

Proposal to grant a variation of appointment to Icosa Water Services Limited to include The Airfields, Deeside

	Details
Applicant	Icosa Water Services Limited (“ Icosa Water ”)
Site Details	The Airfields, Deeside (“ the Site ”)
Services	Water Only
Current water appointee	Water Appointee: Dŵr Cymru Cyfyngedig (“ Dŵr Cymru ”)
Proposed supply arrangements	Bulk supply agreement with Dŵr Cymru
Criterion	Unserved
Household Customer	368
Business Customers	0
Developer	Anwyl Homes and Bellway Homes
Estimated Site completion date	April 2026
Summary of consultation	A statutory consultation made under section 8(3) of the Water Industry Act 1991 (“ WIA91 ”) to grant Icosa Water a variation to its appointment as a water company. To also vary the appointment of Dŵr Cymru as a water company. Consequently, Icosa Water 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 4 October 2022 .

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/>.

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](#).

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](#).

Unserved 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.

Dŵr Cymru has provided a letter, dated 6 June 2022, confirming that, in its view, the Site is unserved.

The Site is a brownfield site. Aerial views and a desk survey demonstrate that the Site area is currently clear and there are no properties within the site boundary. Given the information provided by the applicant and Dŵr Cymru, we are satisfied that the Site may be considered unserved.

Price

Icosa Water proposes to match the charges to customers on the Site to those of Dŵr Cymru, it will not offer a discount.

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 Icosa Water's proposed Customer Code of Practice, and our view is that it is of an appropriate standard. Our

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.

view is that customers on the Site would be no worse off in relation to the scope of Icosa Water's proposed Customer Code of Practice than they would be if Dŵr Cymru were to be the customers' water and company.

Stakeholder engagement

As part of the application process Ofwat has engaged with the Consumer Council for Water ("**CCW**"). CCW's position is that new appointments and variations should bring benefits to customers on the proposed NAV site. CCW expects new 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 Icosa Water, as an established new appointee, offers customers on its NAV sites 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. CCW therefore agrees with Ofwat's assessment that customers on the Site will be no worse off if served by Icosa Water and so, overall, supports the proposed variation of appointment.

CCW has also considered the impact on an incumbent's existing customers when a NAV site is approved. It notes that in some 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.

The Drinking Water Inspectorate is satisfied that Icosa Water understand 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 Drinking Water Inspectorate therefore raises no comments or objections to Ofwat proceeding to consultation and decision for applications submitted by Icosa Water².

During our assessment of Icosa Water's application Natural Resources Wales raised queries with Icosa Water about the details of the Site. These queries have all been addressed and Natural Resources Wales is content for us to proceed to consultation.

Icosa Water has confirmed that it will engage with Natural Resources Wales about a water resources management plan for Wales. Icosa Water understands, and is responsive to, the specific circumstances relating to sites that it proposes to serve in Wales and the regulatory

² Natural Resources Wales as well as the Drinking Water Inspectorate will also be formally consulted on the proposals, as they are on the list of organisations which must be formally consulted as set out in section 8(4)(b) of WIA91.

context within which it will operate in Wales. This includes the priorities and strategy of the Welsh Government and any relevant legislation that applies to Icosa Water.

The Welsh Government has recently laid its new Strategic Priorities and Objectives Statement for Ofwat ([SPS](#)) in the Senedd and it is due to come into effect in early October 2022. Ofwat is engaging with the Welsh Government to ensure that our NAV policy is applied effectively, in line with the expectations set out in the new SPS, to future applications for variations in Wales.

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 Dŵr Cymru'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 Dŵr Cymru 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 Icosa Water.

We estimate a potential £0.01 annual increase on the water bills of existing Dŵr Cymru customers if we grant this variation to Icosa Water. 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 Icosa Water would have a very small 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 revenues and costs of the Site relating to the provision of water should the relevant variation be granted.

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- Following our review, we are satisfied that the Site demonstrates sufficient financial viability under our standard assessment.
- We are satisfied that the financial security Icosa Water has in place meets our minimum requirements.

On this basis, our view is that the risk of this Site not being financially viable 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.

2. Conclusion and next steps

In assessing Icosa Water 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 Icosa Water 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 Dŵr Cymru.

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 map

