

## Variation of Independent Water Networks' appointment to include Gatehouse Farm, Dawlish

On 25 May 2022, Ofwat began a [consultation](#) on a proposal to vary Independent Water Networks Limited's (“**Independent Water Networks**”) appointment to become the water and sewerage services provider for a development in South West Water Limited's (“**South West Water**”) water supply and sewerage services area called Gatehouse Farm, Dawlish (“**the Site**”). Details of the application and our assessment of it were set out in the consultation document.

The consultation ended on 27 June 2022. During the consultation period, we received representations from three 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 and/or sewerage 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 Networks' area of appointment to allow it to serve the Site for water and sewerage services. This appointment became effective on 19 August 2022.

The Site Maps 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 three organisations: the Consumer Council for Water (“**CCW**”), South West Water and the Environment Agency. We considered these responses before making the decision to vary Independent Water Networks' appointment.

The Drinking Water Inspectorate (“**DWI**”) has stated that it is satisfied that Independent Water Networks understands 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 DWI therefore raises no comments or objections to Ofwat proceeding to decision for applications submitted by Independent Water Networks.

The points raised in the responses from the Environment Agency, CCW and South West Water are set out below.

### South West Water

South West Water states that it supports the development of markets where customers could benefit, or in the least suffer no detriment, and acknowledges that while Ofwat’s assessment estimates an increase of £0.03 in total on the annual bills of existing South West Water customers that this does not take in to account potential spillover benefits. Therefore, South West Water has no objection to the proposal to grant the variation.

### Environment Agency

Prior to consultation the Environment Agency requested further information from Independent Water Networks regarding the capacity of the receiving network.

The Environment Agency responded to our consultation, stating that they were supportive in principle of the application but still required a response to their earlier questions.

Independent Water Networks provided confirmation that there is sufficient capacity within the network to accept the load for this Site and the discharge goes to Dawlish Wastewater Treatment Works. The Environment Agency then confirmed it had no further comments to make with regard to this consultation and did not have any objections.

### CCW

CCW states that in general it expects applicants for a new appointment and/or variation (“**NAV**”) to provide customers with prices, levels of service and service guarantees that match or, ideally, better those of the incumbent. This is particularly true for developments that include domestic housing, as household customers cannot choose or switch supplier.

CCW is disappointed that there will be no direct financial benefit to customers from having Independent Water Networks as their provider of water and sewerage services, as Independent Water Networks intends to match South West Water's charges. However, CCW is aware that Independent Water Networks currently offers a discount of 2.5% against the incumbent's charges and offers discounts to those of its customers who are able to and opt to take up e-billing or pay by direct debit. CCW considers that Independent Water Networks' service levels generally match or exceed those of the incumbent, so overall CCW supports the application.

CCW notes that, due to the relatively small size of its customer base, Independent Water Networks does not currently offer a social tariff to financially vulnerable customers in the way South West Water does, but will offer the standard WaterSure tariff for qualifying customers. CCW states that it is appropriate for Independent Water Networks to tailor some of the services that it provides until it can provide a formal social tariff. CCW sets out its expectation that Independent Water Networks would offer appropriate, flexible support to any customer in financial difficulty who would otherwise have benefitted from a social tariff and that this should not be at the expense of its other customers. CCW considers that by matching South West Water's charges Independent Water Networks already benefits from the cross-subsidy South West Water customers pay to support its social tariff.

CCW notes our conclusion that, as a result of the variation, there will be a potential increase of £0.01 on the annual water bills and £0.02 on the annual sewerage bills of South West Water's existing customers. CCW appreciates this but is unclear whether there will be any significant benefits to the existing customers of the incumbent. It questions the value of the NAV regime if it cannot deliver benefits to all customers.

