

Proposal to grant a variation of appointment to Independent Water Networks Limited to include a site called Ham Farm and New House Farm, Gillingham

	Details
<b>Applicant</b>	Independent Water Networks Limited (“ <b>Independent Water Networks</b> ”)
<b>Site Details</b>	Ham Farm and New House Farm, Gillingham (“ <b>the Site</b> ”)
<b>Services</b>	Water and Sewerage
<b>Current water and sewerage appointee</b>	Water Appointee: Wessex Water Services Limited (“ <b>Wessex Water</b> ”) Sewerage Appointee: Wessex Water
<b>Proposed supply arrangements</b>	A bulk supply and bulk discharge agreements with Wessex Water
<b>Criterion</b>	Unserved
<b>Household Customer</b>	961
<b>Business Customers</b>	3
<b>Developer</b>	Redrow Homes Southern Counties
<b>Estimated Site completion date</b>	2032
<b>Summary of consultation</b>	A statutory consultation made under section 8(3) of the Water Industry Act 1991 (“ <b>WIA91</b> ”) to grant Independent Water Networks a variation to its appointment as a water and sewerage company by including the Site in its water supply and sewerage services areas. To also vary the appointment of Wessex Water as a water and sewerage company by excluding the Site from its water supply and sewerage services areas. Consequently, Independent Water Networks will become the water and sewerage company for the Site.
<b>Deadline for submissions</b>	Representations or objections to this consultation should be sent by email to <a href="mailto:Licensing@ofwat.gov.uk">Licensing@ofwat.gov.uk</a> 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 <b>17.00</b> hours on <b>13 July 2022</b> .
<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 <a href="http://www.ofwat.gov.uk/foi/">http://www.ofwat.gov.uk/foi/</a>.</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 <a href="#">Publication Scheme</a>.</p>	

# 1. Our assessment of this application

## Our approach

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.

You can find further details of our approach to assessing applications for New Appointments and Variations ("NAVs") [here](#).

## Unserved 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.

Wessex Water has provided a letter, dated 8 March 2022, confirming that, in its view, the Site is unserved. The Site is a greenfield site and maps and aerial views of the area show that there are currently 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 proposes to match the charges to customers on the Site to those of Wessex Water, it is currently offering a discount of 2.5% against incumbent charges for the 2022-23 year. It also offers a small discount to customers who opt to pay by e-billing or direct debit.

## 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

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<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.

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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 Wessex Water 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 a new appointment. The Environment Agency informed us that it is content for us to consult on this application. The Drinking Water Inspectorate is satisfied that Independent Water Networks understand the obligations under the Water Industry Act 1991 (as amended), the Water Supply (Water Quality) Regulations 2016 (as amended) and the Water Industry (Suppliers' Information) Direction 2021.

The Drinking Water Inspectorate therefore raise no comments or objections to Ofwat proceeding to consultation and decision for applications submitted by Independent Water Networks.

## **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 Wessex 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 Wessex 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 £0.12 annual increase on the water bills and a potential annual increase of £0.05 on the sewerage bills of existing Wessex 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.

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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, 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

