

April 2022

**Proposal to grant a variation of
appointment to Icosa Water Services
Limited - Coombe Hill,
Gloucestershire**

Proposal to grant a variation of appointment to Icosa Water Services Limited

	Details
Applicant	Icosa Water Services Limited (“ Icosa Water ”)
Site Details	Coombe Hill, Gloucestershire (“ the Site ”)
Services	Sewerage Only
Current sewerage appointee	Sewerage Appointee: Severn Trent Water Limited (“ Severn Trent Water ”)
Proposed supply arrangements	Bulk discharge agreement with Severn Trent Water
Criterion	Unserved
Household Customers	95
Business Customers	0
Developers	Vistry Partnership Limited
Estimated Site completion date	09/2024
Summary of consultation	A statutory consultation made under section 8(3) of the Water Industry Act 1991 (WIA91) to grant Icosa Water a variation to its appointment as a sewerage company. To also vary the appointment of Severn Trent Water as a sewerage company. Consequently, Icosa Water will become the sewerage company for the Site.
Deadline for submissions	<p>Representations or objections to this consultation should be sent by email to Licensing@ofwat.gov.uk or in writing and sent to the NAV licensing team, Centre City Tower, 7 Hill Street, Birmingham, B5 4UA.</p> <p>Reponses must be received by Ofwat no later than 17.00 hours on 18 May 2022..</p>
<p>Further information about how to make representations or objections, including information on the treatment of confidential information, can be obtained from Ofwat at the above address or at http://www.ofwat.gov.uk/foi/.</p> <p>Ofwat will only use the information you have provided for the purpose of this consultation. We will retain your information in accordance with Ofwat’s retention schedule and will not share with third parties unless we have a legal obligation to do so. For further information please see Ofwat’s Privacy Policy in our Publication Scheme.</p>	

1. Our assessment of this application

Our approach

The new appointment and variation mechanism set out in primary legislation¹, provides an opportunity for entry and expansion into the water and sewerage sectors by allowing one company to replace the existing appointee 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 appointees to expand their businesses.

You can find further details of our approach to assessing applications for New Appointments and Variations (NAVs) [here](#).

Unserved status of the Site

Icosa Water is applying for a variation based on the unserved criterion. 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 or variation is served by the existing appointee.

Severn Trent Water has provided a letter, dated 16 November 2021, confirming that, in its view, the Site is unserved. Satellite images of the Site show no existing buildings or infrastructure.

Given the information provided by the applicant and Severn Trent Water, we are satisfied that the Site may be considered unserved.

Price

Icosa Water's charges to customers at the Site will be equivalent to Severn Trent Water's charges.

Levels of service

Every appointee is required under its licence conditions to publish and make available the Core Customer Information for its household customers. We have assessed Independent Water Network's proposed Customer Code of Practice, and our view is that it is of an

¹ The legal framework for new appointments is set out in the WIA91. Section 7 of the WIA91 sets out the criteria by which an appointment or variation may be made. Section 8 sets out the procedure for making that appointment or variation.

appropriate standard. Our view is that customers on the Site would be no worse off in relation to the scope of Icosa Water's proposed Customer Code of Practice than they would be if Severn Trent Water were to be the customers' sewerage company.

Stakeholder engagement

We take the Environment Agency's views into account before progressing to formal consultation on an application for a new appointment or variation. The Environment Agency informed us that it is content for us to consult on this application².

Impact on existing customers

In considering whether customers will be no worse off, we also considered the potential effects of this variation on the prices that Severn Trent 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. It is therefore necessary to use a simplified set of figures. We have expressed the effect in 'per bill' terms to try to quantify the possible effect in an easily understandable way.

We have assessed the potential magnitude of this impact by comparing how much Severn Trent 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 Icosa Water.

We estimate a there will be no annual increase on the sewerage bills of existing Severn Trent Water customers if we grant this variation to Icosa Water. This is once the Site is fully built out.

This estimate does not take into account the potential spill-over benefits to customers arising from dynamic efficiencies achieved as a result of the competitive process to win sites.

Therefore, we consider that granting this variation to Icosa Water would have no financial impact on customers' bills and could have potential benefits for customers.

² The Environment Agency as well as the Drinking Water Inspectorate will also be formally consulted on the proposals, as they are on the list of organisations which must be formally consulted as set out in section 8(4)(b) of WIA91.

Ability to finance and properly carry out its functions

We have a statutory duty to ensure that efficient appointees can finance the proper carrying out of their functions. When a company applies for a new appointment or variation, it must satisfy us that it is able to carry out all of the duties and obligations associated with being an appointed sewerage company.

We have considered the revenues and costs of the Site relating to the provision of sewerage services should the relevant variation be granted. Following our review, we are satisfied that the Site demonstrates sufficient financial viability under our standard assessment. We are satisfied that the financial security Icosa Water has in place meets our minimum requirements.

On this basis, our view is that the risk of this Site not being financially viable is small and as a result we are currently satisfied that Icosa Water would be able to finance its functions if the variation is granted.

2. Conclusion and next steps

In assessing Icosa Water's application, we have considered the general benefits of new appointments and variations. Our view is that our two key policy principles would be met in this case, as customers would be no worse off, and Icosa Water would be able to finance, and carry out, its functions. We have also considered the effects of granting the proposed variation on the existing customers of Severn Trent Water.

We are currently minded to grant the variation under the unserved criterion. Subject to considering any representations submitted during the consultation period in response to this consultation notice, Ofwat will decide whether or not to grant the variation of appointment set out above.

3. 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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