

May 2022

**Proposal to grant a variation of
appointment to Icosa Water Services
Limited – Grasmere Gardens,
Whitstable**

Proposal to grant a variation of appointment to Icosa Water Services Limited – Grasmere Gardens, Whitstable

	Details
Applicant	Icosa Water Services Limited (“ Icosa Water ”)
Site Details	Grasmere Gardens, Whitstable (“ the Site ”)
Services	Sewerage Only
Current sewerage appointee	Sewerage Appointee: Southern Water Services Limited (“ Southern Water ”)
Proposed supply arrangements	Bulk discharge agreement with Southern Water
Criterion	Unserved
Household Customer	300
Business Customers	12
Developer	Kitewood Estates Limited
Estimated Site completion date	12/2025
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 Southern 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 6 June 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](#).

Unserviced 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.

Icosa Water is applying for a variation based on the unserved criterion. The Site is greenfield and aerial photographs confirm there are no buildings within the Site boundary. Southern Water has provided a letter, dated 23 February 2022, confirming that, in its view, the Site is unserved.

Given the information provided by the applicant and the incumbent company, we are satisfied that the Site may be considered unserved.

Price

Icosa Water's charges to customers on the Site will be equivalent to Southern 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 Icosa Water's proposed Customer Code of Practice, and our view is that it is of an appropriate standard. Our

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.

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 Southern Water were to be the customers' sewerage company.

Stakeholder engagement

We take the views of these organisations into account before progressing to formal consultation on an application for a new appointment. The Environment Agency has informed us that they are content for us to consult on this application.

We previously had pre consultation contact with the Drinking Water Inspectorate and Consumer Council for Water, but both organisations now choose to respond during the consultation process.

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 Southern 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 Southern 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 there to be a potential increase of £0.01 on the annual sewerage bills of existing Southern 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 be a very small financial impact on customers' bills and could have potential benefits for customers.

Ability to finance and properly carry out its functions

We have considered the revenues and costs of the Site relating to the provision of sewerage services should the relevant variation be granted.

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- 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 Southern 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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