

Proposal to grant a variation of appointment to Independent Water Networks Limited – Victoria Road West, New Romney

| | Details |
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| Applicant | Independent Water Networks Limited (“ Independent Water Networks ”) |
| Site Details | Victoria Road West, New Romney (“ the Site ”) |
| Services | Water and Sewerage |
| Current water and sewerage appointee | Water Appointee: Affinity Water Limited (“ Affinity Water ”) Sewerage Appointee: Southern Water Services Limited (“ Southern Water ”) |
| Proposed supply arrangements | Bulk supply and discharge agreement with Affinity Water and Southern Water |
| Criterion | Unserved |
| Household Customer | 80 |
| Business Customers | 0 |
| Developer | L & G Homes Modular |
| Estimated Site completion date | 07/25 |
| 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 Affinity Water and Southern Water 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 September 2022 |
| <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.

Independent Water Networks is applying for a variation based on the unserved criterion. Southern Water and Affinity Water have provided letters, dated 2 May 2022 and 20 March 2022, confirming that, in their view, the Site is unserved. Satellite images of the Site show no existing buildings or infrastructure.

Given the information provided by the applicant and the incumbent companies, 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 Affinity Water and Southern Water. Independent Water Networks are offering a 2.5% discount for the current charging year.

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.

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 Affinity Water and Southern Water were to be the customers' water and sewerage company.

Stakeholder engagement

As part of assessing this application Ofwat has engaged with CCW. CCW's position is that new appointments and variations (NAVs) should bring benefits to customers on the proposed NAV site. CCW expects NAV appointees to provide consumers with prices, levels of service or service guarantees that match or, ideally, better those of incumbent water and/or sewerage companies. CCW has stated that it is satisfied that Independent Water Networks, as an established NAV appointee, offers customers on its site's prices and levels of service which match or better those offered by the incumbent water and/or sewerage companies which would otherwise serve the site. Therefore, CCW agrees with Ofwat's assessment that customers on the Site will be no worse off if served by Independent Water Networks and so, overall, supports the proposed variation of appointment.

CCW also considers the impact on the relevant incumbent's existing customers when considering a NAV application. It notes that in many cases there is a potential cost on the annual water and/or sewerage bills of these customers. While this cost is negligible on an individual site basis, CCW is unclear of the wider benefits of the NAV regime for incumbents' customers, particularly as the number of sites in each incumbent area increases and the cumulative cost rises.

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 and Affinity 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 and Affinity 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 there will be no annual increase on the water bills of existing Affinity Water customers and no increase on the sewerage bills of existing Southern 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 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 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.