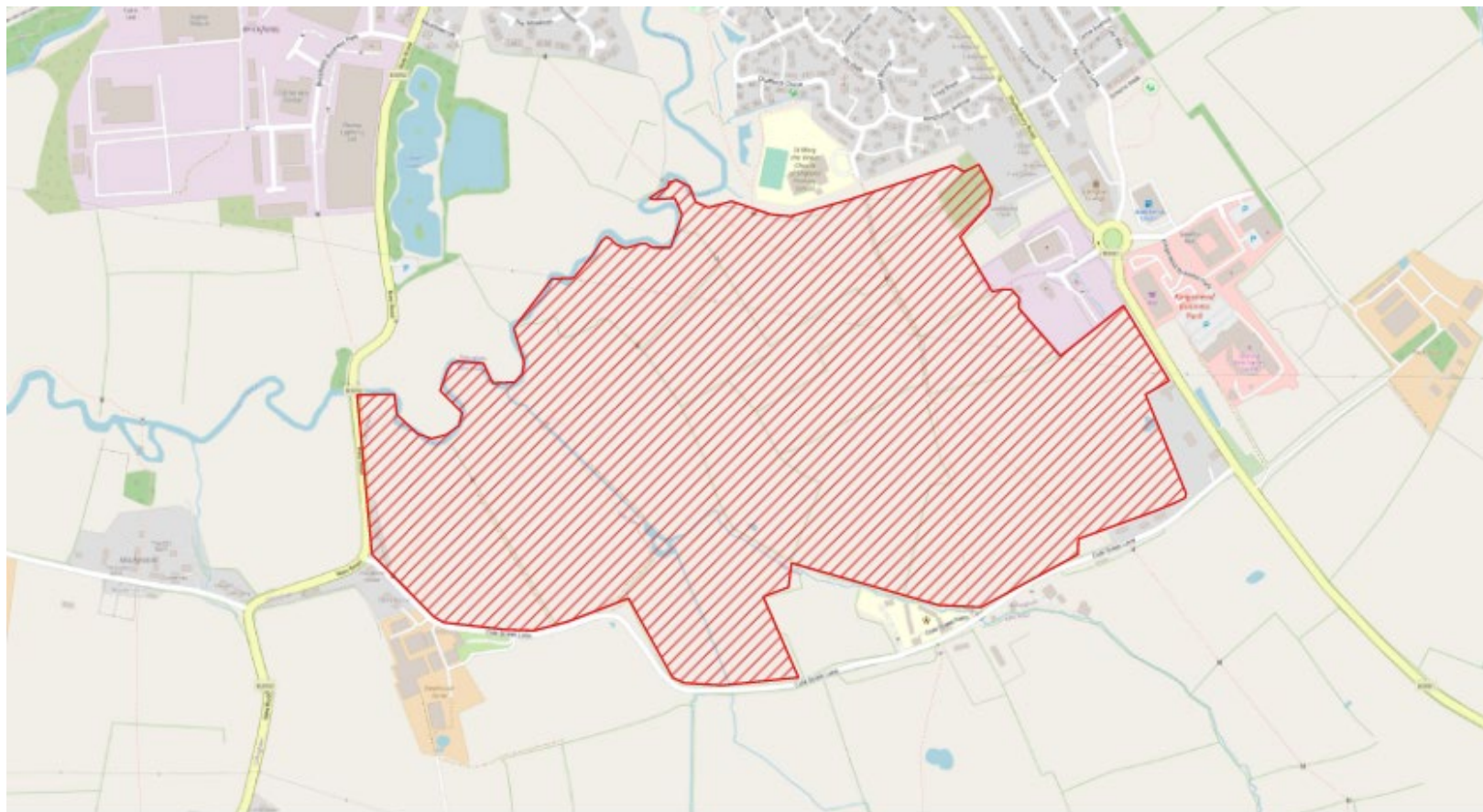
In assessing Independent Water Networks application, we have considered the general benefits of new appointments and variations. Our view is that our two key policy principles would be met in this case, as customers would be no worse off, and Independent Water Networks would be able to finance, and carry out, its functions. We have also considered the effects of granting the proposed variation on the existing customers of Wessex 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 maps

Water:



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

ADDRESS : HAM FARM AND NEW HOUSE FARM, GILLINGHAM, DORSET, SP8 5JG  
OS GRID REFERENCE: 381581, 125353

SCALE: 1:7000  
DRAWN BY: CS  
DATE: 10/03/2022

0 100 200 m

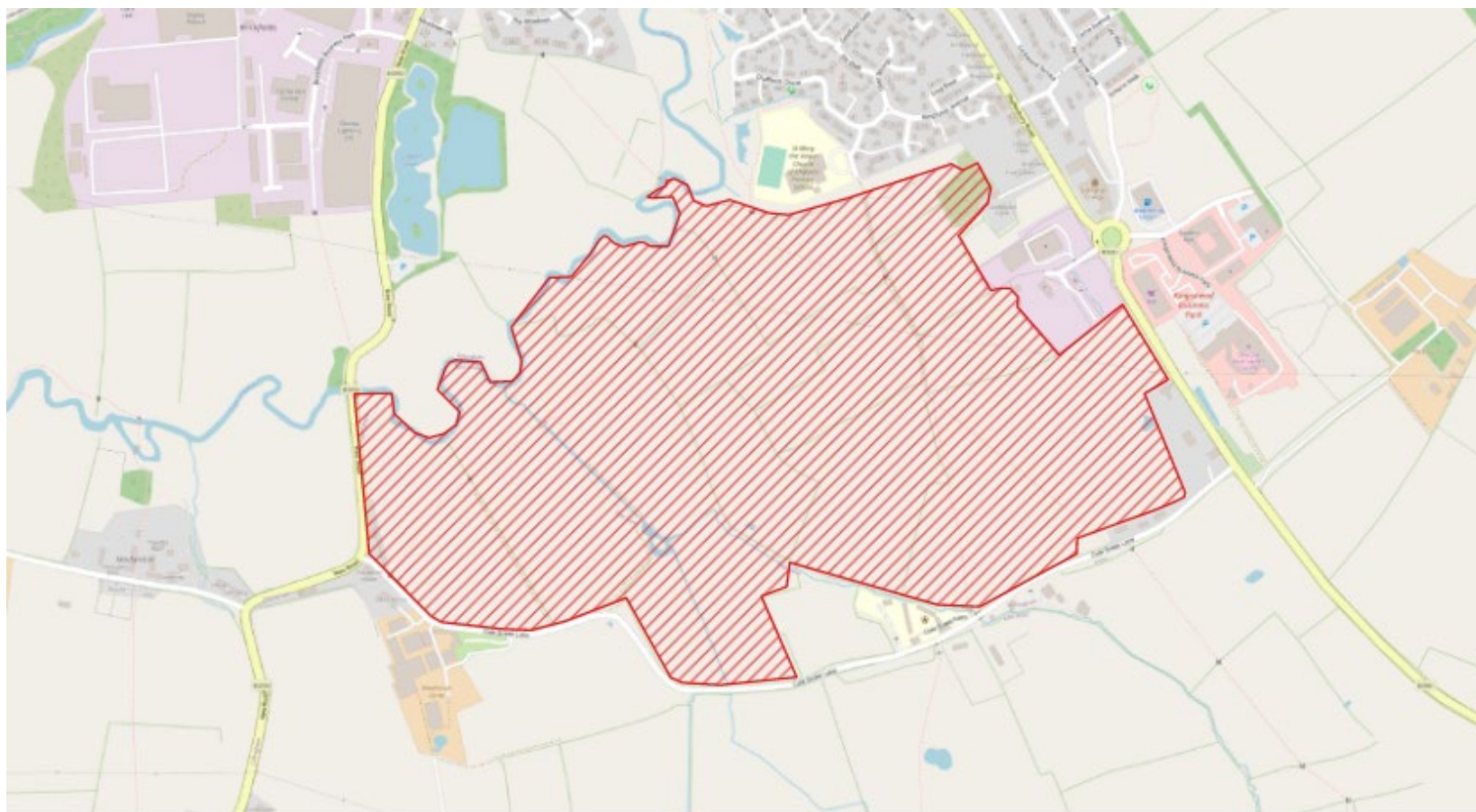


**HAM FARM AND NEW HOUSE FARM  
SEWERAGE UNDERTAKERS  
INSET MAP 1**



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**Sewerage:**



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**HAM FARM AND NEW HOUSE FARM  
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