

April 2022

# **Variation of Independent Water Networks Limited's appointment to include Pickford Green Lane, Coventry**

## Variation of Independent Water Networks Limited's appointment to include Pickford Green Lane, Coventry

On 17 March 2022, Ofwat began a [consultation](#) on a proposal to vary Independent Water Networks Limited (“**Independent Water Networks**”) appointment to become the water services provider for a development in Severn Trent Water Limited (“**Severn Trent Water**”) called Pickford Green Lane, Coventry (“**the Site**”). Details of the application and our assessment of it were set out in the consultation document.

The consultation ended on 14 April 2022. During the consultation period, we received representations from four organisations, which are summarised in Section 1 of this document.

We will only make an appointment or variation if our assessment concludes that the application meets the criterion it has been made under; that customers or future customers on the Site will be no worse off than if the Site had been served by the existing appointee; and if the applicant will be able to finance the proper carrying out of its functions as a water company. As set out in our consultation we are satisfied this is the case. The responses we have received to the consultation have not changed that view.

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 Network's area of appointment to allow it to serve the Site for water services. This appointment became effective on 26 April 2022.

The site map for the variation can be found in Section 2 of this document.

The Variation Notice legally making the variation can be found in Section 3 of this document.

## 1. Responses received to the consultation

We received responses to our consultation from four organisations: the Consumer Council for Water (“**CCW**”), Drinking Water Inspectorate (“**DWI**”), the Environment Agency and Coventry City Council. We considered these responses before making the decision to vary Independent Water Networks' appointment.

The DWI and the Environment Agency had no comments to make with regard to this consultation and did not have any objections. Details of the responses from both CCW and Coventry City Council can be found below:

### 1.1. CCW

CCW stated that in general it expects new appointments and variation appointees to match or ideally better the incumbent's prices, service levels and service guarantees. CCW noted that Independent Water Networks proposes to charge customers on the same basis as Severn Trent Water and it is disappointed that there will be no direct financial benefit to customers being served by Independent Water Networks. However, it noted that it is aware that Independent Water Networks currently offers a discount of 2.5% against incumbents' charges and offers discounts to customers who are able to and opt to take up e-billing or paying by direct debit.

CCW noted that Independent Water Networks does not currently offer its financially vulnerable customers a social tariff in the way that Severn Trent Water can. However, CCW recognised that Independent Water Networks will offer the standard WaterSure tariff for qualifying customers. CCW considers that until Independent Water Networks can provide a formal social tariff, it is appropriate that it tailors some of the services it provides. CCW expects Independent Water Networks to offer appropriate flexible support to any individual in financial difficulty, who would otherwise benefit from a social tariff. It noted that this should not be at the expense of its other customers. CCW said that it recognises that by matching Severn Trent Water's charges, Independent Water Networks already benefits from the cross-subsidy Severn Trent Water customers pay to support its social tariffs.

CCW said that it notes that Independent Water Networks generally matches or exceeds Severn Trent Water's service standards, therefore, overall, it supports this application.

CCW noted our assessment that customers on the Site, will not be any worse off in terms of the level of service they receive from Independent Water Networks, then if they were served by Severn Trent Water and said it is satisfied that this is correct.

CCW recognised that we calculated that there will be no cost on the annual bills of Severn Trent Water's existing water customers once the Site is completed.

CCW said whilst it recognises that this is negligible, it is unclear if there are any significant benefits for Severn Trent Water customers from this arrangement. CCW states its questions the value of a NAV regime if it cannot deliver benefits to all customers.

### **Our response**

One of our key policies when considering NAV applications, is that customers should be no worse off if a new appointment and variation is granted. That is, an applicant must ensure its new customers are made no worse off in terms of charges and service than if they had been supplied by the previous appointee. We do not require applicants to better the service and price of previous incumbents.