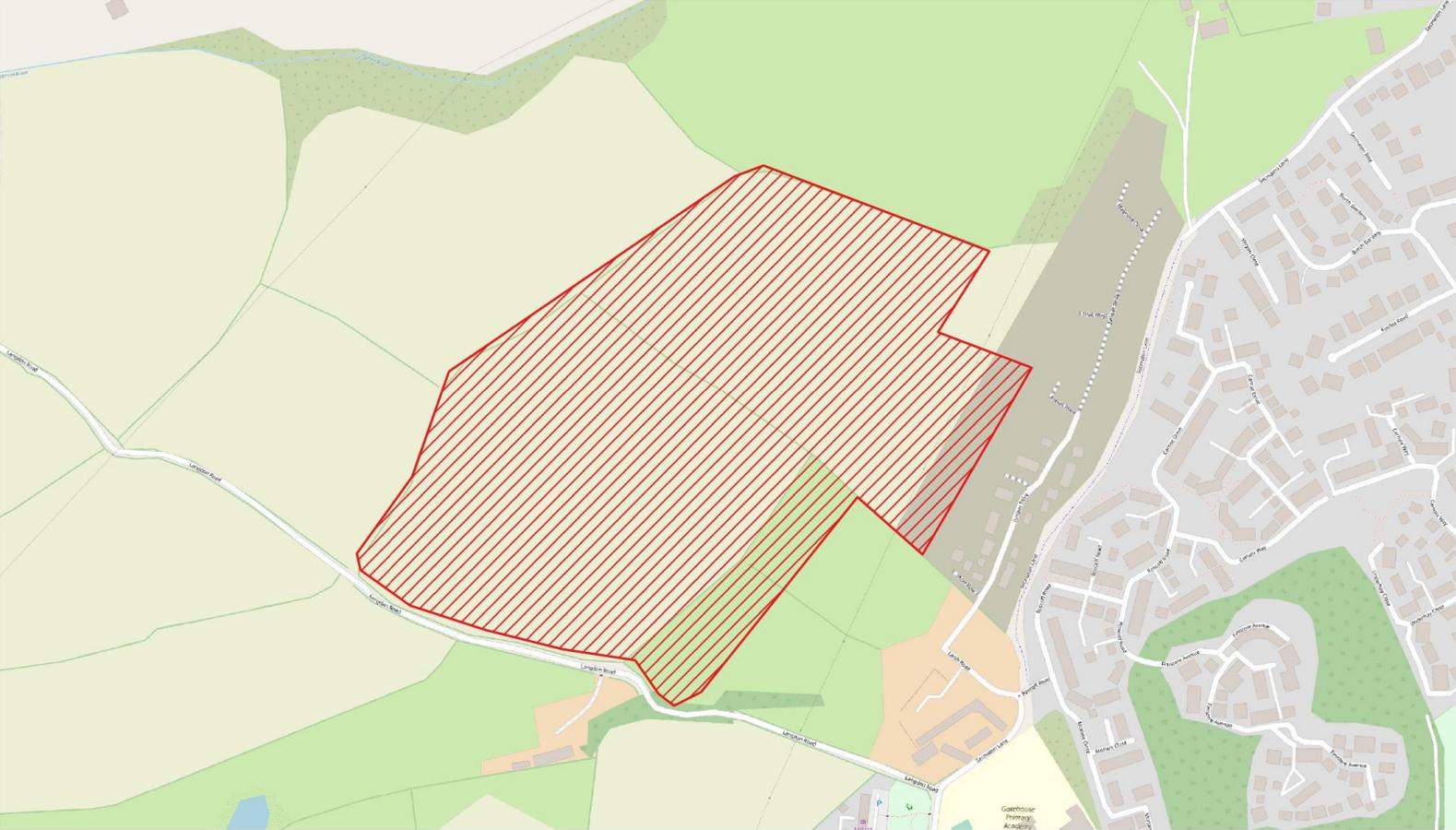
## **Our response**

One of our key policies when considering NAV applications is that customers should be no worse off if a NAV 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.

## 2. Site Maps

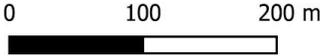
### Water



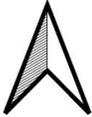
PLAN REFERRED TO IN THE VARIATION OF THE APPOINTMENTS OF INDEPENDENT WATER NETWORKS LIMITED AND SOUTH WEST WATER LIMITED, AS WATER UNDERTAKERS, MADE BY THE WATER SERVICES REGULATION AUTHORITY ON ...  
18 August 2022

