

Variation of Independent Water Networks Limited's appointment to include Lodge Farm (Phase 1), Effingham

On 20 April 2022, Ofwat began a [consultation](#) on a proposal to vary Independent Water Networks Limited (“**Independent Water Networks**”) appointment to become the water and sewerage services provider for a development in Sutton and East Surrey Water Plc (“**SES Water**”) water supply area and Thames Water Utilities Limited (“**Thames Water**”) sewerage services area called Lodge Farm (Phase 1), Effingham (“**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 three 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 Independent Water Networks' application and having taken account of the responses we received to our consultation, we decided to grant a variation to Independent Water Networks' area of appointment to allow it to serve the Site for water and sewerage services. This appointment became effective on 1 November 2022.

The site maps 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 responses to our consultation from three organisations: the Consumer Council for Water (“**CCW**”), Drinking Water Inspectorate (“**DWI**”) and Environment Agency. We considered these responses before making the decision to vary Independent Water Networks' appointment.

The DWI confirmed that they had no comments on the application. The points raised in CCW and the Environment Agency's responses are set out below.

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 that Independent Water Networks proposes to charge customers on the same basis as SES Water and Thames Water. It is disappointed that there are no direct financial benefits to customers being served by Independent Water Networks instead of by SES Water and Thames Water. However, CCW recognises that Independent Water Networks offers discounts to those customers who are able to and opt to take up e-billing or pay by direct debit and is currently offering a 2.5% discount for the current charging year.

CCW recognises Independent Water Networks generally matches or exceed SES Water and Thames Water's levels of service and so overall CCW supports this application.

However, CCW noted that due to its small size Independent Water Networks does not currently offer its financially vulnerable customers a social tariff in the way that SES Water and Thames Water do. It noted that Independent Water Networks will, however, offer the standard WaterSure tariff for qualifying customers. CCW considers this a dis-benefit of the proposed variation. It stated that until Independent Water Networks can provide a formal social tariff, it is appropriate for Independent Water Networks to tailor some of its services. CCW stated that it expects Independent Water Networks to offer appropriate and flexible support to customers in financial difficulty who would otherwise benefit from a social tariff. CCW considered that such support should not be at the expense of its other customers. CCW recognised that by matching both SES Water and Thames Water's charges, Independent Water Networks already benefits from the cross-subsidy SES Water and Thames Water customers pay to support its social tariff.

CCW noted our calculation that there will be a small increase of £0.03 on the annual water bills of existing SES Water and no annual increase on Thames Water customers sewerage bills as a result of the variation. CCW stated that whilst it appreciates that this impact is

negligible, it considers that it is unclear if there will be any significant benefits arising from this arrangement for existing SES Water and Thames Water customers. CCW questions the value of the NAV regime if it cannot deliver benefits to all customers

Our response

One of our key policies with respect to new appointments and variations is that customers should be no worse off if a 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.

