

April 2022

**Proposal to grant a variation of appointment to Icosa Water Services Limited as a water and sewerage company - Friary Park 1b (Extension to 1a)**

## Contents

1. About this document.....	2
2. The Site .....	3
3. The applicant.....	4
4. The proposal .....	5
5. Our approach to the assessment of this application.....	6
6. The application .....	7
7. Conclusion and next steps .....	11
8. Site maps .....	12

## 1. About this document

We propose granting a variation of appointment to Icosa Water Services Limited (“**Icosa Water**”) as a water and sewerage company and varying the appointment of Thames Water Utilities Limited (“**Thames Water**”) as a water and sewerage company. This notice is a consultation on this proposal under section 8(3) of the Water Industry Act 1991 (“**WIA91**”).

The consultation period will last for 28 days from the date of publication of this notice. Having considered 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.

## 2. The Site

Icosa Water has applied for a variation of appointment to be able to provide water and sewerage services to a site called Friary 1b (Extension to Friary Park 1a) (“**the Site**”). Site boundary maps can be viewed in section 8 of this document.

The Site is within the water and sewerage services area of Thames Water.

The Site will comprise 500 residential properties, and no business properties, and is expected to be fully built out in May 2025.

The Site is part of a larger development being constructed in phases. Phase 1A of the development was the subject of an application submitted by Icosa Water in September 2020, and a [variation to its appointment](#) to enable it to serve the development for water and sewerage was granted on 27 October 2021.

The current application is for the next phase of the development.

### 3. The applicant

On 20 October 2016, Icosa Water Limited was appointed as a water and sewerage undertaker for a site called West Raynham in Norfolk. On 20 December 2016, Icosa Water (the applicant), which is a subsidiary of Icosa Water Limited, applied to take over the appointment for the West Raynham site under the consent criterion. Since then Ofwat has agreed to vary Icosa Water's areas of appointment so that it serves a further 113 sites for water and/or sewerage services. The register of new appointments and variations can be viewed [here](#).

## 4. The proposal

Ofwat proposes to:

- grant a variation of appointment to Icosa Water as a water and sewerage company by including the Site in its water supply and sewerage services area; and
- vary the appointment of Thames Water as a water and sewerage company by excluding the Site from its water supply and sewerage services area.

By means of the above, Icosa Water will become the water and sewerage services supplier for the Site.

## 5. Our approach to the assessment of this application

The new appointment and variation mechanism, set out in primary legislation,<sup>1</sup> 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.

When considering applications for new appointments and variations, Ofwat operates within the statutory framework set out by Parliament, including our statutory duty to protect consumers, wherever appropriate by promoting effective competition. In particular, in relation to unserved sites, we consider that we must ensure future customers on a 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 that:

- customers, or future customers, should be no worse off than if the site had been supplied by the existing appointee; and
- Ofwat 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.

We clarified these two policy principles in February 2011, and updated them more recently, when we published our new appointments and variations – [policy \(2015 and 2019\)](#) and [process \(2018\)](#) documents. In December 2015, we published our '[Statement on our approach for assessing financial viability of applications for new appointments and variations](#)'. This states that we will adopt a company-based assessment of financial viability, rather than a detailed site-based assessment, where it is appropriate to do so.

When we assess whether customers will be no worse off as a result of the appointment, we not only consider the customers on the site but also the generality of customers – i.e. customers of the existing provider and customers more generally across England and Wales, who in our view benefit from the effective operation of the new appointment and variation mechanism.

---

<sup>1</sup> 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.

## 6. The application

Icosa Water has applied to be the water and sewerage company for the Site under the unserved criterion, set out in section 7(4)(b) of the WIA91.

### 6.1 Unserved status of the Site

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

Icosa Water provided a letter from Thames Water, dated 8 March 2022, in which it states that all clean water connections have been removed within phase 1B of the development and Thames Water believes it is safe to assume that the majority of the properties within the boundary which are fed from this main do not have any access to potable water. With regards to sewerage, it has been confirmed by Icosa Water that all lateral drains and the customer side network feeding properties, demolished in phase 1B, have been removed by the developer. Thames Water stated that it therefore views this Site as unserved.