Vulnerable customers may not be aware of the social tariff that would be available to them if they were served by the incumbent rather than by the applicant. It is the responsibility of the applicant to identify and protect vulnerable customers on the Site. Although the applicant does not offer a social tariff, it should ensure customers will be no worse off.

## **1.2 Coventry City Council**

Coventry City Council stated that Independent Water Network's offers both concerns and opportunities.

Coventry City Council noted that the Site forms a medium-sized outlying development to a wider Sustainable Urban Expansion ("**SUE**") site in the Eastern Green area of Coventry. Along Pickford Green Lane there are two medium developments of which the Site is one of several much smaller developments either completed or yet to be developed. The main SUE site consists of two principal developments incorporating a mix of residential and commercial development and which will come on-line in a series of packages or phases, following the construction of a new Grade Separated Junction ("**GSJ**") onto the A45. Coventry City Council notes that the size and scale of the development has been a matter of consideration for some time in terms of the management of drainage (storm and foul), water, gas, electricity, cable and other mixed services, together with the provision of roads, footways, pedestrian and cycle access and general societal services and connections.

Coventry City Council stated details of storm drainage options advising new developments will have on-site sustainable drainage systems and will be either fully or partially adopted with additional maintenance provided for private aspects.

Coventry City Council provided details on foul drainage options for the developments and said so far, the provision of foul drainage for Pickford Green Lane sites has been proposed as a series of individual pumping stations feeding to an existing sewerage network in nearby Eastern Green. In addition, Coventry City Council noted, there are a number of individual properties on either septic tanks or Biodisc treatment units for foul water treatment. Coventry City Council noted that it has suggested that by engaging with Severn Trent Water at an early stage it might be possible to design a single pumping station with the ability to manage all the phased developments. It notes that the removal of multiple smaller pumping stations would also enable management to take place at a single accessible point; make more developable land available; and enable individual property owner to transfer to a wider managed network if desired. Coventry City Council stated its discussions with Severn Trent Water are at an early stage.

Coventry City Council expressed concern that the introduction of a new water utilities provider into the overall development scheme makes the likelihood of achieving a unified sewerage drainage system less likely because of the separation of sites. Coventry City Council asked how legislation would control Independent Water Networks if it were to fail to maintain the services and what weight Ofwat has to force Independent Water Networks to act in a service failure. It also asked whether the network would default to Severn Trent Water if Independent Water Networks were to go bankrupt.

Coventry City Council noted that if Independent Water Networks were approached in a similar way to Severn Trent Water, they would gain more influence in the area and would potentially bring more diversity and make them more likely to remain and help with their business stability.

Overall, Coventry City Council concluded that whilst it has some concerns, it considers the proposed variation is workable within the SUE. Coventry City Council would welcome very early engagement with Independent Water Networks such that an overall understanding of the wider area can be understood by both parties.

## **Our response**

We have shared Coventry City Council's response with Independent Water Networks. Independent Water Networks has committed to engaging with Coventry City Council about the Site.

Coventry City Council has made a number of comments in relation to the sewerage services for the Site. The variation for the Site relates only to water services and we would encourage Coventry City Council to engage with the Site's developer regarding the sewerage arrangements for the Site. There is a competitive market for the provision of infrastructure for new developments and the developer has a choice in what provider to use.

