

July 2021

**Variation of Independent Water  
Networks Limited's appointment to  
include 17-51 London Road, Staines,  
London**

## About this document

# Variation of Independent Water Networks Limited's appointment to include 17-51 London Road, Staines, London

On 24 May 2021, Ofwat began a [consultation](#) on a proposal to vary Independent Water Networks Limited's appointment to become the water and sewerage services provider for a development in Affinity Water Limited's ("**Affinity Water**"). water supply area and Thames Water Utilities Limited's ("**Thames Water**"). sewerage services area called 17-51 London Road in Staines, London ("**the Site**").

The consultation ended on 21 June 2021. During the consultation period, we received representations from three organisations, which we considered in making our decision.

On 5 July 2021, we granted Independent Water Networks 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.

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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 and 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, Independent Water Networks applied to replace Affinity Water and Thames Water to become the appointed water and sewerage 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 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 and sewerage 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 Affinity Water and a bulk discharge agreement with Thames 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. Independent Water Networks is applying for a variation based on the unserved criterion.

Affinity Water has provided a letter dated XX confirming that, in its view, the Site is unserved for water. Thames Water has provided a letter dated XX confirming that, in its view, the Site is unserved for sewerage. The Site is brownfield and aerial photographs show there are no existing buildings within the Site's boundary. We have reviewed the facts of this Site and have considered the letters from Affinity Water and Thames Water. We are satisfied that the Site meets the unserved criterion.

### 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 consider the financial position of the company.

Based on the information available to us, we concluded the site demonstrates sufficient financial viability, 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’

Independent Water Networks proposes to match the charges to customers on the Site to those of Affinity Water and Thames Water and will not offer a discount.

Regarding service levels, we have 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 Affinity Water and Thames 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 Affinity Water and Thames Water.

## **2.4 Effect of appointment on Affinity Water's and Thames 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 Affinity Water's and Thames 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 Affinity Water and Thames 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 Affinity Water and Thames Water might have expected to receive in revenue from serving the Site directly, were they to serve the Site, with the revenues they might expect from the proposed arrangements with Independent Water Networks.

We estimate there would be no increase in the water bills of existing Affinity Water customers and no increase in the sewerage bills of the Thames Water customers if we grant this variation to Independent Water Networks. This impact does not consider the potential spillover benefits to customers arising from dynamic efficiencies achieved because of the competitive process to win new sites.

## **2.5 Developer choice**

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

### **3. Responses received to the consultation**

We received three responses to our consultation: from the Environment Agency, the Consumer Council for Water (The CCW) and the Drinking Water Inspectorate.

We considered these responses before making the decision to vary Leep Networks (Water) Limited's appointment. The Environment Agency and DWI responses confirmed that they had no further comments to make on the application. The points raised in CCW's response are set out below.

#### **3.1 The CCW**

The CCW stated that it was disappointed that there were no financial benefits to customers as the services will be charged as per the incumbents' charges. However, CCW noted that Independent Water Networks offers discounts to those customers who are able to and opt to take up e-billing or pay by direct debit and that the applicant generally matches the service standards of Affinity Water and Thames Water, so, overall, it supports this application.

## 4. Conclusion

Having assessed Independent Water Networks' application and having taken account of the responses we received to our consultation, we decided to grant a variation to Independent Water Networks' area of appointment to allow it to serve the Site for water and sewerage services.

This appointment became effective on 6 July 2021.

