

August 2022

Variation of Independent Water Networks Limited's appointment to include Hoe Lane, North Baddesley

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On 27 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 Southern Water Services Limited's ("Southern Water") water supply area and sewerage services area called Hoe Lane, North Baddesley, Hampshire ("the Site"). Details of the application and our assessment of it were set out in the consultation document.

The consultation ended on 29 June 2022. During the consultation period, we received representations from two organisations, which are summarised in Section 1 of this document.

On 11 July, Independent Water Networks advised Ofwat there had been a change to boundary of the Site from that it had submitted in its application to Ofwat. This results in the addition of a small area of land to the original boundary area submitted Independent Water Network has confirmed that there are no other changes to be made to other aspects of the information it provided in its application (for example the number of properties to be on the Site or its financial modelling for the application), therefore the change does not affect our assessment of the application.

The stakeholders we are required to consult on the application have been updated about this boundary change and were asked to provide any further comments to us by 18 July 2022. The respondents did not raise any issues that have made us reconsider our proposal to grant this application.

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 25 July 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 two organisations: the Consumer Council for Water (“**CCW**”), and the Environment Agency. We considered these responses before making the decision to vary Independent Water Networks' appointment.

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 Southern 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 notes that therefore customers will be no worse off in terms of the amount they pay and will potentially be better off than if Southern Water were to serve them. 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 Southern Water does, but notes that it 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. 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 Southern Water's charges Independent Water Networks already benefits from the cross-subsidy Southern Water's customers pay to support its social tariff.

CCW notes our conclusion that, as a result of the variation, there will be a potential increase cost of £0.02 on the annual water bills and £0.01 on the annual sewerage bills of Southern Water's existing customers once the Site is completed.

CCW appreciates this is negligible but is unclear whether there will be any significant benefits to the existing customers of Southern Water. It questions the value of the NAV regime if it cannot deliver benefits to all customers.

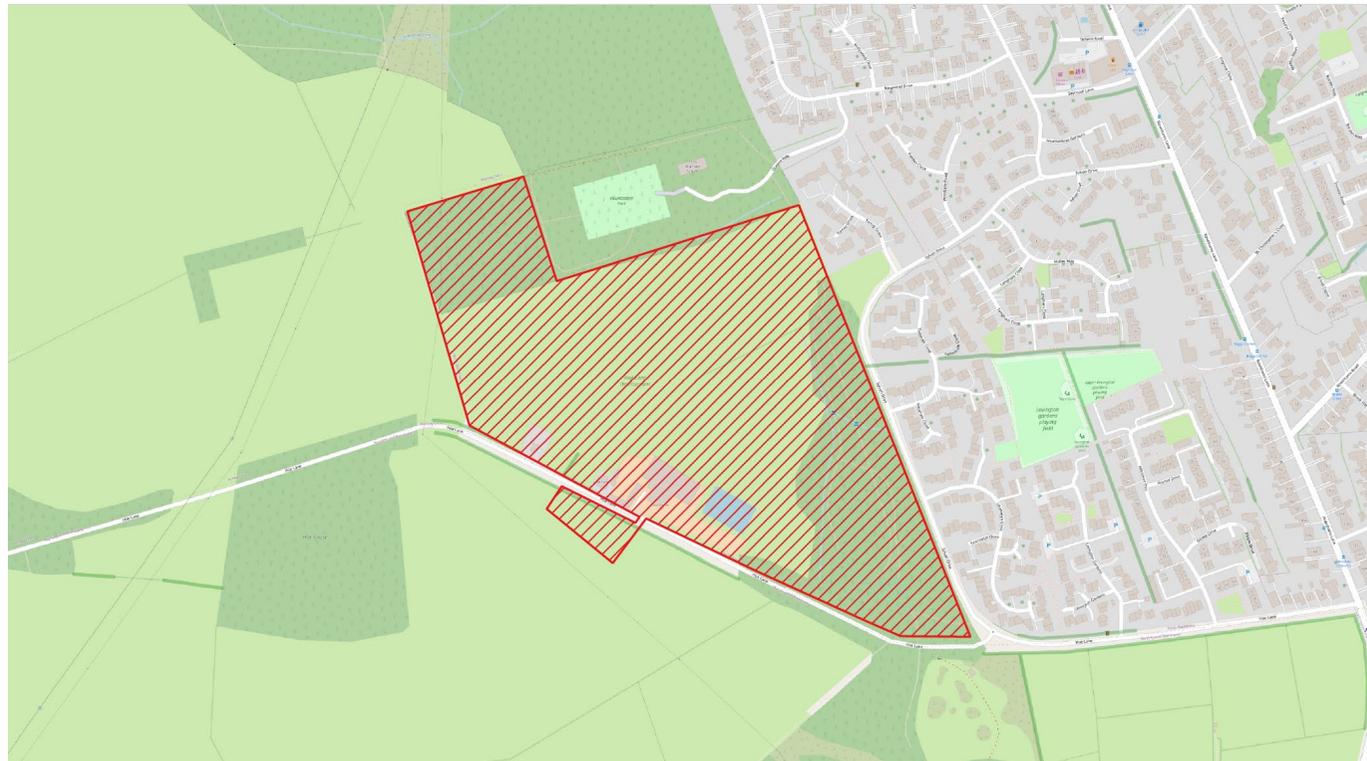
Our response

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 boundary



0 75 150 m

PLAN REFERRED TO IN THE VARIATION OF THE APPOINTMENTS OF INDEPENDENT WATER NETWORKS LIMITED AND SOUTHERN WATER SERVICES LIMITED, AS WATER UNDERTAKERS, MADE BY THE WATER SERVICES REGULATION AUTHORITY ON 25 July 2022