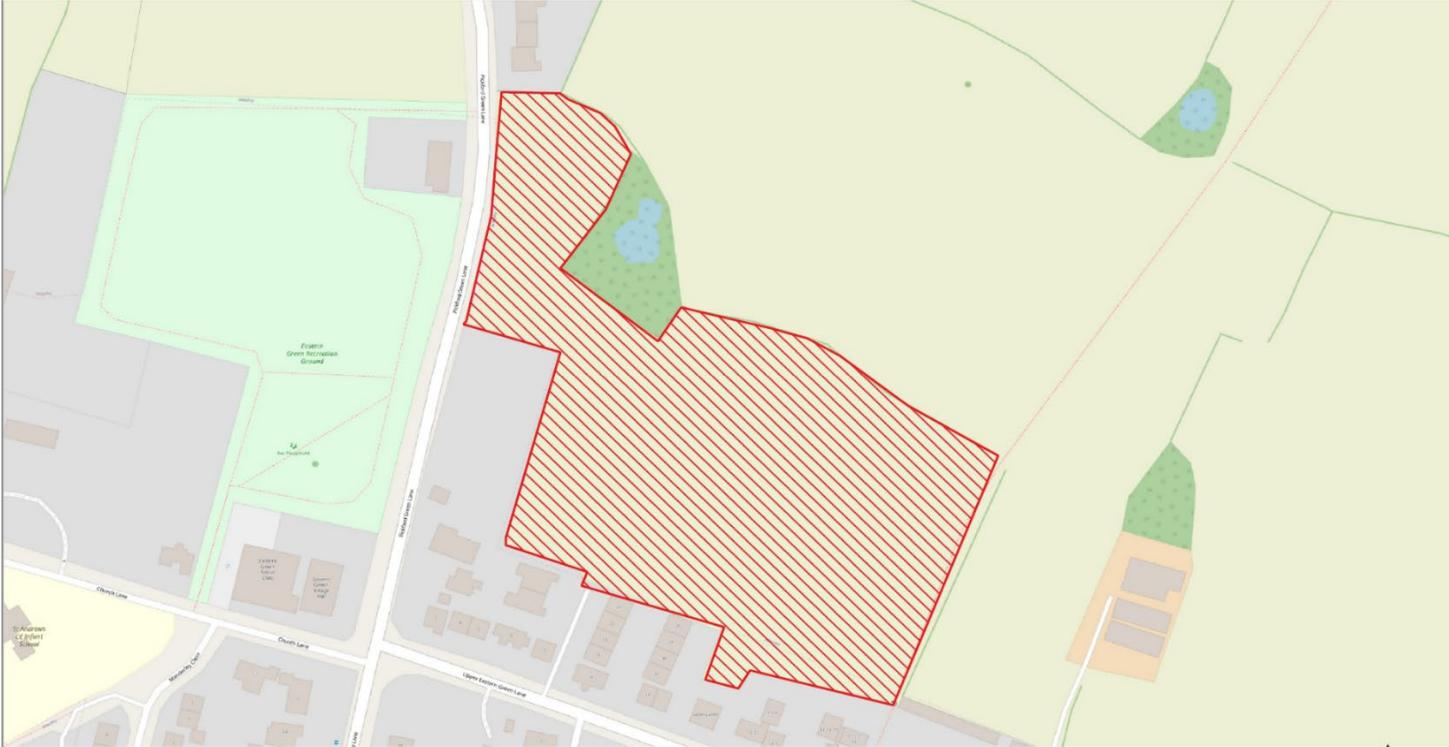
Based on our assessment of Independent Water Network's application we are satisfied that customers will be offered an appropriate level of service by Independent Water Networks and that overall customers will be 'no worse off' being served by Independent Water Networks instead of by Severn Trent Water for water services. A companies' financial resilience is an important part of the assessment we carry out, in order to ensure that the applicant will be able to finance the proper carrying out of its functions as a water company. This is checked on an ongoing basis, both in our assessments for each Site, and as an ongoing part of Ofwat's role as the economic regulator of the water sector.

Independent Water Networks, as an appointed water company, is regulated by Ofwat and is subject to largely the same legal obligations as larger water companies such as Severn Trent Water. If it fails to meet its obligations as an appointed water company, Ofwat can take action to address that

If, even after our regulatory monitoring, an appointed water company's business was to fail, the special administration process, that applies to all appointed water companies, will come into play. If a court makes a special administration order because an appointee's business has failed, a special administrator will be appointed to manage the affairs, business and property of the appointee in accordance with sections 23-25 of the Water Industry Act 1991 with the purpose of either rescuing the business or transferring the business of the appointee to another appointed company. This ensures that customers will continue to receive secure and reliable water supply, sewerage services or both. Further information on maintaining infrastructure standards and essential services can be found [here](#).