There is one remaining Thames Water sewer on the Site. Icosa Water confirmed, in an email dated 12 October 2021, that this trunk sewer would be left to serve future phases of the project, until such time that the properties are vacant and demolished.

Given the information provided by the applicant and the incumbent company, we are satisfied that the Site meets the unserved criterion, which requires that an applicant must show that ‘at the time the variation is made’ the Site is unserved.

### 6.2 Protecting customers

Ofwat acts to protect consumers, especially those who are unable to choose their supplier. In assessing applications to supply new development sites, Ofwat acts on behalf of both existing customers as well as potential new customers who are not yet on site, to protect their interests. The fact that future customers on a site have not directly chosen their supplier is not a position unique to new appointments and variations – only business, charity and public sector

customers (“**Business Customers**”) in England and Wales are able to choose their supplier.<sup>2</sup>

Recognising this, our assessment of an applicant’s proposals includes analysis of its plans to ensure customers will be at least no worse off in terms of their annual bills and levels of service than if they had been supplied by the existing appointee in whose geographical area the relevant site sits.

### **6.3 Price**

Customers on the Site will be no worse off as Icosa Water proposes to match the charges to customers on the Site which Thames Water would have charged.

### **6.4 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 Icosa Water’s proposed Customer Code of Practice, and our view is that it is of an 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 Thames Water were to be the customers’ water and sewerage services supplier.

### **6.5 Site owner choice**

Icosa Water has the consent of the Site developer, Mount Anvil Limited, to become the water and sewerage services provider for the Site.

---

<sup>2</sup> The majority of Business Customers where the area of the relevant appointed company is not wholly or mainly in Wales (and whose premises are, or are likely to be, supplied with at least 50 Ml where the relevant area is wholly or mainly in Wales) have been able to effectively switch suppliers of water and/or sewerage since 1 April 2017.

## 6.6 Environment Agency and Drinking Water Inspectorate

We take the views of the Environment Agency into account before progressing to formal consultation on an application for a new appointment or variation<sup>3</sup>. The Environment Agency informed us that it is content for us to consult on this application.

We no longer contact the Drinking Water Inspectorate (“DWI”) before progressing to formal consultation on an application, following the DWI's confirmation that they consider our notification at the consultation stage sufficient.

## 6.7 Incumbent’s existing customers

In considering whether customers will be no worse off, we also considered the potential effects of this variation on the prices that 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. 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 Thames 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 potential £0.01 annual increase on the water bills and no increase on the sewerage bills of existing Thames 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.

---

<sup>3</sup> The Environment Agency and the Drinking Water Inspectorate will 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.

Therefore, we consider that granting this variation to Icosa Water would have a very small financial impact on customers' bills and could have potential benefits for customers.

## **6.8 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 water or sewerage company.

We assess this by taking a risk-based approach to assessing the viability of the individual site, to ensure that each new appointment and subsequent variation to that appointment carries a low risk of being financially unviable. As a new appointee's business is made up of these collective variations, in this way we ensure as far as possible that the new appointee will be able to finance the proper carrying out of its functions.

Following our review, which considered our standard analysis and the specific risks associated with the Site, we have concluded that the scenarios we have considered, the Site is able to demonstrate that its expected revenues will cover its expected operating costs.

We are satisfied that the financial security that Icosa Water has in place meets our minimum requirements in that it covers one year's annual operating costs required to supply the number of connections the business is projected to have in two years' time.

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

## 7. 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 and consequential variation on the existing customers of Thames Water.

We are currently minded to grant the variation under the unserved criterion. We are consulting on our proposal to do so.

