

Proposal to grant a variation of appointment to Icosa Water Services Limited – Keyford Meadows,
Frome

	Details
Applicant	Icosa Water Services Limited (“ Icosa Water ”)
Site Details	Keyford Meadows, Frome, Somerset (“ the Site ”)
Services	Water and Sewerage
Current water and sewerage appointees	Water Appointee: Bristol Water Plc (“ Bristol Water ”) Sewerage Appointee: Wessex Water Services Limited (“ Wessex Water ”)
Proposed supply arrangements	Bulk supply and bulk discharge agreement with Bristol Water and Wessex Water
Criterion	Consent and Unserved
Household Customer	198
Business Customers	0
Developer	The Curo Group
Estimated Site completion date	September 2025
Summary of consultation	A statutory consultation made under section 8(3) of the Water Industry Act 1991 (“ WIA91 ”) to grant Icosa Water a variation to its appointment as a water and sewerage company. To also vary the appointment of Bristol Water and Wessex Water as a water and sewerage company. Consequently, Icosa Water will become the water and sewerage 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 31 May 2023.
<p>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/.</p> <p>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.</p>	

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](#).

Consent status of the Site for water

To qualify under the consent criterion, an applicant must provide a letter of consent from the existing appointee consenting to the application and consenting to the variation of its area of appointment corresponding to the applicant's application.

Icosa Water has applied to supply this Site under the consent criterion. We have a letter from Bristol Water confirming that it consents for Icosa Water to take over the Site from it. The Site is served for water services but remains unserved for sewerage services. Having reviewed the facts of this Site and taking into account the letter from Bristol Water, we accept that it has met the consent criterion.

Unserved status of the Site for sewerage

Icosa Water is applying for a variation based on the unserved criterion for sewerage. Wessex Water has provided a letter, dated 9 November 2022, confirming that, in its view, the Site is unserved. The maps show pre-existing buildings within the Site boundary which appear to be in line with the terms of the planning permission. The boundary is not continuous and has two separate sections. Although this is not continuous, Icosa Water has confirmed that this will not cause any issues.

Having reviewed the facts of this Site and taking into account the letter from Wessex Water, we consider the Site to be unserved for sewerage services.

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.

Price

Icosa Water proposes to match the charges to customers on the Site to those of Bristol Water and Wessex Water.

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 Icosa Water'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 Icosa Water's proposed Customer Code of Practice than they would be if Bristol Water and Wessex Water were to be the customers' water and sewerage 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 informed us that it is content for us to consult on this application.

The Drinking Water Inspectorate is satisfied that Icosa Water understand 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 Drinking Water Inspectorate therefore raise no comments or objections to Ofwat proceeding to consultation and decision for applications submitted by Icosa Water.

As part of the application process Ofwat has engaged with CCW. CCW's position is that new appointments and variations (NAV's) 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 Icosa Water 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

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.

otherwise serve the site. CCW agrees with Ofwat’s assessment that customers on the site will be no worse off if served by Icosa Water and so, overall, supports the proposed variation of appointment.

CCW recognise that due to the small size of Icosa Water's customer base, it does not currently offer its financial vulnerable customers a social tariff in the way that the incumbent companies do but does offer the standard WaterSure tariff for qualifying customers. CCW consider that it is appropriate for Icosa Water 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 Bristol Water and Wessex 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.

We have assessed the potential magnitude of this impact by comparing how much Bristol Water and Wessex 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 Icosa Water.

We estimate a potential £0.02 annual increase on the water bills of existing Bristol Water customers and an increase of £0.01 on the sewerage bills of existing Wessex Water customers if we grant this variation to Icosa Water. 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 Icosa Water would have a small 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 or sewerage company.

