

May 2022

Proposal to grant a variation of appointment to Independent Water Networks Limited to include a site called Land North of Mackie Avenue, Hassocks

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	Details
Applicant	Independent Water Networks Limited (“ Independent Water Networks ”)
Site Details	Land North of Mackie Avenue, Hassocks, West Sussex (“ the Site ”)
Services	Water Only
Current water appointee	Water Appointee: South East Water Limited (“ South East Water ”)
Proposed supply arrangements	Bulk supply agreement with South East Water.
Criterion	Unserved
Household Customer	500
Business Customers	2
Developer	Taylor Wimpey UK Ltd
Estimated Site completion date	March 2029
Summary of consultation	A statutory consultation made under section 8(3) of the Water Industry Act 1991 (“ WIA91 ”) to grant Independent Water Networks a variation to its appointment as a water and company by including the Site in its water supply area. To also vary the appointment of South East Water as a water company by excluding the Site from its water supply area. Consequently, Independent Water Networks will become the water and 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 22 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.

South East Water has provided a letter, dated 30 November 2021 confirming that, in its view, the Site is unserved. The Site is a greenfield site and a desk survey shows that there are no properties within the Site boundary.

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

Price

Independent Water Networks will match its charges to those of South East Water and proposes to offer a 2.5% discount on its charges to customers on the Site against the charges of the incumbent, South East Water for this charging year. Independent Water Networks will also offer a discount to customers who pay by direct debit or e-billing.

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

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.

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Water Network'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 Independent Water Networks' proposed Customer Code of Practice than they would be if South East Water were to be the customers' water company.

Stakeholder engagement

We take the view of the Environment Agency into account before progressing to formal consultation on an application for a new appointment. The Environment Agency informed us that it is content for us to consult on this application². The Drinking Water Inspectorate no longer require pre-consultation engagement and is content for us to progress applications from Independent Water Networks to consultation.

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 South East 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 South East 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 Independent Water Networks.

We estimate a potential £0.02 annual increase on the water bills of existing South East Water customers if we grant this variation to Independent Water Networks. 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 Independent Water Networks would have a very small 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.

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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 have considered the financial position of Independent Water Networks in relation to providing water services to the Site, and we are satisfied the company demonstrates sufficient financial viability.

Independent Water Networks has an unlimited Keepwell agreement from its owner Brookfield Utilities UK Limited ("**BUUK**") in July 2013.

Independent Water Networks has confirmed that this agreement is still in place and will cover this proposed new site. BUUK continues to hold an investment grade credit rating with Moody's.

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 Independent Water Networks would be able to finance its functions if the variation is granted.

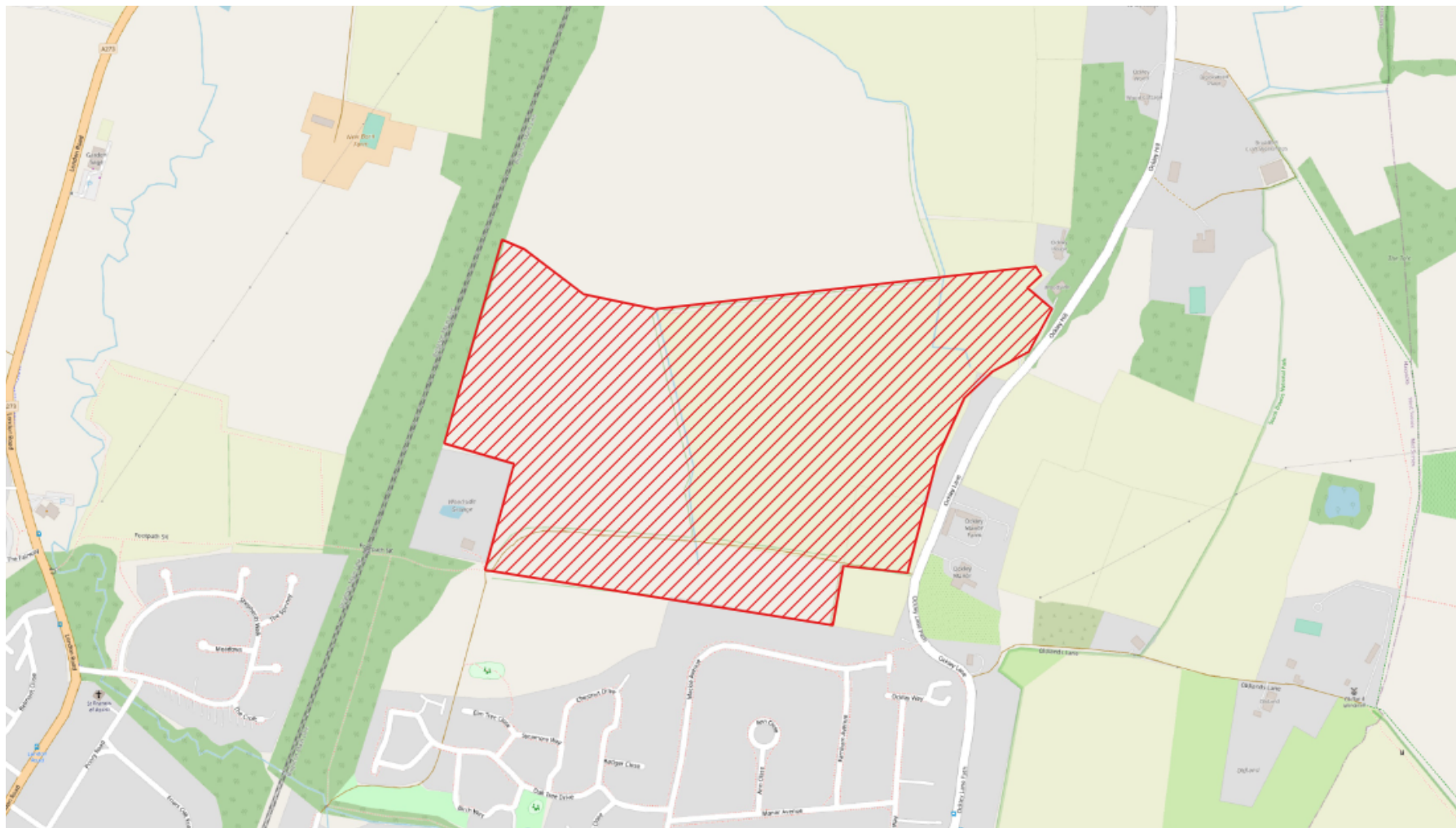
2. Conclusion and next steps

In assessing Independent Water Networks 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 Independent Water Networks 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 South East 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.

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3. Site map



PLAN REFERRED TO IN THE VARIATION OF THE APPOINTMENTS OF INDEPENDENT WATER NETWORKS LIMITED AND SOUTH EAST WATER LIMITED, AS WATER UNDERTAKERS, MADE BY THE WATER SERVICES REGULATION AUTHORITY ON ...

ADDRESS: LAND NORTH OF MACKIE AVENUE, OCKLEY LANE, HASSOCKS, WEST SUSSEX, BN6 8NX
OS GRID REFERENCE: 531564, 116524

SCALE: 1:7000
DRAWN BY: CS
DATE: 08/03/2022

0 100 200 m



**LAND NORTH OF MACKIE AVENUE
WATER SUPPLY
INSET MAP 1**



**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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