

May 2022

**Proposal to grant a variation of
appointment to Independent Water
Networks Limited to include
Ribblesdale Drive, Preston**

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	Details
Applicant	Independent Water Networks Limited (“ Independent Water Networks ”)
Site Details	Ribblesdale Drive, Preston (“ the Site ”)
Services	Water and Sewerage
Current water & sewerage appointee	Water and Sewerage Appointee: United Utilities Water Limited (“ United Utilities ”)
Proposed supply arrangements	Bulk supply and bulk discharge agreement with United Utilities
Criterion	Unserved
Household Customer	68
Business Customers	0
Developer	Landway Properties Limited
Estimated Site completion date	09 February 2025
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 sewerage company. To also vary the appointment of United Utilities as a water and sewerage company. Consequently, Independent Water Networks will become the water and sewerage company for the Site.
Deadline for submissions	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. Reponses must be received by Ofwat no later than 17.00 hours on 22 June 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](#).

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

Independent Water Networks 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 is made, none of the premises in the proposed area of appointment is served by the existing appointee.

There are currently farm buildings within the north east corner of the Site that are due to be demolished and disconnected. The rest of the Site is clear of buildings and the aerial photographs and maps confirm this situation. United Utilities has provided a letter, dated 10 February 2022, confirming that in its view, once the farm buildings have been demolished and the pipework disconnected and removed, the Site will be unserved. Independent Water Networks is aware that a variation to its appointment to include the Site will not be granted until the disconnection and removal of the pipework has occurred, and United Utilities has provided a further revised site status letter.

Given the information provided by Independent Water Networks and United Utilities, when we have received confirmation of the disconnection and removal of the pipework at the existing farm buildings, we will consider the Site to be unserved.

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.

Price

Independent Water Networks will at least match the charges to customers on the Site to those of United Utilities. Independent Water Networks currently offers a discount of 2.5% against the incumbents' charges (that is, for the 2022-23 charging year). This discount is reviewed every 12 months. It will also offer a saving to those opting to pay by Direct Debit or via 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 Water Networks' 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 United Utilities were to be the customers' water and sewerage company.

Stakeholder engagement

We take the view of the Environment Agency into account before progressing to formal consultation on an application for an appointment variation. The Environment Agency informed us that it is content for us to consult on this application. We no longer contact the Drinking Water Inspectorate before progressing to formal consultation on an application, following its confirmation that it considers our notification at the consultation stage sufficient².

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 United Utilities' 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 United Utilities might have expected to receive in revenue from serving the Site directly, were it to

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.

serve the Site, with the revenues it might expect from the proposed arrangement with Independent Water Networks.

We estimate no annual increase on the water and sewerage bills of existing United Utilities 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 no financial impact on customers' bills and could have potential benefits for customers.

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 and sewerage 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, 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 United Utilities.

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 maps

Water Boundary



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

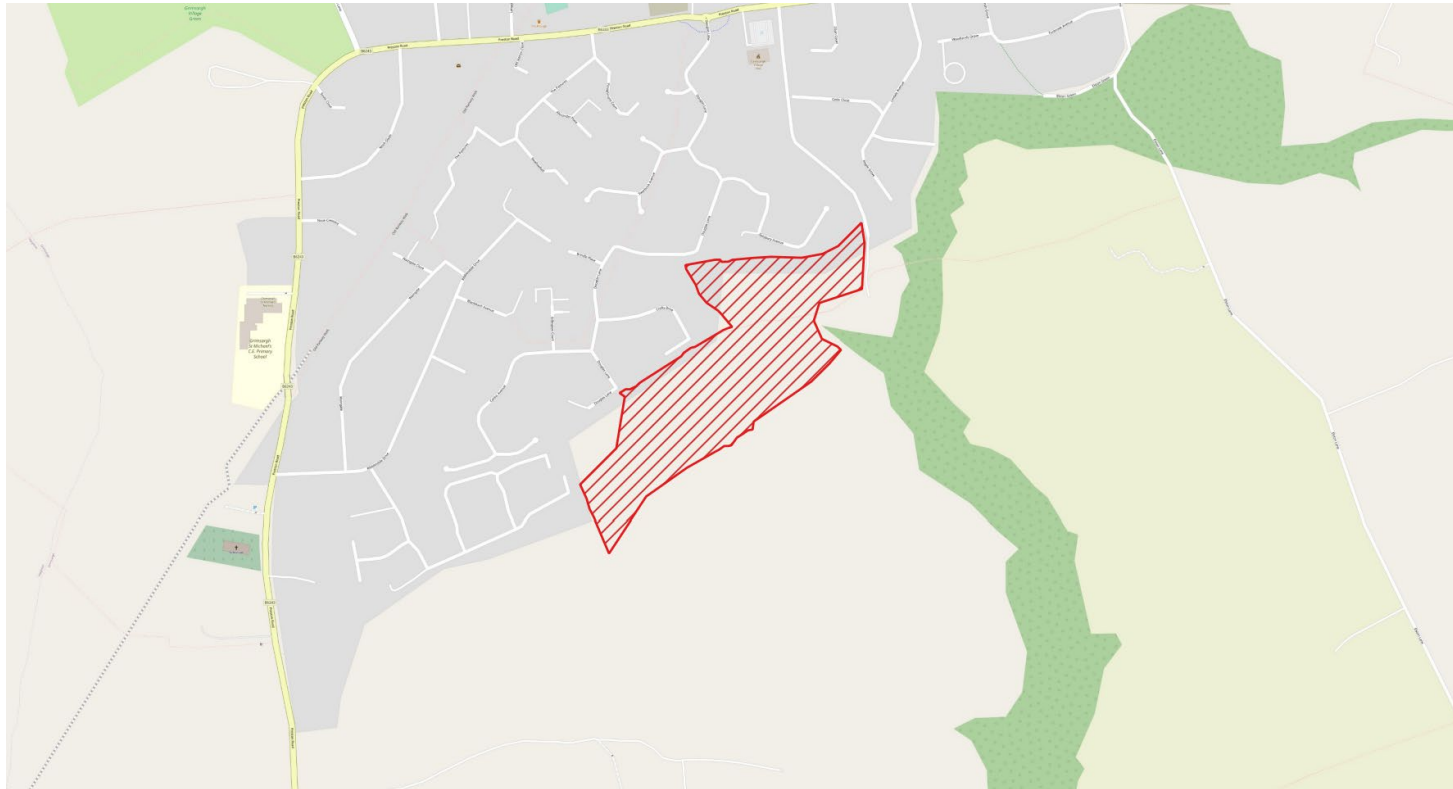
ADDRESS: Ribblesdale Drive, Preston, PR2 5TU
OS GRID REFERENCE: E: 358881 N: 434012

SCALE: 1:10000
DRAWN BY: LR
DATE: 09/02/2022

0 100 200 m

**RIBBLESDALE DRIVE
WATER SUPPLY
INSET MAP 2**

Sewerage Boundary



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

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**RIBBLESDALE DRIVE
SEWERAGE SUPPLY
INSET MAP 2**



**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
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