### Where to send submissions

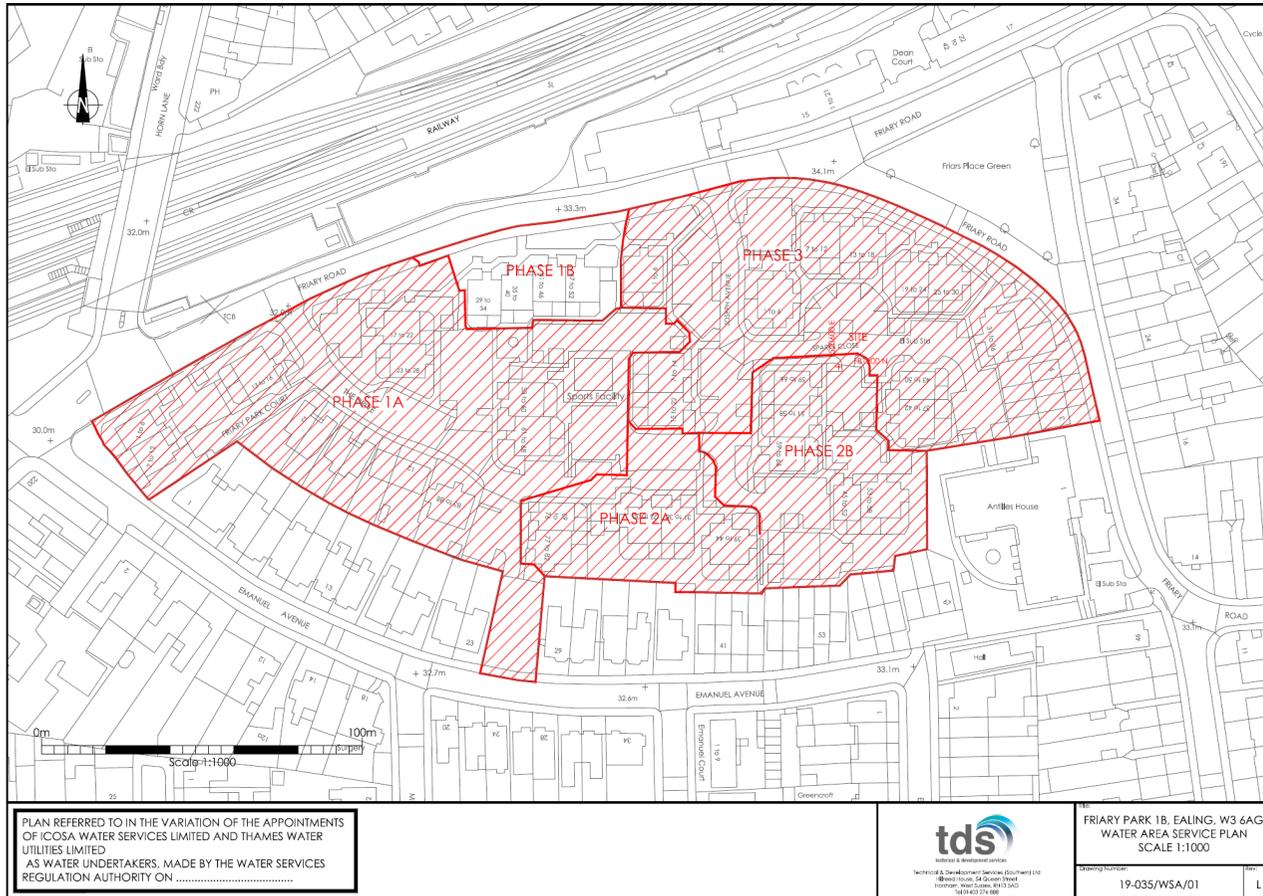
Any person who wishes to make representations or objections with respect to the application should do so in writing to Fenella Brown at Centre City Tower, 7 Hill Street, Birmingham, B5 4UA or by email at [Licensing@ofwat.gov.uk](mailto:Licensing@ofwat.gov.uk).

Representations must be received by Ofwat no later than 17.00 hours on 12 May 2022. 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/>.

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](#).

