

July 2021

# **Variation of Independent Water Networks Limited's appointment to include Blakeston Lane 2, Stockton-On-Tees**

## About this document

# Variation of Independent Water Networks Limited's appointment to include Blakeston Lane 2, Stockton-On-Tees

On 12 May 2021, Ofwat began a [consultation](#) on a proposal to vary Independent Water Networks Limited's ("**Independent Water Networks**") appointment to become the water services provider for a development in Northumbrian Water Limited's ("**Northumbrian Water**") water supply area called Blakeston Lane 2, Stockton-On-Tees ("**the Site**").

The consultation ended on 9 June 2021. During the consultation period, we received representations from one organisation, which we considered in making our decision. On 15 June 2021, we granted Independent Water Networks a variation to its existing appointment to enable it to supply water services to the Site.

This notice gives our reasons for making this variation.

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## 1. 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 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, Independent Water Networks applied to replace Northumbrian 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:

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.

## 2. The application

Independent Water Networks applied to be the water services appointee for the site under the unserved criterion set out in section 7(4)(b) of the Water Industry Act 1991 (“WIA91”). Independent Water Networks will serve the site by way of bulk supply agreement with Northumbrian Water.

### 2.1 Unserved status of the site

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

The land currently being developed on was the subject of an NAV application (Blakeston Lane) submitted by Independent Water Networks in 2020, the variation for which was granted on 21 December 2020. The current decision extends the existing boundary of Independent Water Network’s appointment so as to incorporate the Site and thereby reflect the full development area. No additional building is planned on the Site, beyond that already considered in the original Blakeston Lane application. Northumbrian Water has provided a letter consenting to the extension of the boundary, indicating that it considers the additional land to be unserved.

Based on the information provided, we consider the Site to be unserved.

### 2.2 Financial viability of the proposal

We will only make an appointment 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.

The extension to the site has no impact on the original financial projections. We have concluded that our original assessment of financial viability still applies to this variation. Based on the information available to us, we concluded the Site will not materially impact the financial viability of Independent Water Networks, and Independent Water Networks has satisfied us that it can finance its functions and that it is able to properly carry them out.

## **2.3 Assessment of 'no worse off'**

No additional customers will be added to the development as a consequence of extending the boundary to include the Site. It was noted that customers on the original site subject to the Blakeston Lane variation granted in December 2020 will be no worse off as Independent Water Networks' charges will not exceed those of Northumbrian Water.

With regard to service levels, we have previously reviewed Independent Water Networks' Codes of Practice and its proposed service levels and compared these to the Codes of Practice and the performance commitments of Northumbrian Water. Based on this review, we are satisfied that customers will be offered an appropriate level of service by Independent Water Networks and that overall customers will be 'no worse off' being served by Independent Water Networks instead of by Northumbrian Water.

## **2.4 Effect of appointment on Northumbrian Water's customers**

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

As there will be no additional customers on the Site, there will be no new impact to the bills of Northumbrian Water's existing customers

## **2.5 Developer choice**

Where relevant, we take into consideration the choices of the site developer. In this case, the developer, Bellway Homes, said that it wanted Independent Water Networks to be the water company for the Site.