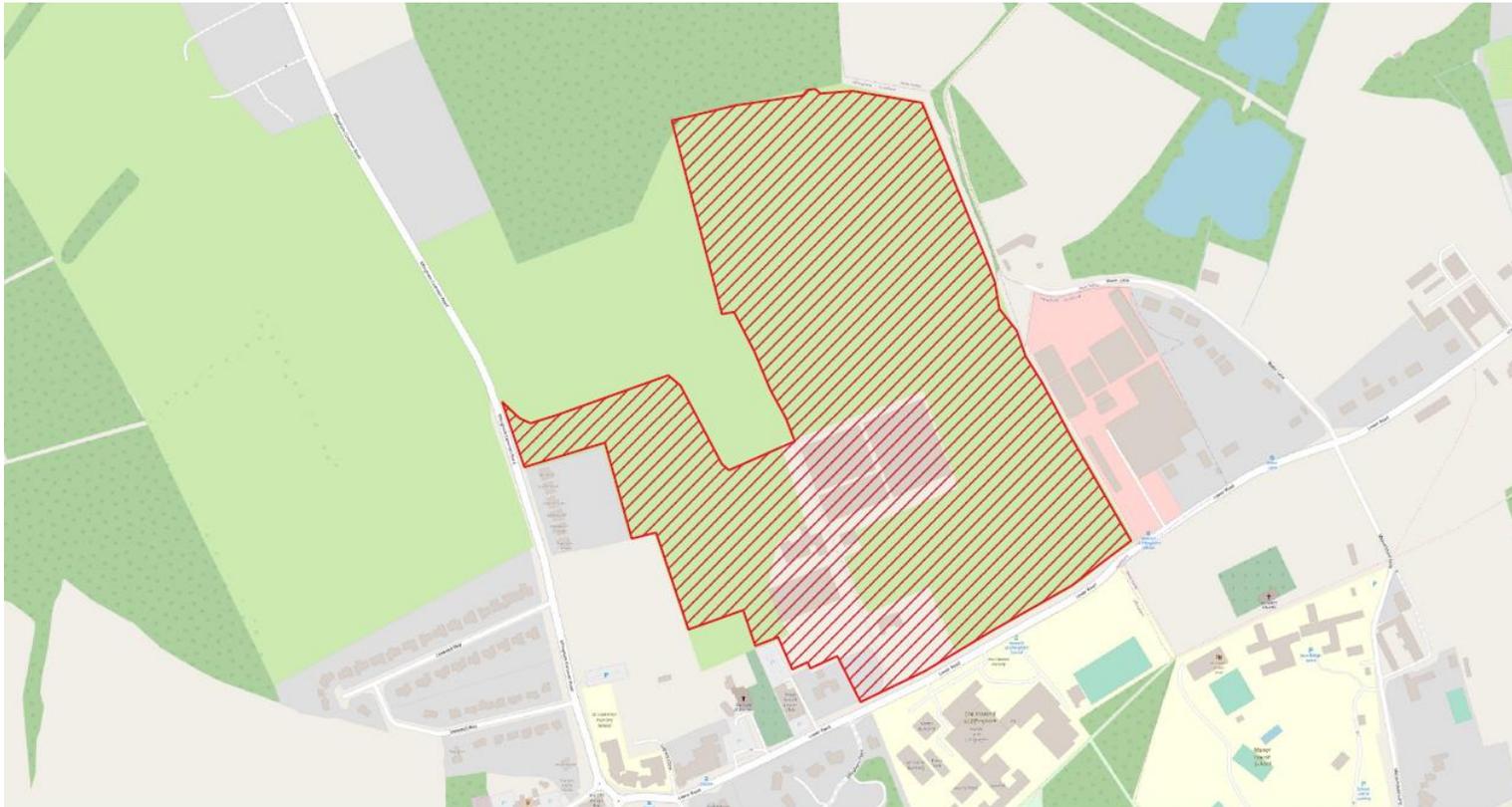
Vulnerable customers may not be aware of the social tariff that would be available to them if they were served by the incumbent rather than by the applicant. It is the responsibility of the applicant to identify and protect vulnerable customers on the Site. Although the applicant does not offer a social tariff, it should ensure customers will be no worse off.

Environment Agency

The Environment Agency requested that we pass on its comments to the applicant but that it did not require a response. It advised that no development should commence until connections with Thames Water's and SES Water's networks had been agreed. Occupation should not commence until assets are in operation and additional flows from the development must not lead to deterioration in Thames Water's downstream assets. Independent Water Networks has reviewed these comments and confirmed receipt.

2. Site Maps

Water:



PLAN REFERRED TO IN THE VARIATION OF THE APPOINTMENTS OF INDEPENDENT WATER NETWORKS LIMITED AND SUTTON AND EAST SURREY WATER PLC, AS WATER UNDERTAKERS, MADE BY THE WATER SERVICES REGULATION *Laura Clough* AUTHORITY ON ... 31 October 2022

ADDRESS: LODGE FARM, LOWER ROAD, EFFINGHAM, SURREY, KT24 5JR.
OS GRID REFERENCE: 512152,154142
SCALE: 1:5000
DRAWN BY: NS
DATE: 17/01/2022

