

Variation of Leep Networks (Water) Limited's appointment to include Victoria Road, Warminster

On 13 June 2022, Ofwat began a [consultation](#) on a proposal to vary Leep Networks (Water) Limited's ("Leep Water") appointment to become the water and sewerage services provider for a development in Wessex Water Services Limited ("Wessex Water") water supply area and sewerage services area called Victoria Road, Warminster ("the Site"). Details of the application and our assessment of it were set out in the consultation document.

The consultation ended on 11 July 2022. During the consultation period, we received representations from two 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 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 Leep Water's application and having taken account of the responses we received to our consultation, we decided to grant a variation to Leep Water's area of appointment to allow it to serve the site for water and sewerage services. This appointment became effective on 17 October 2022.

The Site Maps for the variation can be found in Section 2 of this document. To note, there is a carved-out section of the Map (area inside the red box of the map, which is included in the red line boundary of the Site Map). On 10 October 2022, Leep Water confirmed and provided information from the Developer of the Site, that the area inside the box is outside the ownership of Leep Water.

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 Leep Water's appointment. Details of the responses from the Environment Agency and from CCW can be found below.

The Environment Agency

The Environment Agency did not object to the application but made a comment for Leep Water to note in relation to its proposed per capita consumption (PCC) on the Site. The Environment Agency noted that as the area the Site is in is now classed as a water stressed area the Environment Agency would usually expect the target PCC for the Site to be ambitious and reflect this as 110 litres per head per day in its proposals. The Environment Agency noted that Leep Water's PCC value does include some headroom and that as the area is newly classified the more ambitious PCC level may not have been in the building plans for the Site. Nevertheless, the Environment Agency expects that Leep Water will focus on demand management and leakage to ensure they are properly managed in this water stressed area.

The comments were passed on to Leep Water to note, and the Environment Agency confirmed it had no further comments to make and it was content to consult on this application.

CCW

CCW stated that in general it expects new appointments and variation appointees to match or ideally better the incumbent's prices, service levels and service guarantees. This is particularly the case for developments that include household customers as they do not currently have the ability to choose to switch their supplier like business customers can.

CCW noted that Leep Water proposes to charge customers on the same basis as Wessex Water and it is disappointed that there will be no direct financial benefit to customers being served by Leep Water.

CCW noted that due to the relatively small size of its customer base Leep Water does not currently offer its financially vulnerable customers a social tariff in the way that Wessex Water does. However, CCW recognised that Leep Water will offer the standard WaterSure tariff for qualifying customers. It is pleased to acknowledge the commitment Leep Water now gives in its Household Charges Scheme for 2022-23 that "where a customer requests that we consider their particular financial circumstances, we will seek to match the level of service provided by the relevant incumbent water and/or sewerage company.". CCW it expects Leep Water to

offer appropriate flexible support to any individual in financial difficulty, who would otherwise benefit from a social tariff. It noted that this should not be at the expense of its other customers. CCW said that it recognises that by matching Wessex Water's charges, Leep Water already benefits from the cross-subsidy Wessex Water customers pay to support its social tariff.

CCW said that it notes that Independent Water Networks generally matches or exceeds Wessex Water's service standards, therefore, overall, it supports this application. It notes that where Leep Water exceeds Wessex Water's standard it generally does so by offering greater compensation for not meeting a particular standard.

CCW noted our assessment that customers on the Site, will not be any worse off in terms of the level of service they receive from Leep Water, then if they were served by Wessex Water and said it is satisfied that this is correct.

CCW recognised that we calculated that there will be a cost of £0.12 on the annual water bills to Wessex Water's existing water customers, and a cost of £0.05 on the annual sewerage bills of Wessex Water's existing sewerage customers once the Site is completed.

CCW said whilst it recognises that these are small increases, it is unclear if there are any significant benefits for Wessex Water customers from this arrangement. CCW states its questions the value of a NAV regime if it cannot deliver benefits to all customers.

