

Proposal to grant a variation of appointment to Independent Water Networks Limited to include the Site Burgate Acres, Fordingbridge, Hampshire

	Details
Applicant	Independent Water Networks Limited (“ Independent Water Networks ”)
Site Details	Burgate Acres, Fordingbridge, Hampshire (“ the Site ”)
Services	Water only
Current water appointee	South West Water Limited (“ South West Water ”)
Proposed supply arrangements	Bulk supply agreement with South West Water
Criterion	Unserved
Household Customer	63
Business Customers	0
Developer	Metis Homes Limited
Estimated Site completion date	June 2024
Summary of consultation	A statutory consultation made under section 8(3) of the Water Industry Act 1991 (“ WIA91 ”) to grant Independent Water Networks a variation to its appointment as a water company. To also vary the appointment of South West Water as a water company. Consequently, Independent Water Networks will become the water 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 22 December 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](#).

Unserviced status of the Site

Independent Water Networks is applying for a variation based on the unserved criterion. 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.

South West Water have provided a letter, dated 13 March 2022, this states that, in its view, the Site is served. The Site is greenfield, and satellite images confirm the Site area has an existing property within the Site boundary.

Independent Water Networks have confirmed the existing building will be demolished as part of the Site development work. On 8 November 2022, Independent Water Networks confirmed the disconnection request has been sent to South West Water and the Site developer; once the disconnection has been completed, Independent Water Networks will confirm this information and provide an updated Site served letter confirming this.

Having reviewed the facts of this Site and taking into account the letter from South West Water and the confirmation from Independent Water Networks, we consider the Site will be unserved once the demolition is complete. We will ask Independent Water Networks and South West Water to confirm that the existing building within the Site boundary has been demolished and disconnected before the variation is granted.

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.

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Price

Independent Water Networks proposes to match or better the charges to customers on the Site to those of South West Water. Independent Water Networks currently offers a discount of 2.5% against the South West Water's charges. This discount is reviewed every 12 months. It will also offer a saving to those opting to pay by Direct Debit or via e-billing.

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 Independent Water Network's proposed Customer Code of Practice, and our view is that it is of an appropriate standard. Our view is that customers on the Site would be no worse off in relation to the scope of Independent Water Networks' proposed Customer Code of Practice than they would be if South West Water were to be the customers' water company.

Stakeholder engagement

We take the view of the Environment Agency², the Drinking Water Inspectorate ("**DWI**"), and the Consumer Council for Water ("**CCW**") into account before progressing to formal consultation on an application.

The Environment Agency confirmed in an email of 13 July 2022 it required further information before it was able to recommend the approval. It questioned the applicants water leakage targets and requested Independent Water Networks to confirm the customer consumption and what mechanisms Independent Water Networks will apply to ensure that households remain within the consumption targets provided. It suggested that Independent Water Networks consider innovative approaches for its water saving measures to help with its water usage. It highlighted that every effort should be made to avoid increasing pressure on the catchment so a basic level of water efficiency measures may not be suitable.

On 15 July 2022, we forwarded the request of information from the Environment Agency to Independent Water Networks to provide a response on this.

On 21 September 2022, Independent Water Networks confirmed, the developers had provided it with lists of the fixtures and fittings being used ahead of work starting on the Site. It advised Independent Water Networks will check the water efficiency rating of all these to ensure these are water efficient within the Site. Once properties are occupied, Independent Water Networks will undertake routine fittings inspections and, on this site, it will note if any fixtures or fitting have been changed. It confirmed, if they have been changed, the water

² The Environment Agency 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.

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efficiency rating will be checked to ensure these are the same or better and targeted water wise messaging sent to customers who have fitted less efficient devices.

On 26 September 2022, the Environment Agency confirmed, it was satisfied with the response from Independent Water Networks, and that it is content for us to consult on this application.

The DWI is satisfied that Independent Water Networks understands 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 DWI therefore raises no comments or objections to Ofwat proceeding to consultation and decision for applications submitted by Independent Water Networks.

As part of the application process Ofwat has engaged with CCW. CCW's position is that NAVs 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 Independent Water Networks 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 agrees with Ofwat's assessment that customers on the Site will be no worse off if served by Independent Water Networks and so, overall, supports the proposed variation of appointment.

CCW recognises that due to the small size of Independent Water Networks' customer base, it does not currently offer its financially vulnerable customers a social tariff in the way that the incumbent companies do but does offer the standard WaterSure tariff for qualifying customers. CCW considers that it is appropriate for Independent Water Networks to tailor the services it provides, until it can offer a formal social tariff, ensuring customers are provided with appropriate flexible support where needed.

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

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 South West Water'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.

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We have assessed the potential magnitude of this impact by comparing how much South West Water 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 Independent Water Networks.

We estimate no annual increase on the water bills of existing South West Water customers if we grant this variation to Independent Water Networks. 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 Independent Water Networks would have no 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 company.

We have considered the financial position of Independent Water Networks in relation to providing water services to the Site, and we are satisfied the company demonstrates sufficient financial viability.