### 3. Responses received to the consultation

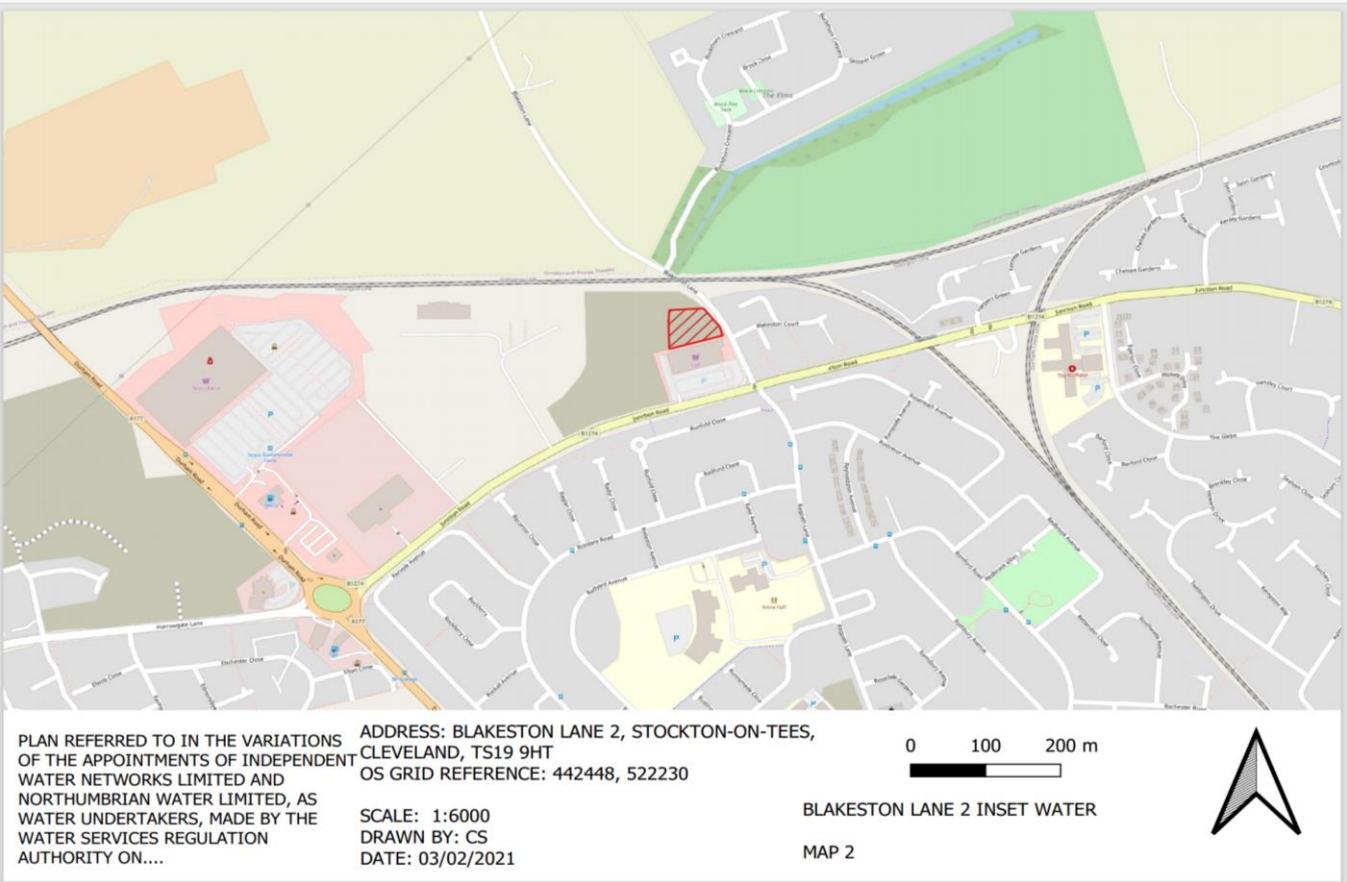
We received one response to our consultation; from the Consumer Council for Water (“**CCW**”). We considered the response before making the decision to vary Independent Water Networks' appointment.

CCW confirmed that it had responded substantively to the consultation on the previous NAV application for the original boundary to the development, and that it had stated that it was satisfied that Independent Water Networks generally matches or exceeds Northumbrian Water's standards. CCW supported the application for the original site, and it supports this application.

## **4. Conclusion**

Having assessed Independent Water Networks' application, we decided to grant a variation to Independent Water Networks' area of appointment to allow it to serve the Site for water services. This appointment became effective on 16 June 2021.

# Appendix 1: Site Map



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

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