

Variation of Icosa Water Services Limited's appointment to include Tithebarn, Redhayes 2B, Exeter

On 20 April 2022, Ofwat began a [consultation](#) on a proposal to vary Icosa Water Services Limited's ("**Icosa Water**") appointment to become the water services provider for a development in South West Water Limited's ("**South West Water**") water supply area called Tithebarn, Redhayes 2B, Exeter ("**the Site**"). Details of the application and our assessment of it were set out in the consultation document.

The consultation ended on 20 May 2022. During the consultation period, we received representations from four 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 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 water services. This appointment became effective on 25 August 2022.

The Site Map for the variation can be found in Section 2 of this document.

The legal Variation Notice can be found in Section 3 of this document.

1. Responses received to the consultation

We received responses to our consultation from four organisations: the Consumer Council for Water (“**CCW**”), the Drinking Water Inspectorate (“**DWI**”), South West Water and the Environment Agency. We considered these responses before making the decision to vary 's appointment.

The DWI and South West Water had no comments to make with regard to this consultation and did not have any objections. The points raised in the responses from the Environment Agency and CCW are set out below.

The Environment Agency

In response to the consultation the Environment Agency stated that it had no objection to the consultation but raised a series of points for Icosa Water to note in relation to its ability to supply water to the Site under its agreements with South West Water. It also suggested that as part of the proposed site, water savings measures be implemented and water meters fitted to all properties to enable detection of water leaks or unaccounted for water use, and that if South West Water impose drought restrictions in the area that Icosa impose these too. Icosa Water provided a response via email on 25 July 2022 confirming that it would be able to meet the Site's supply needs and its obligations. Icosa Water also confirmed that it installs a water meter in every new build property as standard to help with the identification of customer-side leakage and unaccounted for water use. The Environment Agency confirmed it was happy with this response.

CCW

In general, CCW expects that new appointments and variations (“**NAVs**”) should bring benefits to customers on the site such as matching or improving the pricing, levels of service or service guarantees. This is particularly true for developments that include domestic housing, as household customers cannot choose or switch supplier.

CCW is disappointed that there is no direct financial benefit to customers from having Icosa Water as their provider of water services at the Site, as Icosa Water intends to match the charges of South West Water. However, as Icosa Water generally matches or exceeds the service standards of South West Water, CCW overall supports the application as customers will be no worse off in terms of the level of service they will receive or the price they will pay. For example, Icosa Water offers a greater compensation for service failure.

CCW notes that due to the relatively small size of its customer base, Icosa Water does not currently offer a social tariff to financially vulnerable customers in the way South West Water

does, but it will offer the standard WaterSure tariff for qualifying customers. CCW states that until Icosa Water can provide a formal social tariff, it is appropriate for it to tailor some of the services that it provides. CCW sets out its expectation that Icosa Water 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 notes that by matching South West Water charges Icosa Water already benefits from the cross-subsidy that South West Water's customers pay to support its social tariff.