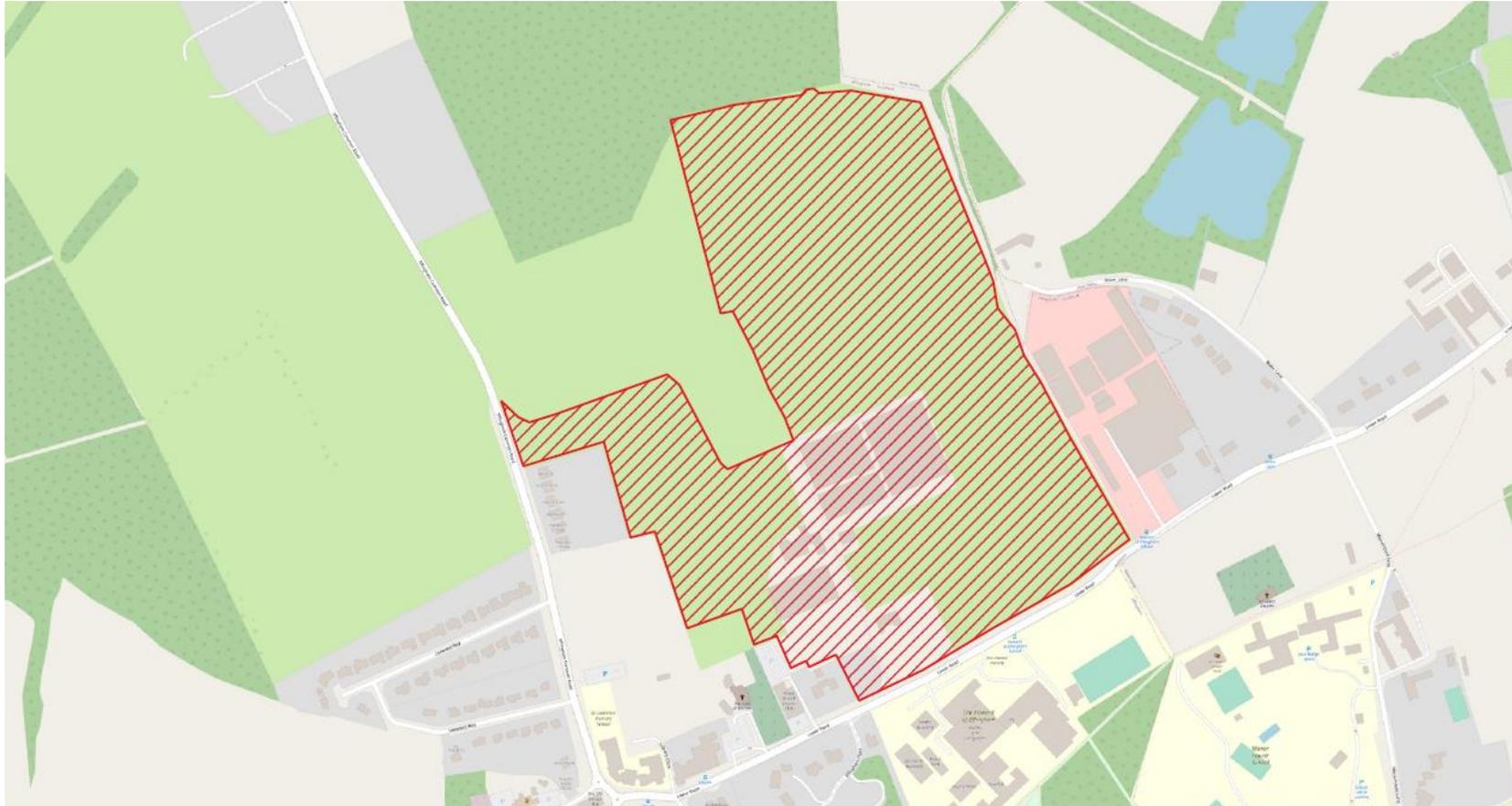
0 100 200 m



LODGE FARM INSET WATER MAP 1



Sewerage:



PLAN REFERRED TO IN THE VARIATION OF THE APPOINTMENTS OF INDEPENDENT WATER NETWORKS LIMITED AND THAMES WATER UTILITIES LIMITED, AS SEWERAGE UNDERTAKERS, MADE BY THE WATER SERVICES REGULATION AUTHORITY ON ... 31 October 2022

ADDRESS: LODGE FARM, LOWER ROAD, EFFINGHAM, SURREY, KT24 5JR.
OS GRID REFERENCE: 512152,154142
SCALE: 1:5000
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DATE: 17/01/2022

Laura Clayton

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LODGE FARM INSET SEWERAGE
MAP 1

3. Variation Notice

WATER SERVICES REGULATION AUTHORITY
WATER INDUSTRY ACT 1991, SECTIONS 6 TO 9

Variation of the Appointments of Independent Water Networks Limited, Sutton and East Surrey Water Plc and Thames Water Utilities Limited as Water and Sewerage Undertakers

Made on 31 October 2022

Coming into effect on 1 November 2022

1. Independent Water Networks Limited ("Independent Water Networks"), Sutton and East Surrey Water Plc ("SES Water") and Thames Water Utilities Limited ("Thames Water") hold Appointments as water and sewerage undertakers for their respective areas ("the Appointments").¹ The areas to which the Appointments of Independent Water Networks, SES Water and Thames 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 Lodge Farm (Phase 1), Effingham in Surrey which is shown edged in red on the plan attached to this variation ("the Site") is within SES Water's Water Supply Area and Thames Water's Sewerage Services Area. The Site is being developed by Berkeley Homes (Southern) Limited.
3. Independent Water Networks 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 SES Water's and 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 Independent Water Networks' application.

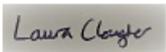
¹ SES Water's and Thames Water's original Appointments as water and sewerage undertakers were made by the Secretary of State for the Environment under sections 11 and 14 of the Water Act 1989, now replaced by sections 6 and 11 of the Water Industry Act 1991. Independent Water Networks original Appointment 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.

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5. Therefore, as provided by sections 7(2) and 7(4)(b) of the Act, and with the agreement of Berkeley Homes (Southern) Limited, the Water Services Regulation Authority varies–
- (a) the Appointment of Independent Water Networks as a water and sewerage undertaker so that the Site is included in Independent Water Networks' Water Supply Area and Sewerage Services Area;
 - (b) the Appointment of SES Water as a water undertaker so that the Site is excluded from SES Water's Water Supply Area; and
 - (c) 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



Laura Clougher
Principal, Casework and Enforcement