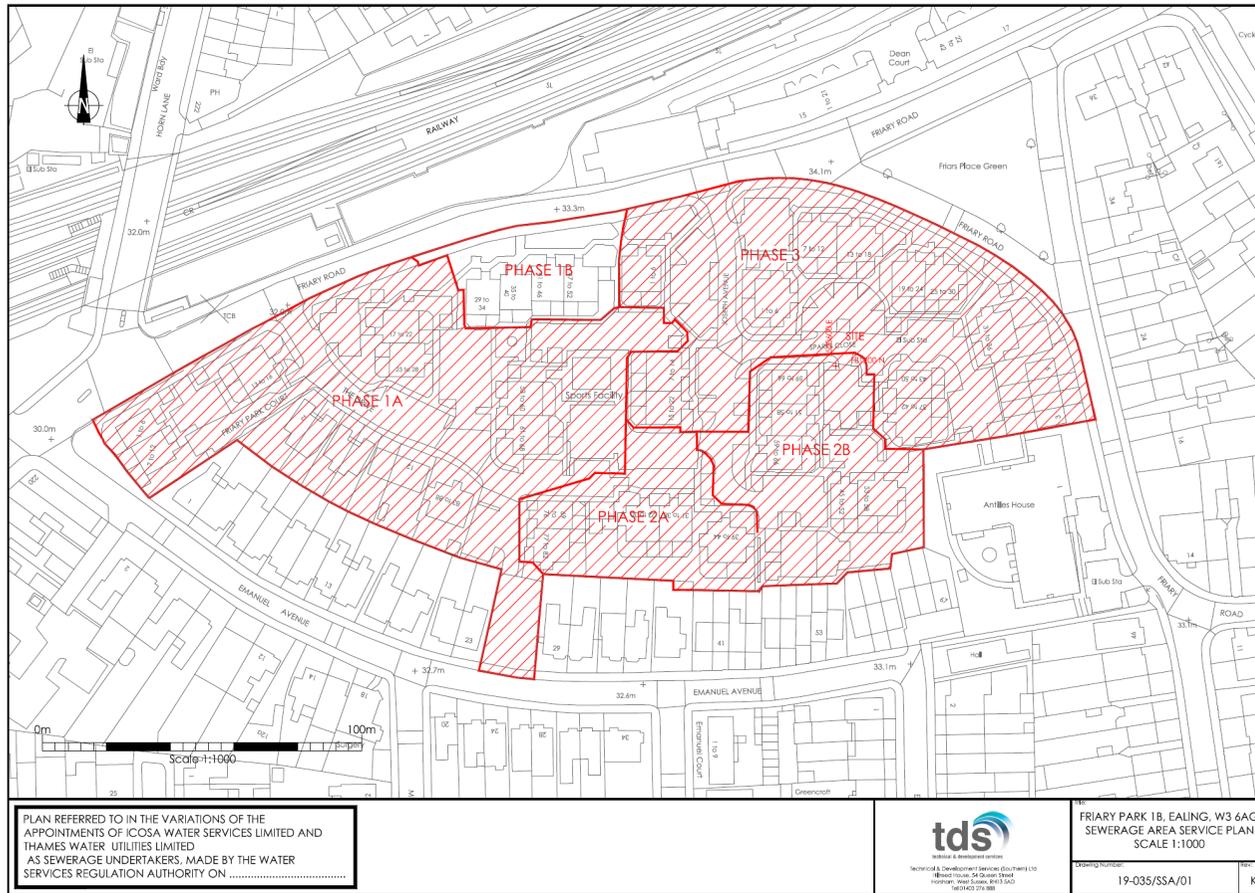
## 8. Site maps

### Water



Proposal to grant a variation of appointment to Independent Water Networks Limited as a water and sewerage company - Friary Park 1b (Extension to 1a)

Sewerage



I:\19035 Friary Park, Ealing\102 Erowegh Design\19035SSA\01.dwg 10/10/2019 09:29:45

**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

© Crown copyright 2021

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](https://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](https://www.ofwat.gov.uk).

Any enquiries regarding this publication should be sent to [mailbox@ofwat.gov.uk](mailto:mailbox@ofwat.gov.uk).

**OGL**