## Appendix 1: Site Maps



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

ADDRESS: E09508 17-51 LONDON ROAD, STAINES, TW18 4DH  
OS GRID REFERENCE: 504023, 171792

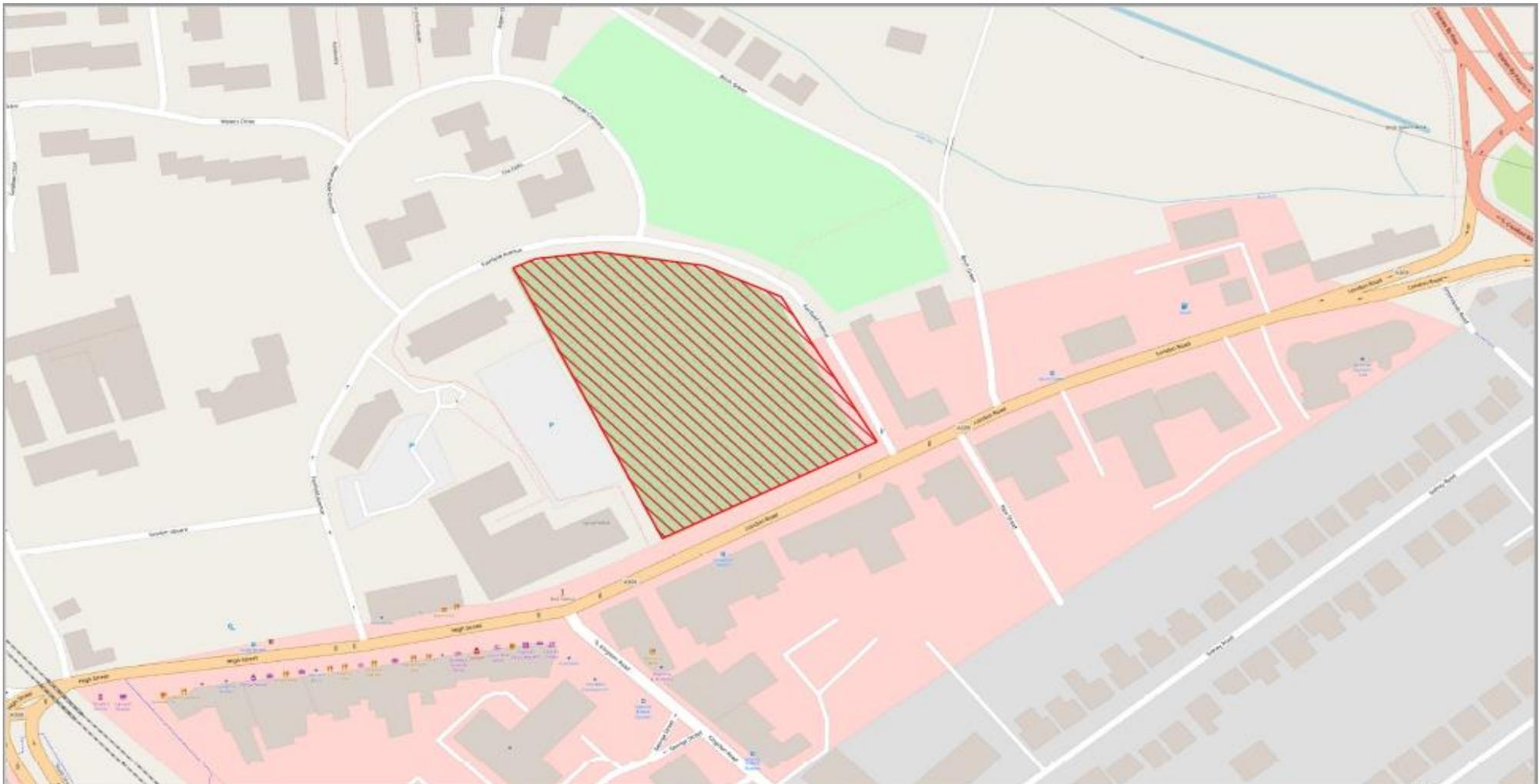
SCALE: 1:6000  
DRAWN BY: CS  
DATE: 01/03/2021

0 100 200 m



INSET WATER E09508 17-51 LONDON ROAD

MAP 2



PLAN REFERRED TO IN THE VARIATIONS OF THE APPOINTMENTS OF INDEPENDENT WATER NETWORKS LIMITED AND THAMES WATER UTILITIES LIMITED, AS SEWERAGE UNDERTAKERS, MADE BY THE WATER SERVICES REGULATION AUTHORITY ON....

ADDRESS: E09508 17-51 LONDON ROAD, STAINES, TW18 4DH  
OS GRID REFERENCE: 504023, 171792

SCALE: 1:2000  
DRAWN BY: CS  
DATE: 01/03/2021

0 50 100 m



INSET SEWERAGE E09508 17-51 LONDON ROAD

MAP 1

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

Ofwat  
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7 Hill Street  
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