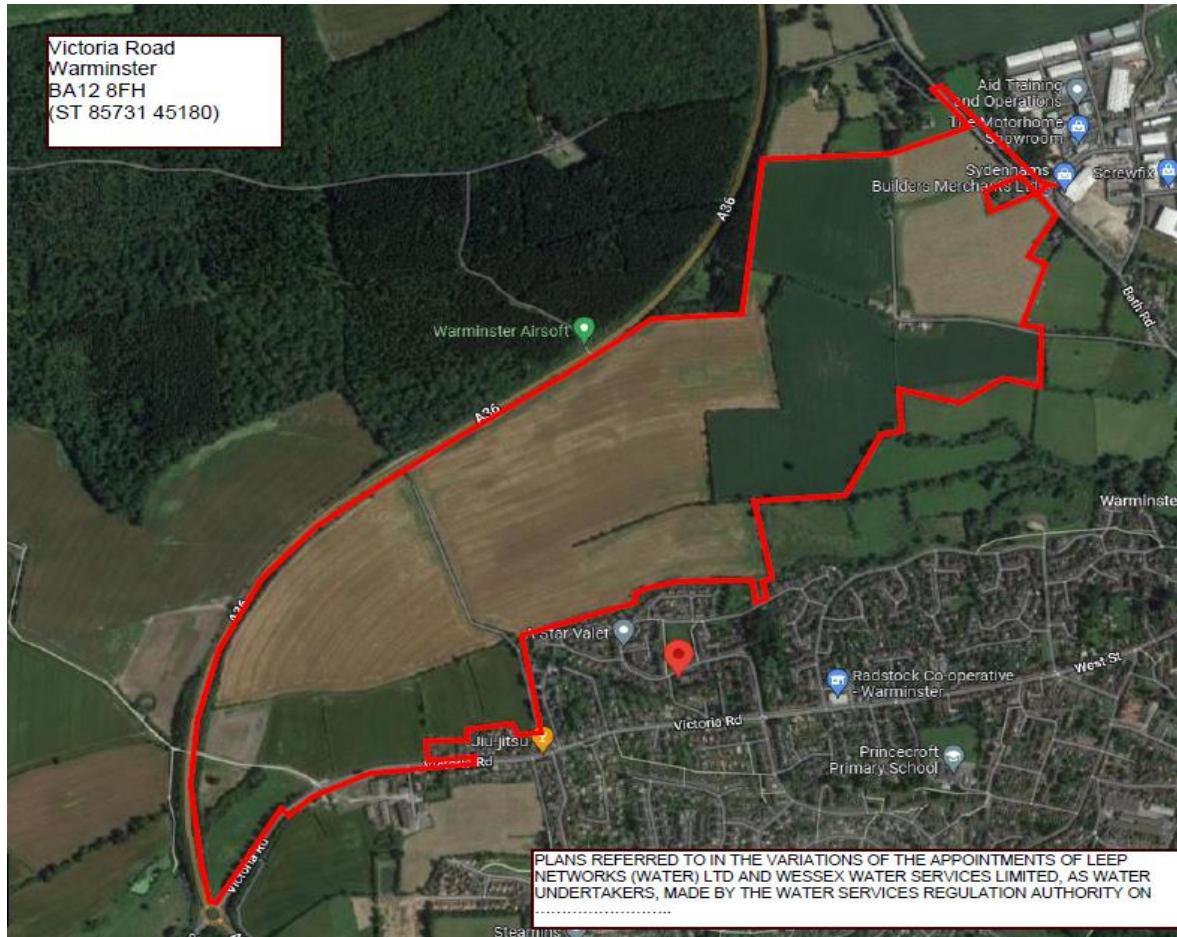
Our response

One of our key policies when considering NAV applications, is that customers should be no worse off if a 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.