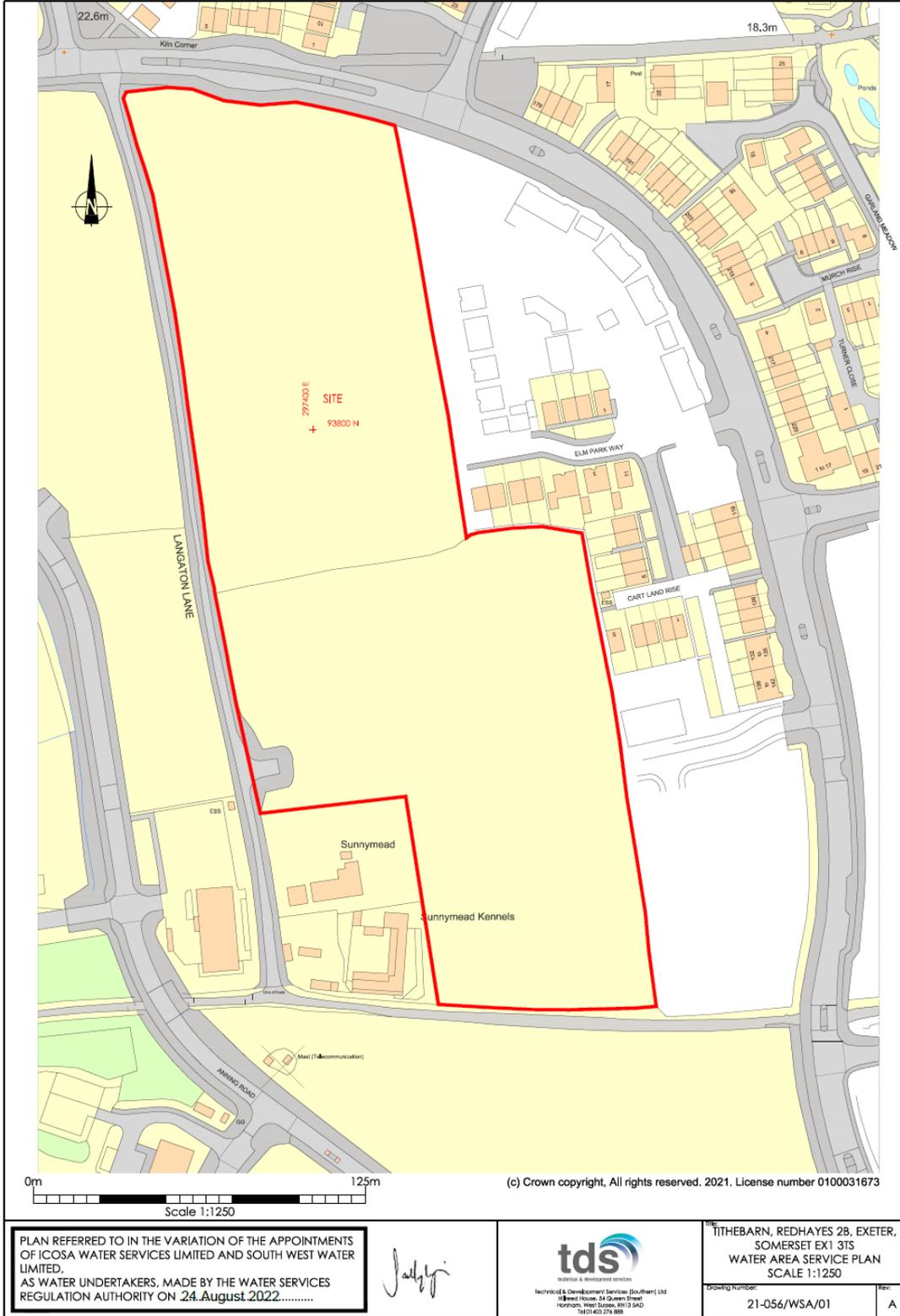
CCW notes our conclusion that, as a result of the variation, South West Water's existing customers would see a small increase of £0.01 on their annual water bills. It states that whilst this is a small amount, it is unclear whether there will be any significant benefits to the existing customers of South West Water and 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 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 South West Water Limited as Water Undertakers

Made on 24 August 2022

Coming into effect on 25 August 2022

1. Icosa Water Services Limited ("Icosa Water") and South West Water Limited ("South West Water") hold Appointments as water undertakers for their respective areas ("the Appointments").¹ The areas to which the Appointments of Icosa Water and South West Water as water undertakers relate ("Water Supply Area") are set out in their Instruments of Appointment.
2. The site called Tithebarn, Redhayes 2B, in Exeter, which is shown edged in red on the plan attached to this variation, ("the Site") is within South West Water's Water Supply Area. The Site is being developed by Cavanna Homes (Devon) 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 water 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 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 Icosa Water's application.
5. Therefore, as provided by sections 7(2) and 7(4)(b) of the Act, and with the agreement of Cavanna Homes (Devon) Limited, the Water Services Regulation Authority **varies**–

(a) the Appointment of Icosa Water as a water undertaker so that the Site is included in Icosa Water's Water Supply Area; and

¹ South West Water's original Appointment as a water 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 water undertaker 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.

(b) the Appointment of [South West](#) Water as a water undertaker so that the Site is excluded from South West Water's Water Supply Area.

Signed for and on behalf of the Water Services Regulation Authority



Sally Irgin
Director of Enforcement