

August 2022

# **Variation of Icosa Water Services Limited's appointment to include Tata Steel, Rotherham**

## Variation of Icosa Water Services Limited's appointment to include Tata Steel, Rotherham

On 24 March 2022, Ofwat began a [consultation](#) on a proposal to vary Icosa Water Services Limited's ("Icosa Water") appointment to become the sewerage services provider for a development in Yorkshire Water Services Limited's ("Yorkshire Water") sewerage services area called Tata Steel, Rotherham ("the Site"). Details of the application and our assessment of it were set out in the consultation document.

The consultation ended on 25 April 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 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.

Our assessment concluded that the estimated profit margin of this Site is lower than we would usually expect in respect of our financial assessment for variation applications. However, as the Site will serve a relatively small number of customers and taking into account Icosa Water's broader portfolio of sites, we believe the financial viability risk of supplying this Site is low and is mitigated by the rest of its current portfolio of sites.

We are satisfied that the financial security Icosa Water has in place meets our minimum requirements. On this basis, our view is that the financial risk is small and as a result we are currently satisfied that Icosa Water would be able to finance its functions if the variation is granted.

Having assessed Icosa Water's application and having taken account of the responses we received to our consultation, we decided to grant a variation to Icosa Water's area of appointment to allow it to serve the Site for sewerage services. This variation became effective on 10 August 2022.

The site map 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**”), Drinking Water Inspectorate (“**DWI**”) and Environment Agency. We considered these responses before making the decision to vary Icosa Water's appointment. The DWI had no comments to make, and the Environment Agency and CCW's comments are detailed below.

### Environment Agency

The Environment Agency's response stated that it had no objections to the application but requested that Icosa Water note that:

- any new development needs to conform to the water efficiency statutory standards in the building regulations and/or the good practice standards in the Code for Sustainable Homes.
- the foul flow from the new development must be connected to Yorkshire Water's sewer network for full treatment at a wastewater treatment works.
- Yorkshire Water must ensure that the receiving sewer network and wastewater treatment works has adequate capacity within its permitted Dry Weather Flow (DWF) to take the foul flows from the new development. It noted that all water and sewerage companies are aware of their responsibilities when it comes to permitted DWF compliance and know what they would need to do if the predicted flows were likely to result in the permitted DWF being exceeded.
- The receiving public sewer should have a design capacity to convey dry and wet weather flows according to the Best Technical Knowledge not Entailing Excessive Cost. The new development should have separate foul and surface water drainage to alleviate pressure on the foul or combined system with source control via Sustainable Drainage Systems principles.
- Yorkshire Water must ensure that any existing storm overflows on the receiving sewer network and/or at the wastewater treatment works do not deteriorate in terms of spill frequency and/or load.
- If the pre-application includes information regarding telemetry, monitoring, maintenance and emergency response on assets within the development, the applicant should report any incidents that could impact on the environment to the Environment Agency as soon as practicable.

In an email dated 3 May 2022, Icosa Water confirmed that it has noted the Environment Agency's comments.

### CCW

In general, CCW expects new appointees to provide consumers 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 do not currently have the ability to choose or switch supplier like business customers can.

CCW states that Ofwat's overall assessment is that customers will be no worse off in terms of the levels of service they receive if served by Icosa Water rather than Yorkshire Water, and it agrees with this assessment, and for this reason, CCW supports this application.

CCW is disappointed that there is no direct financial benefit to customers from having Icosa Water as their provider sewerage services, as it is Icosa Water's intention is to match Yorkshire Water's charges.

As part of the application process, CCW commented on a comparison of Icosa Water's voluntary and statutory service standards with those of Yorkshire Water. CCW notes that Icosa Water is offering guaranteed and voluntary standards of service that generally match or exceed the standards offered by Yorkshire Water, for example by offering greater compensation for service failure.

CCW notes that due to the relatively small size of its customer base Icosa Water does not offer its financially vulnerable customers a social tariff in the way that Yorkshire Water does, although it will offer the standard WaterSure tariff for qualifying customers who find themselves in financial difficulty. Until it can provide a formal social tariff CCW considers it is appropriate that Icosa Water tailors some of its services. It expects Icosa Water to offer appropriate flexible support to any individual in financial difficulty who would otherwise benefit from a social tariff. CCW notes that this should not be at the expense of its other customers. CCW recognises that by matching Yorkshire Water's charges Icosa already benefits from the cross-subsidy Yorkshire Water's customers pay to support its social tariff.