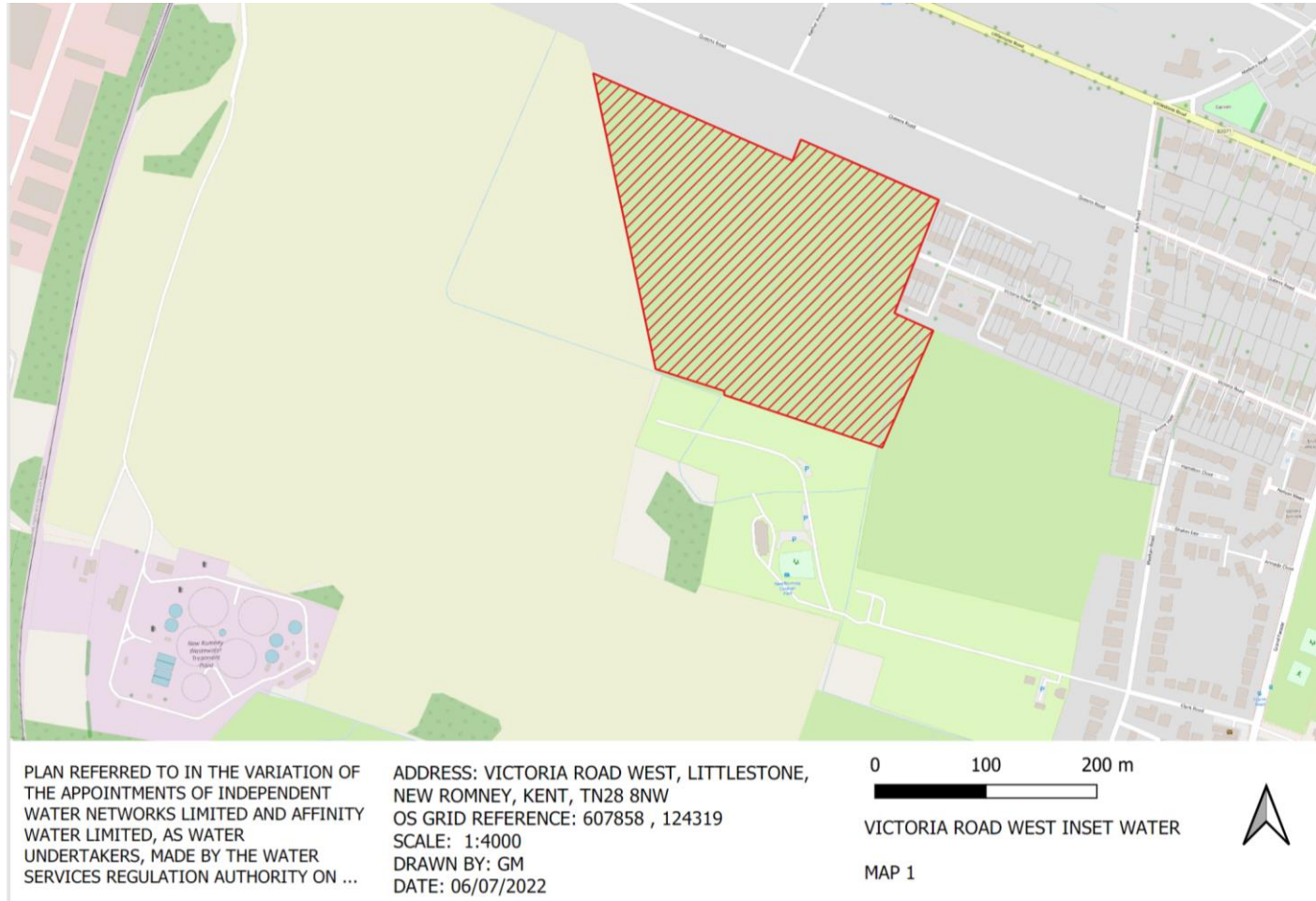
2. Conclusion and next steps

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 Southern Water and Affinity Water.

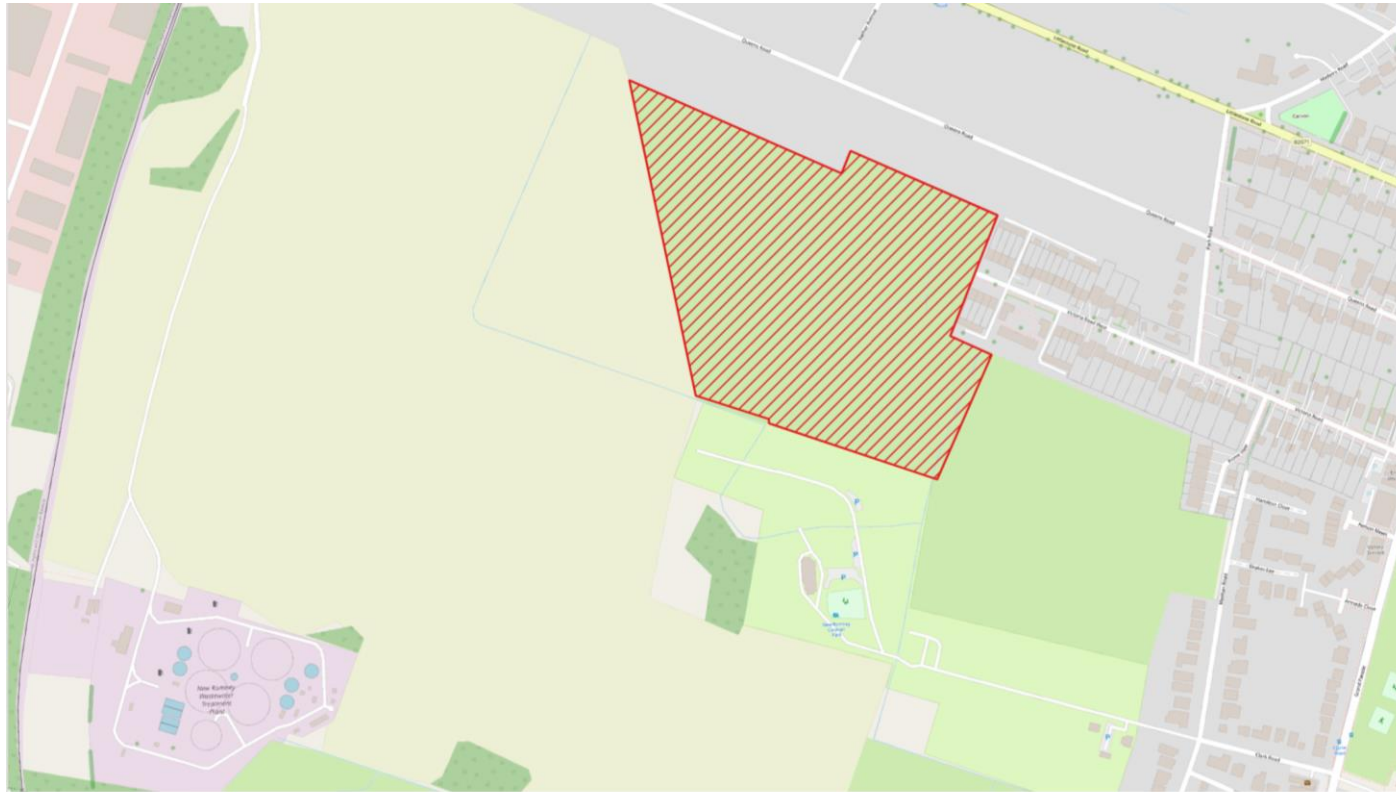
We are currently minded to grant the variation under the unserved criterion. Subject to considering any representations submitted during the consultation period in response to this consultation notice, Ofwat will decide whether or not to grant the variation of appointment set out above.

3. Site maps

Water



Sewerage



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

ADDRESS: VICTORIA ROAD WEST, LITTLESTONE, NEW ROMNEY, KENT, TN28 8NW
OS GRID REFERENCE: 607858 , 124319
SCALE: 1:4000
DRAWN BY: GM
DATE: 06/07/2022

0 100 200 m

VICTORIA ROAD WEST INSET SEWERAGE

MAP 1