Independent Water Networks has an unlimited Keepwell agreement from its owner Brookfield Utilities UK Limited ("BUUK") in July 2013.

Independent Water Networks has confirmed that this agreement is still in place and will cover this proposed new site. BUUK continues to hold an investment grade credit rating with Moody's.

On this basis, we are currently satisfied that Independent Water Networks would be able to finance its functions if the variation is granted.

2. Conclusion and next steps

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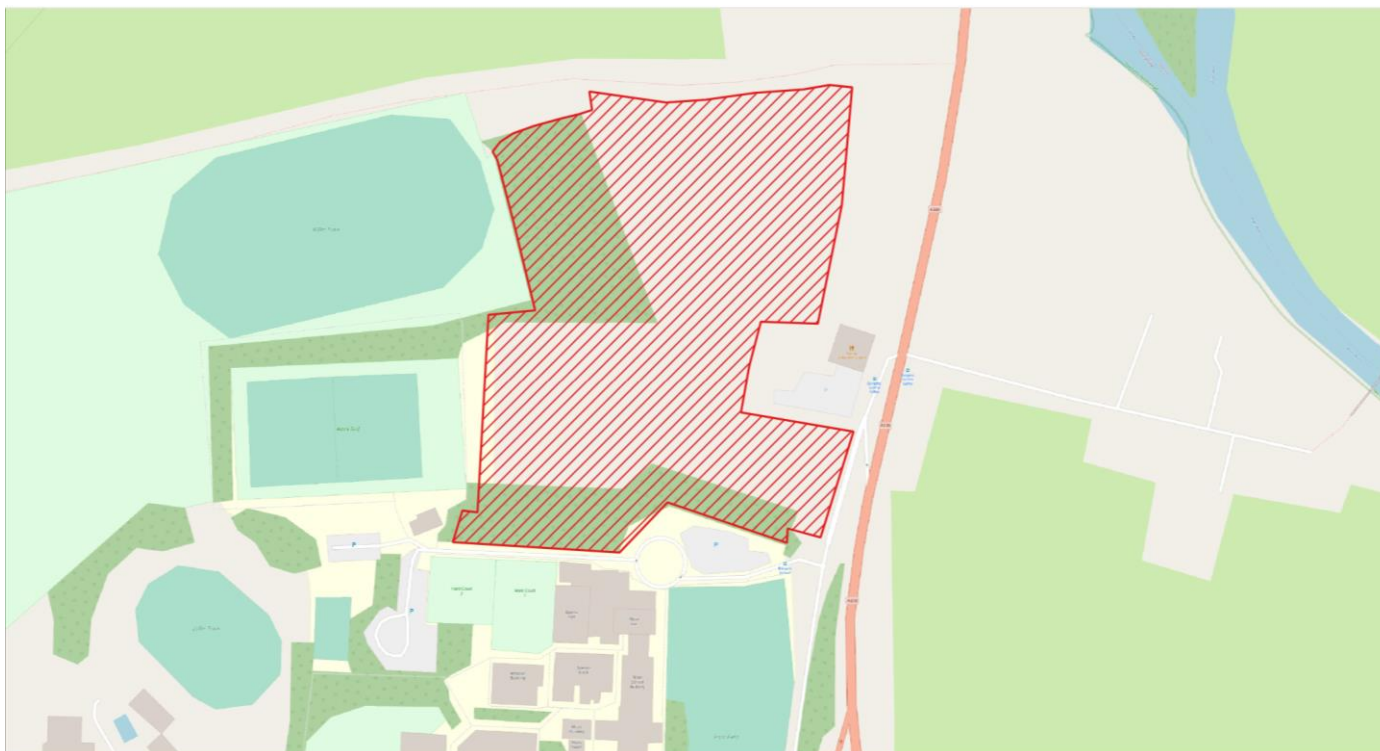
In assessing Independent Water Networks' application, we have considered the general benefits of new appointments and variations. Our view is that our two key policy principles would be met in this case, as customers would be no worse off, and Independent Water Networks would be able to finance, and carry out, its functions. We have also considered the effects of granting the proposed variation on the existing customers of South West Water.

We are currently minded to grant the variation under the unserved criterion subject to satisfactory confirmation of the demolition and disconnection of the premises on Site. 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.

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3. Site map

Water boundary



PLAN REFERRED TO IN THE VARIATION OF THE APPOINTMENTS OF INDEPENDENT WATER NETWORKS LIMITED AND SOUTH WEST WATER LIMITED, AS WATER UNDERTAKERS, MADE BY THE WATER SERVICES REGULATION AUTHORITY ON ...

ADDRESS: BURGATE ACRES, SALISBURY ROAD, FORDINGBRIDGE, HAMPSHIRE, SP6 1LX.
OS GRID REFERENCE: 415085, 115540
SCALE: 1:2500
DRAWN BY: NS
DATE: 15/06/2022

0 50 100 m



BURGATE ACRES INSET WATER

MAP 1