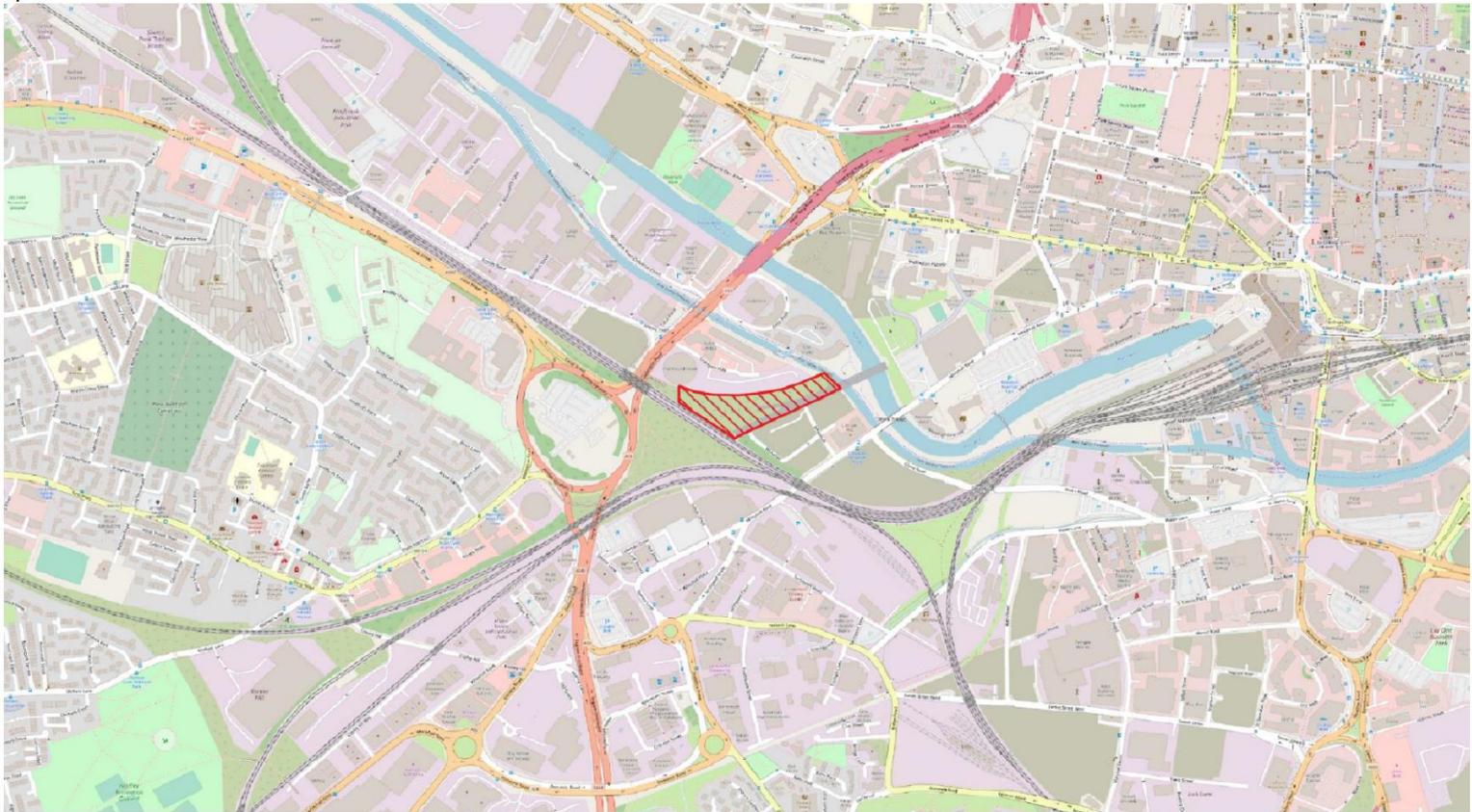
On 21 July 2020, EA responded to the consultation to confirm that it has no objection to the proposal. It did however state that it would like to see written confirmation from Yorkshire Water that it’s sewerage network capacity can accommodate the Site. This response was forwarded to IWN to respond to. On 05 August IWN sent confirmation of this to the EA, copying us in.

5. Conclusion

Having assessed IWN's application, and having taken account of the responses we received to our consultation, we decided to grant a variation to IWN's area of appointment to allow it to serve the Site to supply water and provide sewerage services. This variation became effective on 22 August 2020.

Appendix 1: Site Map

Maps



PLAN REFERRED TO IN THE VARIATIONS OF THE APPOINTMENTS OF INDEPENDENT WATER NETWORKS LIMITED AND YORKSHIRE WATER LTD, AS WASTE UNDERTAKERS, MADE BY THE WATER SERVICES REGULATION AUTHORITY ON.....

