

March 2022

Variation of Independent Water Networks Limited's appointment to include Elsea Park (Zone 7) Extension, Bourne in Lincolnshire (Boundary Variation)

About this document

Variation of Independent Water Networks Limited's appointment to include Elsea Park (Zone 7) Extension, Bourne, Lincolnshire (Boundary Variation)

On 27 January 2022, 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 Anglian Water Services Limited's ("**Anglian Water**") water supply area called Elsea Park (Zone 7) Extension, Bourne in Lincolnshire ("**the Site**").

The land currently being developed on was the subject of a NAV application submitted by Independent Water Networks in June 2021, and a variation to its appointment to enable it to serve the development for water was granted on 25 October 2021. This latest application is for a variation to include land adjacent to the original Elsea Park (Zone 7) variation.

The consultation ended on 24 February 2022. During the consultation period, we received representations from four organisations, which we considered in making our decision. On 2 March 2022, 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 ("**NAV**"), 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, Independent Water Networks applied to replace Anglian 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 a bulk supply agreement with Anglian 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 proposed variation extends the existing boundary of Independent Water Networks' appointment so as to incorporate the Site, thereby reflecting the full development area for Elsea Park Zone 7. No additional properties are planned on the Site beyond the numbers considered in the previous Elsea Park Zone 7 variation. Anglian Water has provided a letter, dated 16 November 2021, confirming that it considers the additional land that is subject to this application to be unserved.

Given the information provided by Independent Water Networks and Anglian Water, we are satisfied that the Site is 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.

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’

No additional customers will be added to the development as a consequence of the variation to include the Site within Independent Water Network's appointment. Our previous decision on the Elsea Park (Zone 7) concluded that customers on the development as a whole would

be no worse off in terms of charges and service levels than if they had been served by Anglian Water

2.4 Effect of appointment on Anglian 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 Anglian Water's existing customer base may face.

As there will be no additional customers on the Site, there will be no impact to the bills of Anglian Water's existing customers as a result of this variation.

2.5 Developer choice

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

3. Responses received to the consultation

We received four responses to our consultation, from the Consumer Council for Water ("**CCW**"), the Environment Agency, South Kesteven District Council and the Drinking Water Inspectorate ("**DWI**"). We considered these responses before making the decision to vary Independent Water Networks' appointment. The points raised in the response are set out below.

The Environment Agency, South Kesteven District Council and the DWI had no comments to make with regard to this consultation and did not have any objections.

3.1 CCW

CCW confirmed that it had responded to the consultation on the previous NAV application for the original boundary to the development and noted that this proposed variation for an adjacent unserved area of land does not change the number of properties on the development.

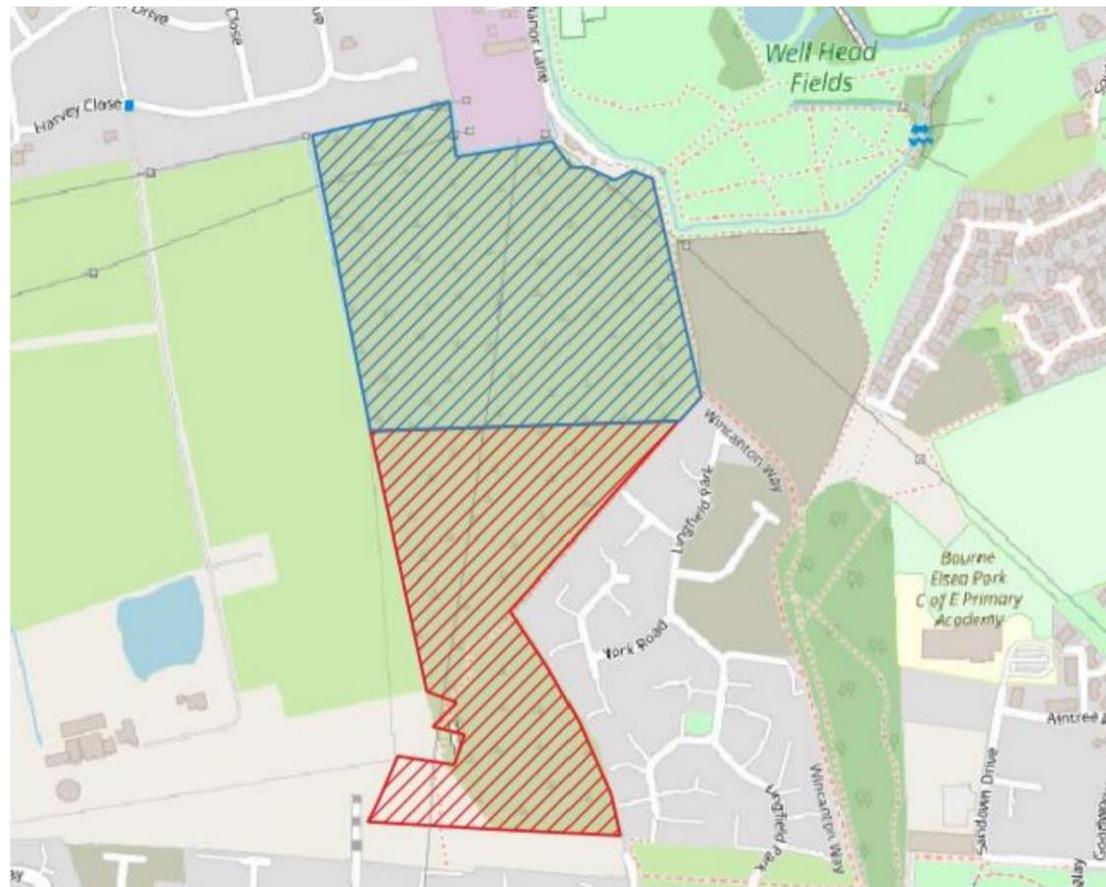
CWW stated that given that the proposed variation relates only to an increase in the development area and will have no material impact on customers of either Independent Water Networks or Anglian Water, CCW has no concerns with the proposed variation for the Site being approved.

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 services. This appointment became effective on 3 March 2022.

Appendix 1: Site Map

Water Boundary - The boundary of the original Elsea Park (Zone 7) variation is shaded in red in the map below, and boundary of the Site, which is subject to this variation is outlined in blue.



PLAN REFERRED TO IN THE VARIATIONS OF THE APPOINTMENTS OF INDEPENDENT WATER NETWORKS LIMITED AND ANGLIAN WATER SERVICES LIMITED, AS WATER UNDERTAKERS, MADE BY THE WATER SERVICES REGULATION AUTHORITY ON ... 02/03/22

ADDRESS: ELSEA PARK, BOURNE - ZONE 7 PE10 0YS.
OS GRID REFERENCE: 509082, 319296
SCALE: 1:4000
DRAWN BY: NS
DATE: 15/11/2021

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INSET WATER ELSEA PARK BOUNDARY VARIATION MAP 1

**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

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