

Variation of Icosa Water Services Limited's appointment to include Meridian Way, London

On 15 June 2022, Ofwat began a [consultation](#) on a proposal to vary Icosa Water Services Limited's (“**Icosa Water**”) appointment to become the water services provider for a development in Thames Water Utilities Limited (“**Thames Water**”) water supply area called Meridian Water, London (“**the Site**”). Details of the application and our assessment of it were set out in the consultation document.

The consultation ended on 12 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 water services. This appointment became effective on 3 March 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 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 Icosa Water's appointment.

CCW

CCW recognises that Icosa Water is an established NAV company and generally, CCW supports its applications for variations, but it has noted the following comments.

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

CCW noted that Icosa Water does not currently offer its financially vulnerable customers a social tariff in the way that Thames Water does. However, CCW recognised that Icosa Water will offer the standard WaterSure tariff for qualifying customers. CCW considers that until Icosa Water can provide a formal social tariff, it is appropriate that it tailors some of the services it provides. CCW expects Icosa 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 Thames Water's charges, Icosa Water already benefits from the cross-subsidiary Thames Water's customers pay to support its social tariffs.

CCW expects NAV companies to meet or better the incumbents' standards. CCW notes our assessment that overall customers will be no worse in terms of the level of service it will receive by Icosa Water on the Site and CCW is satisfied that this is the case. It recognises that Icosa Water generally matches the incumbents' levels of service, and it offers greater compensation in the events where it does not meet the incumbent's level of service.

CCW notes that in our assessment we consider that the incumbent company's existing customers should be no worse off due to a NAV company providing services on the Site. It recognises that assessment shows a small financial impact on the water bills of Thames Water existing customers due to arrangements on the Site. CCW states that whilst it recognises that this is negligible on an individual site basis, it recognises that that cumulatively the total cost of numerous sites in any incumbent area could have a more significant impact. CCW states that ideally it would like to see that the incumbent company's existing customer receive benefit from a NAV arrangement. CCW states that it agrees with our assessment in principle, however, it is unclear as to what the benefits are for the incumbent's existing customers. CCW questions the value of a NAV regime if it does not deliver benefits for 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.