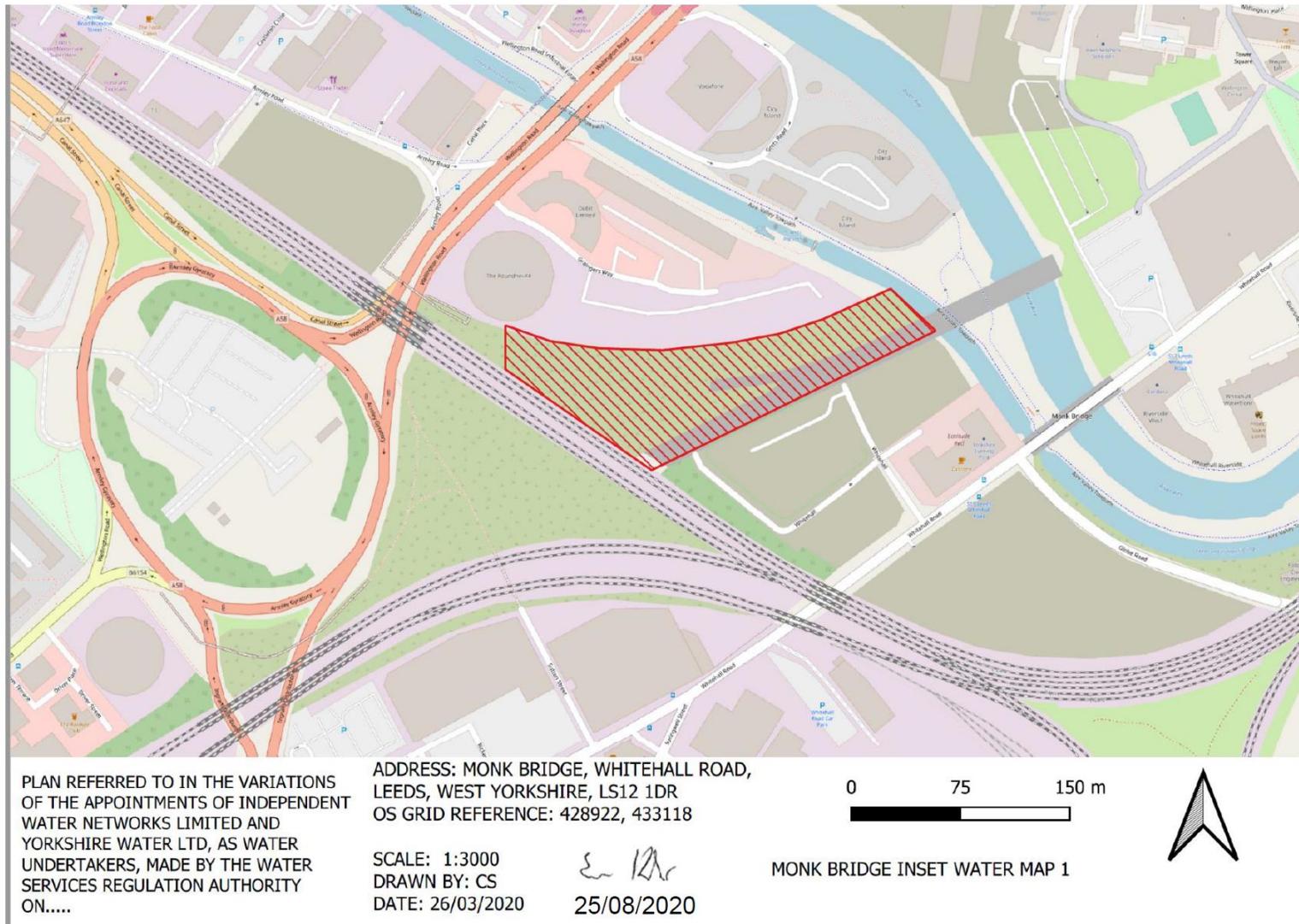
ADDRESS: MONK BRIDGE, WHITEHALL ROAD, LEEDS, WEST YORKSHIRE, LS12 1DR
OS GRID REFERENCE: 428922, 433118

SCALE: 1:9000
DRAWN BY: CS
DATE: 26/03/2020

CS
25/08/2020



MONK BRIDGE INSET WASTE MAP 2



Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Phone: 0121 644 7500
Fax: 0121 644 7533
Website: www.ofwat.gov.uk
Email: mailbox@ofwat.gov.uk

September 2020

© Crown copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This document is also available from our website at www.ofwat.gov.uk.

Any enquiries regarding this publication should be sent to us at mailbox@ofwat.gov.uk.