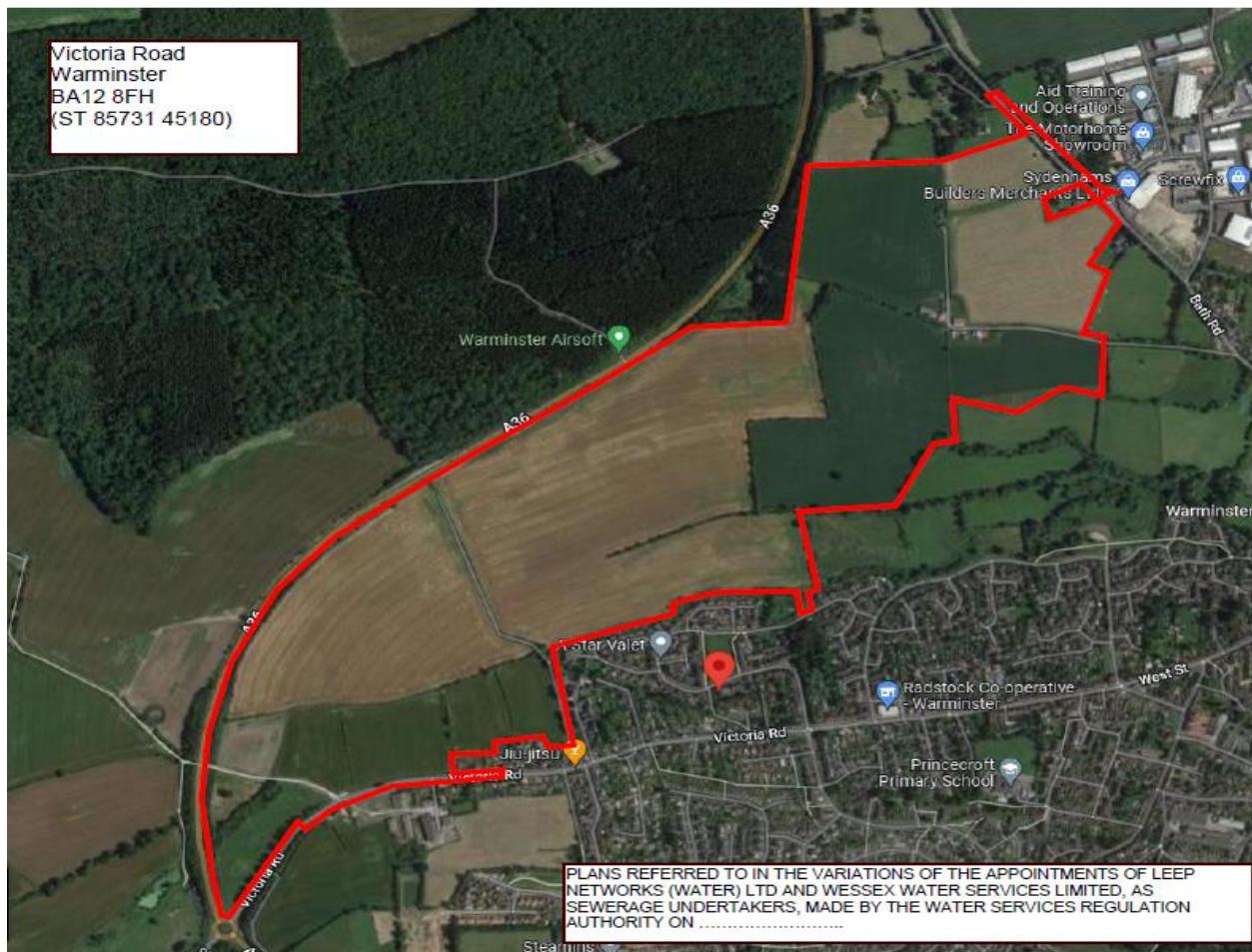
2. Site Maps

Water Boundary



Date: 17 October 2022

Sewerage boundary



Date: 17 October 2022

3. Variation Notice

WATER SERVICES REGULATION AUTHORITY

WATER INDUSTRY ACT 1991, SECTIONS 6 TO 9

Variation of the Appointments of Leep (Networks) Water Limited and Wessex Water Services Limited as Water and Sewerage Undertakers

Made on 14 October 2022

Coming into effect on 17 October 2022

1. Leep (Networks) Water Limited ("Leep Water") and Wessex Water Services Limited ("Wessex Water") hold Appointments as water and sewerage undertakers for their respective areas ("the Appointments").¹ The areas to which the Appointments of Leep Water and Wessex 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 Victoria Road, Warminster, which is shown edged in red on the plan attached to this variation, ("the Site") is within Wessex Water's Water Supply Area and Sewerage Services Area. The Site is being developed by Persimmon Homes Limited.
3. Leep 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 and sewerage undertaker to include the Site and for a consequential variation of Wessex Water's Appointments 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 Leep Water's application.
5. Therefore, as provided by sections 7(2) and 7(4) (b) of the Act, and with the agreement of Persimmon Homes Limited, the Water Services Regulation Authority **varies**–

¹ Wessex Water's original Appointments as water and sewerage undertakers were 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. Leep Water's 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.

Variation of Leep Networks (Water) Limited's appointment to include Victoria Road, Warminster

- (a) the Appointment of Leep Water as a water and sewerage undertaker so that the Site is included in Leep Water's Water Supply Area and Sewerage Services Area; and
- (b) the Appointment of Wessex Water as a water and sewerage undertaker so that the Site is excluded from Wessex Water's 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".

Sally Irgin
Director of Enforcement