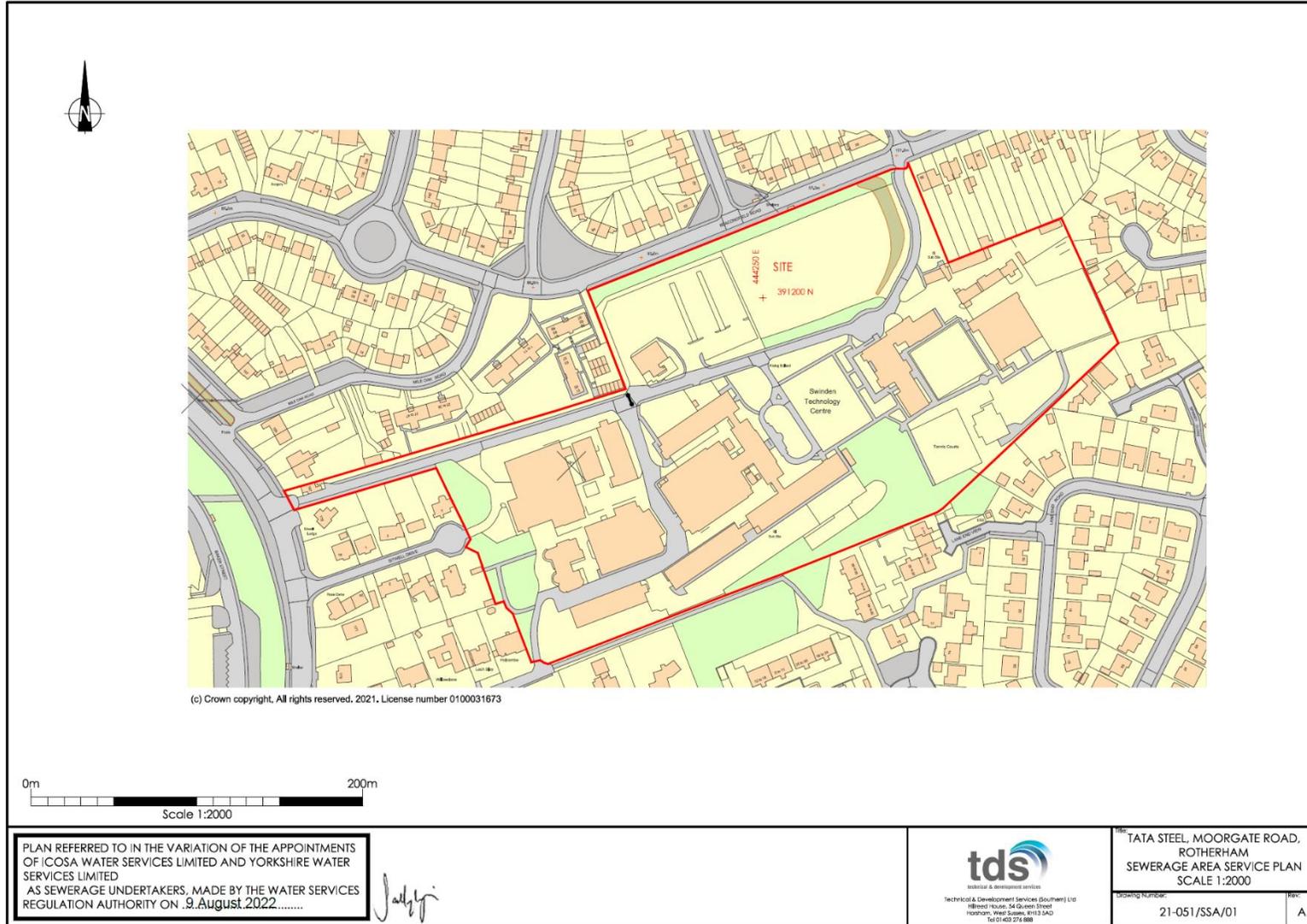
CCW notes that Ofwat has calculated that there will be a £0.01 cost on annual bills for Yorkshire Water's existing sewerage customers as a result of this variation. CCW notes that this is negligible, but that it is unclear whether there will be any significant benefits from the arrangement for existing customers of Yorkshire Water. CCW questions the value of the new appointment and variation regime if it cannot deliver benefits to all customers.

## **Our response**

One of our key policies is that customers should be no worse off if a new appointment and variation 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 Map



### 3. Variation Notice

**WATER SERVICES REGULATION AUTHORITY**  
**WATER INDUSTRY ACT 1991, SECTIONS 6 TO 9**

**Variation of the Appointments of Icosa Water Services Limited and Yorkshire Water Services Limited as Sewerage Undertakers**

Made on 9 August 2022

Coming into effect on 10 August 2022

1. Icosa Water Services Limited ("Icosa Water") and Yorkshire Water Services Limited ("Yorkshire Water") hold Appointments as sewerage undertakers for their respective areas ("the Appointments").<sup>1</sup> The areas to which the Appointments of Icosa Water and Yorkshire Water as sewerage undertakers relate ("Sewerage Services Area") are set out in their Instruments of Appointment.
2. The site called Tata Steel, Moorgate, Rotherham, which is shown edged in red on the plan attached to this variation, ("the Site") is within Yorkshire Water's Sewerage Services Area. The Site is being developed by Keepmoat Homes Limited.
3. Icosa Water has applied under section 7(4)(b) of the Water Industry Act 1991 ("the Act") for a variation of its Appointment as a sewerage undertaker to include the Site and for a consequential variation of Yorkshire 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 Icosa Water's application.
5. Therefore, as provided by sections 7(2) and 7(4)(b) of the Act, and with the agreement of Keepmoat Homes Limited, the Water Services Regulation Authority **varies**—
  - (a) the Appointment of Icosa Water as a sewerage undertaker so that the Site is included in Icosa Water's Sewerage Services Area; and

<sup>1</sup> Yorkshire Water's original Appointment as 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. Icosa Water's original Appointment as a sewerage undertaker 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.

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- (b) the Appointment of Yorkshire Water as a sewerage undertaker so that the Site is excluded from Yorkshire Water's Sewerage Services Area.

Signed for and on behalf of the Water Services Regulation Authority



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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