## 2. Site Map

### Water map



PLAN REFERRED TO IN THE VARIATIONS OF THE APPOINTMENTS OF INDEPENDENT WATER NETWORKS LIMITED AND SEVERN TRENT WATER LIMITED, AS WATER UNDERTAKER, MADE BY THE WATER SERVICES REGULATION AUTHORITY ON...25 April 2022

ADDRESS: PICKFORD GREEN LANE, EASTERN GREEN, COVENTRY, WEST MIDLANDS, CV5 7DX  
OS GRID REFERENCE: 427526, 280374

SCALE: 1: 2000  
DRAWN BY: CP  
DATE: 23/12/2021

0 50 100 m  
**INSET WATER SUPPLY MAP 1- PICKFORD GREEN LANE**  
PROJECT: N0022518 73875

### 3. Variation Notice

#### WATER SERVICES REGULATION AUTHORITY

#### WATER INDUSTRY ACT 1991, SECTIONS 6 TO 9

### Variation of the Appointments of Independent Water Networks Limited and Severn Trent Water Limited as the Water Undertakers

Made on 25 April 2022

Coming into effect on 26 April 2022

1. Independent Water Networks Limited ("Independent Water Networks") and Severn Trent Water Limited ("Severn Trent Water") hold an Appointment as a water undertaker for their respective area ("the Appointment").<sup>1</sup> The areas to which the Appointment of Independent Water Networks and Severn Trent Water as water undertakers relate ("Water Supply Area") are set out in their Instruments of Appointment.
2. The site called Pickford Green Lane, in Coventry, which is shown edged in red on the plan attached to this variation, ("the Site") is within Severn Trent Water's Water Supply Area. The Site is being developed by Lagan Homes Limited.
3. Independent Water Networks has applied under section 7(4)(b) of the Water Industry Act 1991 ("the Act") for a variation of its Appointment as a water undertaker to include the Site and for a consequential variation of Severn Trent Water's Appointment to exclude the Site.
4. On 27 June 1995, the Secretary of State for the Environment and the Secretary of State for Wales acting jointly and pursuant to sections 6(1) and 7(2) of the Act authorised the Director General of Water Services<sup>2</sup> to make variations such as those contained in

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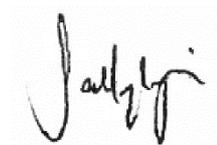
<sup>1</sup> Severn Trent Water's original Appointment as a water undertaker was made by the Secretary of State for the Environment under sections 11 and 14 of the Water Act 1989, now replaced by sections 6 and 11 of the Water Industry Act 1991. Independent Water Networks' original appointment was made by the Water Services Regulation Authority under sections 6 and 11 of the Water Industry Act 1991.

<sup>2</sup> With effect from 1 April 2006 the functions of the Director General of Water Services were transferred to the Water Services Regulation Authority in accordance with section 36 of, and Schedule 3 to, the Water Act 2003.

paragraph 5 below. After public consultation, as required by section 8 of the Act, the Water Services Regulation Authority has decided that it should grant Independent Water Networks' application.

5. Therefore, as provided by sections 7(2) and 7(4)(b) of the Act, and with the agreement of Lagan Homes Limited, the Water Services Regulation Authority **varies**–
  - (a) the Appointment of Independent Water Networks as a water undertaker so that the Site is included in Independent Water Networks' Water Supply Area; and
  - (b) the Appointment of Severn Trent Water as a water undertaker so that the Site is excluded from Severn Trent Water's Water Supply Area.

**Signed for and on behalf of the Water Services Regulation Authority**

A handwritten signature in black ink, appearing to read 'Sally Irgin', is positioned above the printed name.

**Sally Irgin**

**Director of Enforcement**

**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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