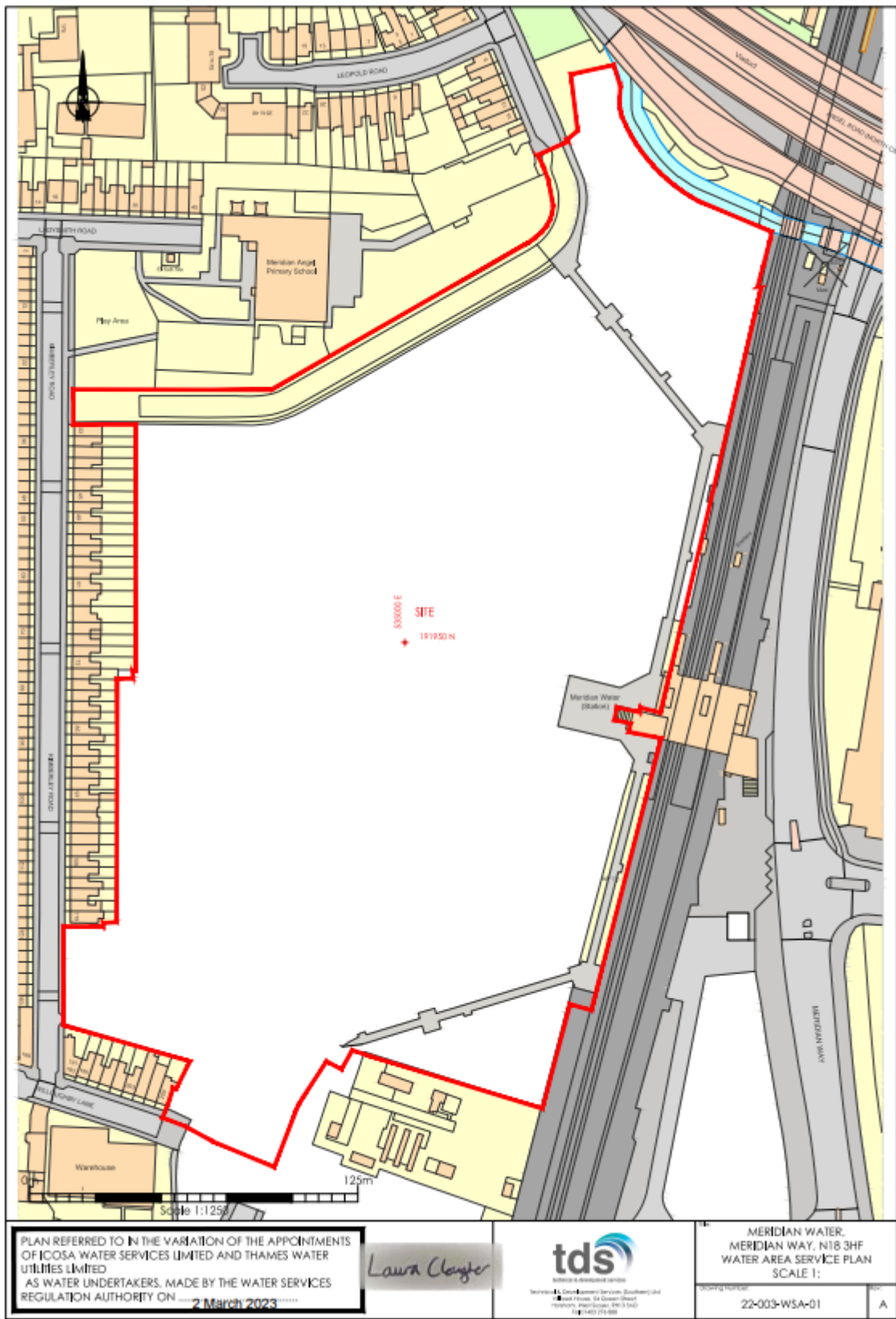
The Environment Agency

The Environment Agency asked that Icosa Water action the following comments relating to the Site:

1. Icosa Water's proposed consumption level of 130 l/h/d, is below Thames Water's average per capita consumption level but it is in excess of the incumbent's current metered per capita consumption (120 l/h/d, forecast to be reduced over the duration of the Water Resource Management Plan).
2. As Icosa Water is taking on a fully metered new build scheme in a water stressed area, its per capita consumption ambitions need to be in line with expectations for water stressed area, i.e. 110 l/h/d. The location being in North East London is within the serious water stress area. Icosa Water will need to monitor and communicate effectively with its customers. This to be ensure that the lower water rate of 110 l/p/h can be achieved and maintained.

Icosa Water confirmed on 21 December 2022, that it will take the required action.

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 Water Undertakers

Made on 2 March 2023

Coming into effect on 3 March 2023

1. Icosa Water Services Limited ("Icosa Water") and Thames Water Utilities Limited ("Thames Water") hold Appointments as water undertakers for their respective areas ("the Appointments").¹ The areas to which the Appointments of Icosa Water and Thames Water as water undertakers relate ("Water Supply Area") are set out in their Instruments of Appointment.
2. The site called Meridian Water, London which is shown edged in red on the plan attached to this variation, ("the Site") is within Thames Water's Water Supply Area. The Site is being developed by Vistry Partnerships 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 water undertaker to include the Site and for a consequential variation of Thames Water's Appointment 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 Vistry Partnerships Limited, the Water Services Regulation Authority **varies**–
 - (a) the Appointment of Icosa Water as a water undertaker, so that the Site is included in Icosa Water's Water Supply Area; and

¹ Thames Water's original appointment as a water 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 water 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 water undertaker, so that the Site is excluded from Thames Water's Water Supply Area.

Signed for and on behalf of the Water Services Regulation Authority

Laura Clougher

Laura Clougher
Principal, Casework and Enforcement