

Variation of Icosa Water Services Limited's appointment to include Cromwell Court, Basingstoke

On 13 June 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 Thames Water Utilities Limited ("**Thames Water**") sewerage services area called Cromwell Court, Basingstoke ("**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/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 sewerage services. This appointment became effective on 1 November 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 two responses to our consultation: from the Consumer Council for Water ("**CCW**") and the Environment Agency. We considered these responses before making the decision to vary Icosa Water's appointment.

The Environment Agency had no comments or objections to make with regard to this consultation.

The points raised in CCW response are set out below.

3.1 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.

CCW noted its disappointment that there will be no direct financial benefit to customers from the variation because Icosa Water plans to match the charges of Thames Water.

CCW acknowledged that Icosa Water is proposing to offer guaranteed and voluntary standards of service that generally match or exceed the standards offered by Thames Water. It noted that Icosa Water exceeds some service levels, for example, Icosa Water will offer greater compensation for service failure.

However, CCW also pointed out that due to the relatively small size of its customer base Icosa Water does not currently offer its financially vulnerable customers a social tariff in the way that Thames Water can, although it will offer the WaterSure tariff for qualifying customers. CCW stated that until Icosa Water can provide a social tariff it may be appropriate for Icosa Water to tailor some of the services it provides.

CCW noted its expectation that Icosa Water offer appropriate flexible support to any individual in financial difficulty who would otherwise benefit from a social tariff. It noted this should not be at the expense of its other customers and that CCW expected Icosa Water to research the views of its customers on any proposed cross-subsidy before introducing any social tariffs. CCW considers that by matching the incumbent's charges Icosa Water already benefits from the cross-subsidy the incumbent's customers pay to support its social tariff.

CCW agreed with our overall assessment that customers will be no worse off in terms of its level of service or the amount they pay.

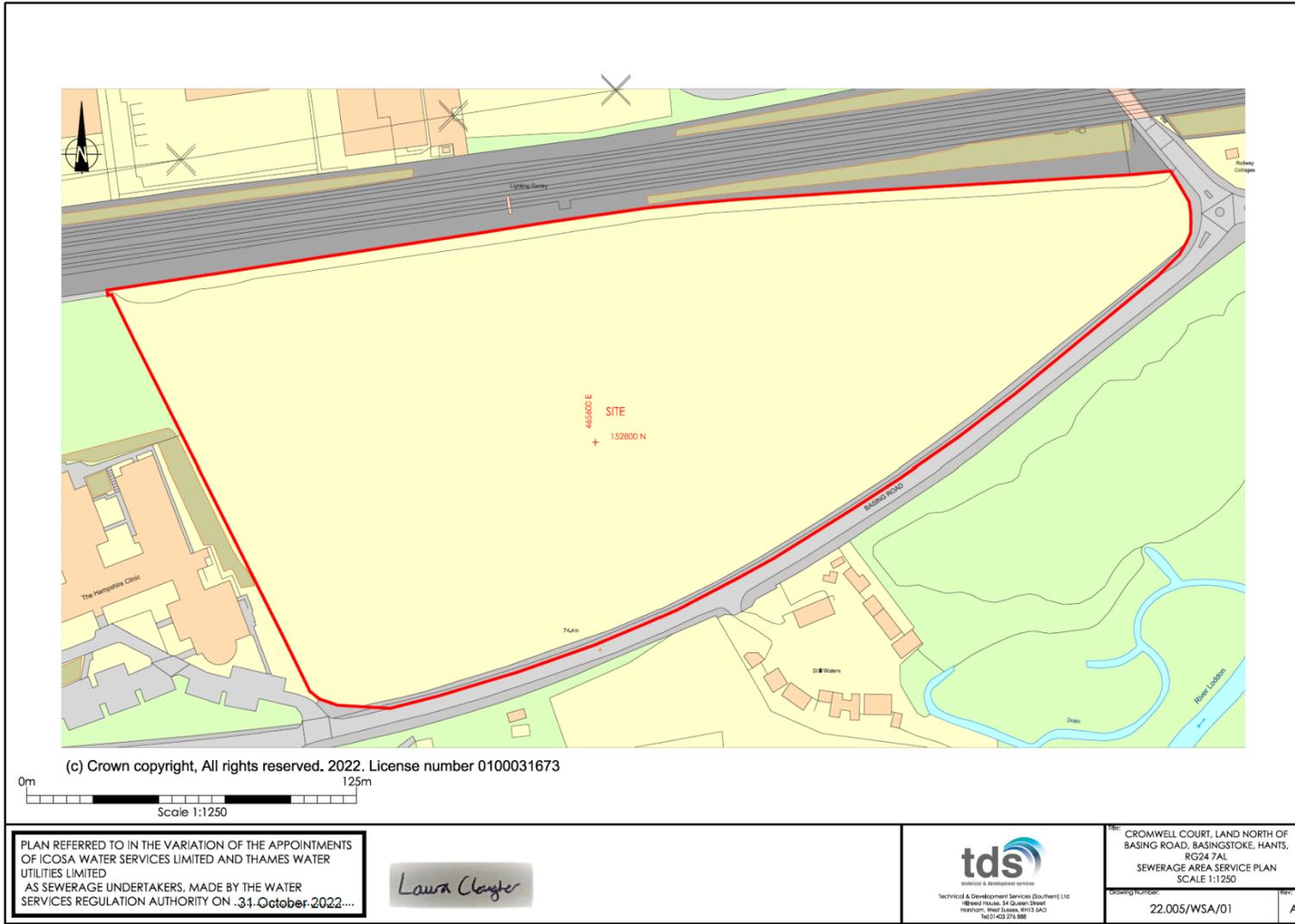
CCW noted our estimate that Thames Water's would see no increase in its sewerage bills as a result of this variation. It stated that CCW was unclear whether there will be any significant benefits for Thames Water's existing customers arising from this arrangement. CCW questions the value of the NAV regime 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 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. We also consider the impact on the incumbent's existing customers to ensure they are no worse off. Our estimate of the impact does not take into account the potential benefits arising from dynamic efficiencies achieved as a result of the competitive process to win new sites.

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 Thames Water Utilities Limited as Sewerage Undertakers

Made on 31 October 2022

Coming into effect on 1 November 2022

1. Icosa Water Services Limited ("Icosa Water") and Thames Water Utilities Limited ("Thames Water") hold Appointments as sewerage undertakers for their respective areas ("the Appointments").¹ The areas to which the Appointments of Icosa Water and Thames Water as sewerage undertakers relate ("Sewerage Services Area") are set out in their Instruments of Appointment.
2. The site called Cromwell Court, Basingstoke, which is shown edged in red on the plan attached to this variation, ("the Site") is within Thames Water's Sewerage Services Area. The Site is being developed by Redrow 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 Thames 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 Icosa Water's application.
5. Therefore, as provided by sections 7(2) and 7(4)(b) of the Act, and with the agreement of Redrow Homes Limited, the Water Services Regulation Authority **varies**–

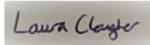
(a) the Appointment of Icosa Water as a sewerage undertaker so that the Site is included in Icosa Water's Sewerage Services Area; and

¹ Thames Water's original Appointment as a 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.

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 Thames Water as a sewerage undertaker so that the Site is excluded from Thames Water's Sewerage Services Area.

Signed for and on behalf of the Water Services Regulation Authority

A handwritten signature in cursive script, reading "Laura Clougher", is displayed within a light grey rectangular box.

Laura Clougher
Principal, Casework and Enforcement