ADDRESS: HOE LANE, ROMSEY NORTH, NORTH BADDESLEY, SO51 9LJ
OS GRID REFERENCE: 438375, 119472

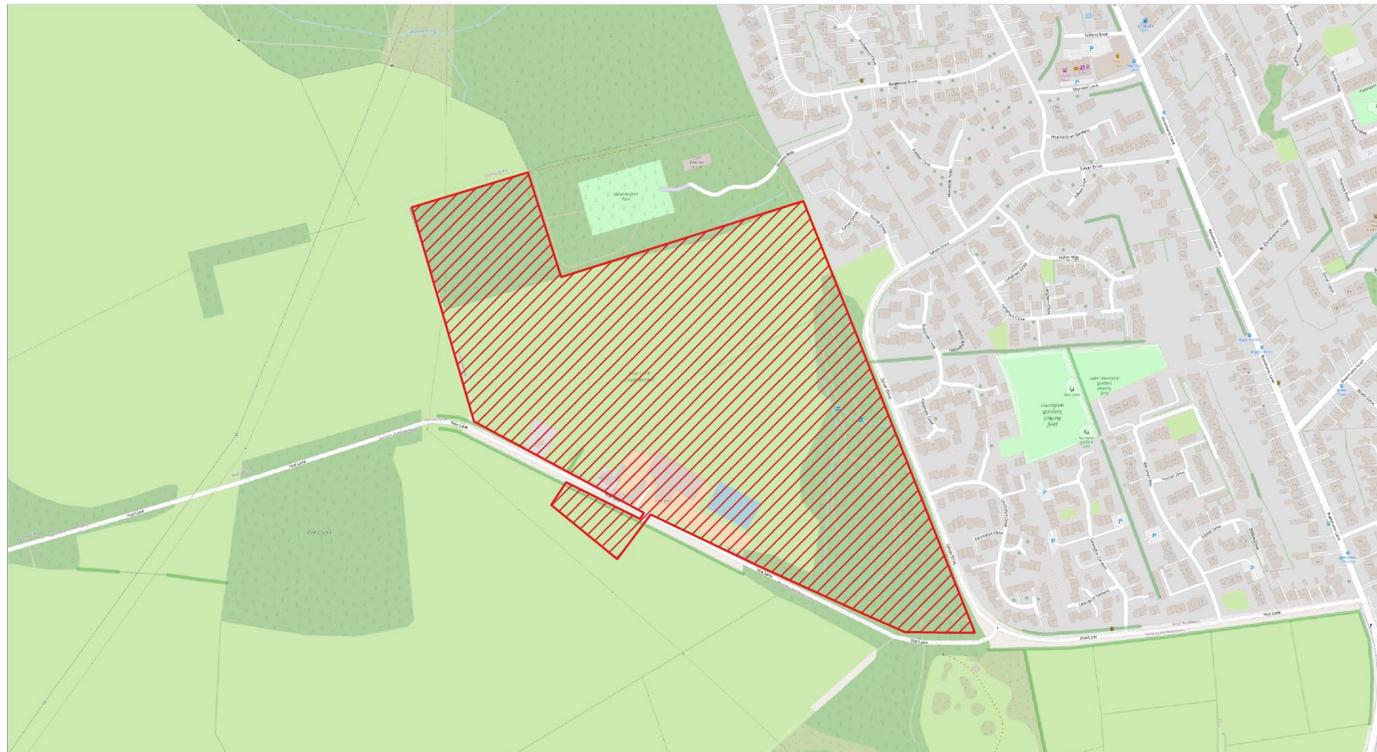
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DATE: 28/03/2022

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**HOE LANE
WATER SUPPLY
INSET MAP 1**



Sewerage boundary



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 ...

25 July 2022

ADDRESS: HOE LANE, ROMSEY NORTH, NORTH BADDESLEY, SO51 9LJ
OS GRID REFERENCE: 438375, 119472

SCALE: 1:5000
DRAWN BY: CS
DATE: 28/03/2022

0 75 150 m



**HOE LANE
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 Southern Water Services Limited as Water and Sewerage Undertakers

Made on 22 July 2022

Coming into effect on 25 July 2022

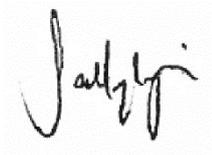
1. Independent Water Networks Limited ("Independent Water Networks") and Southern Water Services Limited ("Southern Water") hold Appointments as water and sewerage undertakers for their respective areas ("the Appointments").¹ The areas to which the Appointments of Independent Water Networks and Southern 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 Hoe Lane, North Baddesley in Hampshire, which is shown edged in red on the plan attached to this variation, ("the Site") is within Southern Water's Water Supply area and Sewerage Services Area. The Site is being developed by CG Fry & Son Limited, Wyatt Homes and Morrish Homes.
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 Southern 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 Services² 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.

¹ Southern 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.

² 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.

5. Therefore, as provided by sections 7(2) and 7(4) b of the Act, and with the agreement of CG Fry & Son Limited, Wyatt Homes and Morrish Homes, the Water Services Regulation Authority **varies**–
- (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 Southern Water as a water and sewerage undertaker so that the Site is excluded from Southern Water's Water Supply Area and Sewerage Services Area.

Signed for and on behalf of the Water Services Regulation Authority

A handwritten signature in black ink, appearing to read 'Sally Irgin', is positioned above the printed name and title.

Sally Irgin
Director of Enforcement

**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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