ADDRESS: GATEHOUSE FARM, SECMATON LANE,  
DAWLISH, DEVON, EX7 0EN  
OS GRID REFERENCE: 296038, 77909

SCALE: 1:4000  
DRAWN BY: CS  
DATE: 17/03/2022

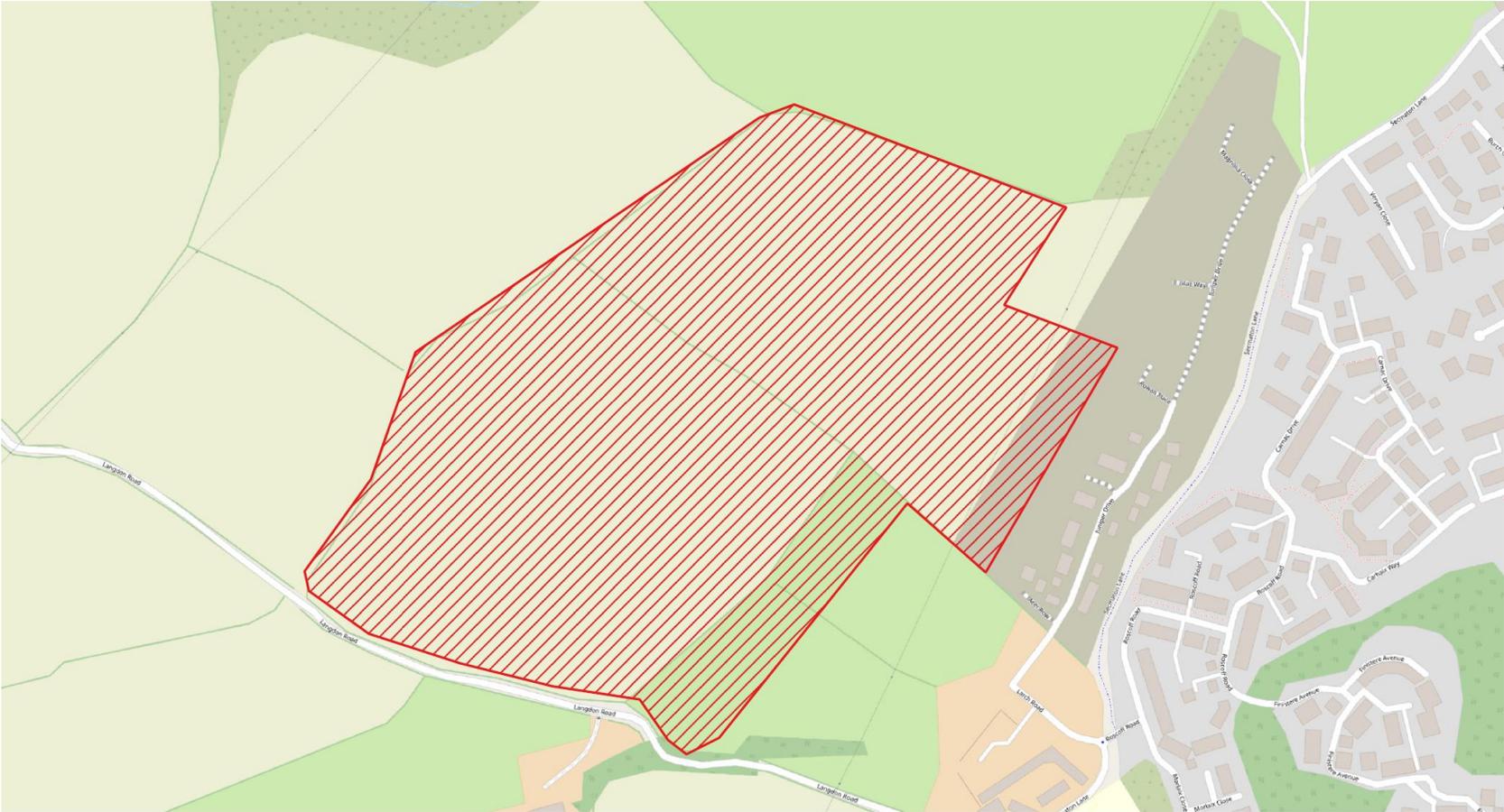


**GATEHOUSE FARM  
WATER SUPPLY  
INSET MAP 1**



Variation of Independent Water Networks' appointment to include Gatehouse Farm, Dawlish  
OFFICIAL – SENSITIVE

Sewerage

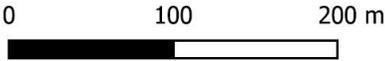


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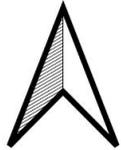
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**GATEHOUSE FARM  
SEWERAGE UNDERTAKERS  
INSET MAP 1**



### 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 South West Water Limited as Water and Sewerage Undertakers**

Made on 18 August 2022

Coming into effect on 19 August 2022

1. Independent Water Networks Limited ("Independent Water Networks") and South West Water Limited ("South West Water") hold Appointments as water and sewerage undertakers for their respective areas ("the Appointments").<sup>1</sup> The areas to which the Appointments of Independent Water Networks and South West Water as water and sewerage undertakers relate ("Water Supply Area" and "Sewerage Services Area") are set out in their Instruments of Appointment.
2. The site called Gatehouse Farm, Dawlish, which is shown edged in red on the plan attached to this variation, ("the Site") is within South West Water's Water Supply Area and Sewerage Services Area. The Site is being developed by Bloor Homes Limited and Taylor Wimpey (UK) 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 and sewerage undertaker to include the Site and for a consequential variation of South West 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 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 Bloor Homes Limited and Taylor Wimpey (UK) Limited, the Water Services Regulation Authority **varies**–

<sup>1</sup> South West Water's original Appointment as a water and sewerage 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.

- (a) the Appointment of Independent Water Networks as a water and sewerage undertaker so that the Site is included in Independent Water Networks' Water Supply Area and Sewerage Services Area; and
- (b) the Appointment of South West Water as a water and sewerage undertaker so that the Site is excluded from South West Water's Water Supply Area and Sewerage Services Area.

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



**Sally Irgin**  
**Director of Enforcement**