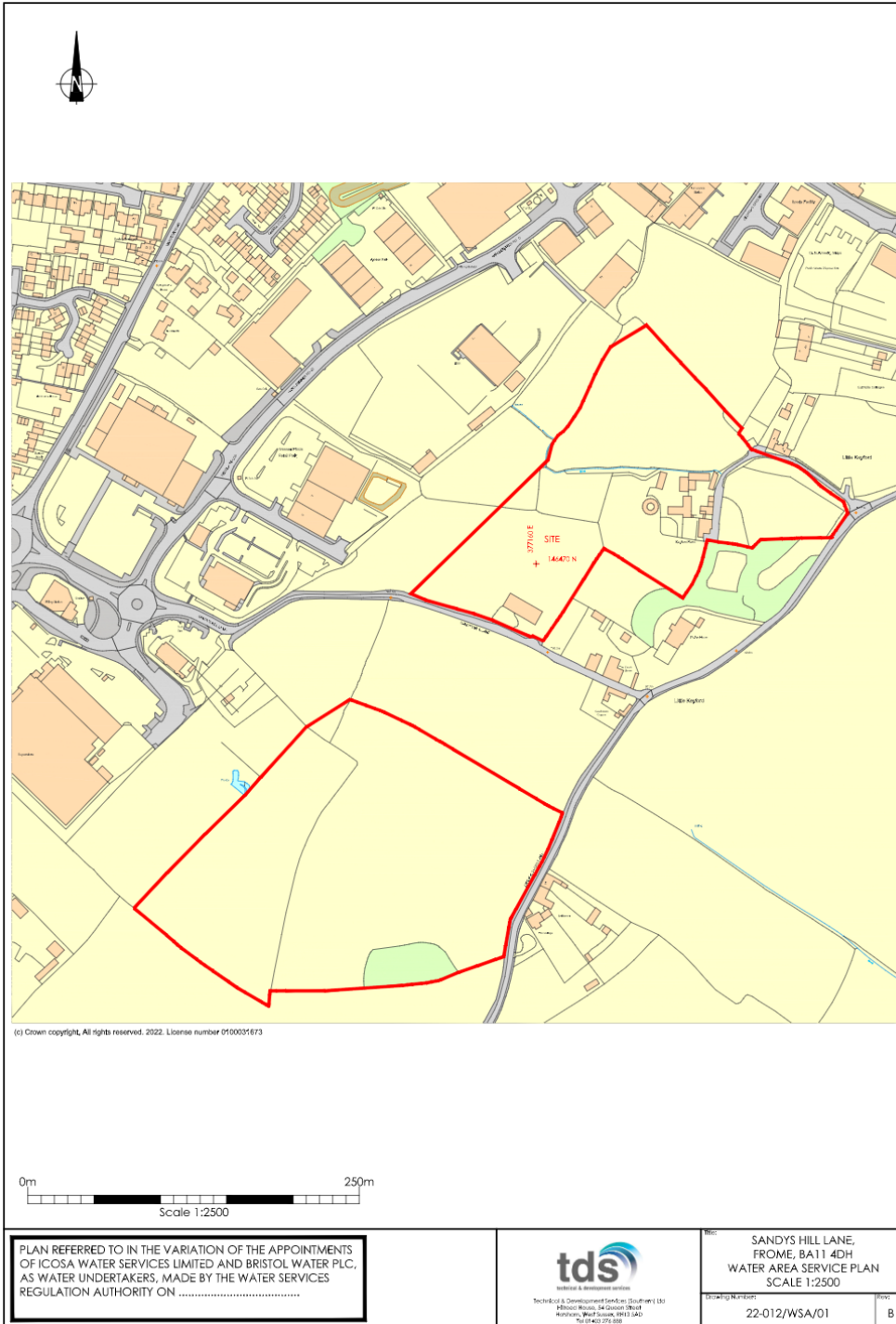
2. Conclusion and next steps

In assessing Icosa Water's 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 Icosa Water 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 Bristol Water and Wessex Water.

We are currently minded to grant the variation under the consent and unserved criterion. 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.

3. Site maps

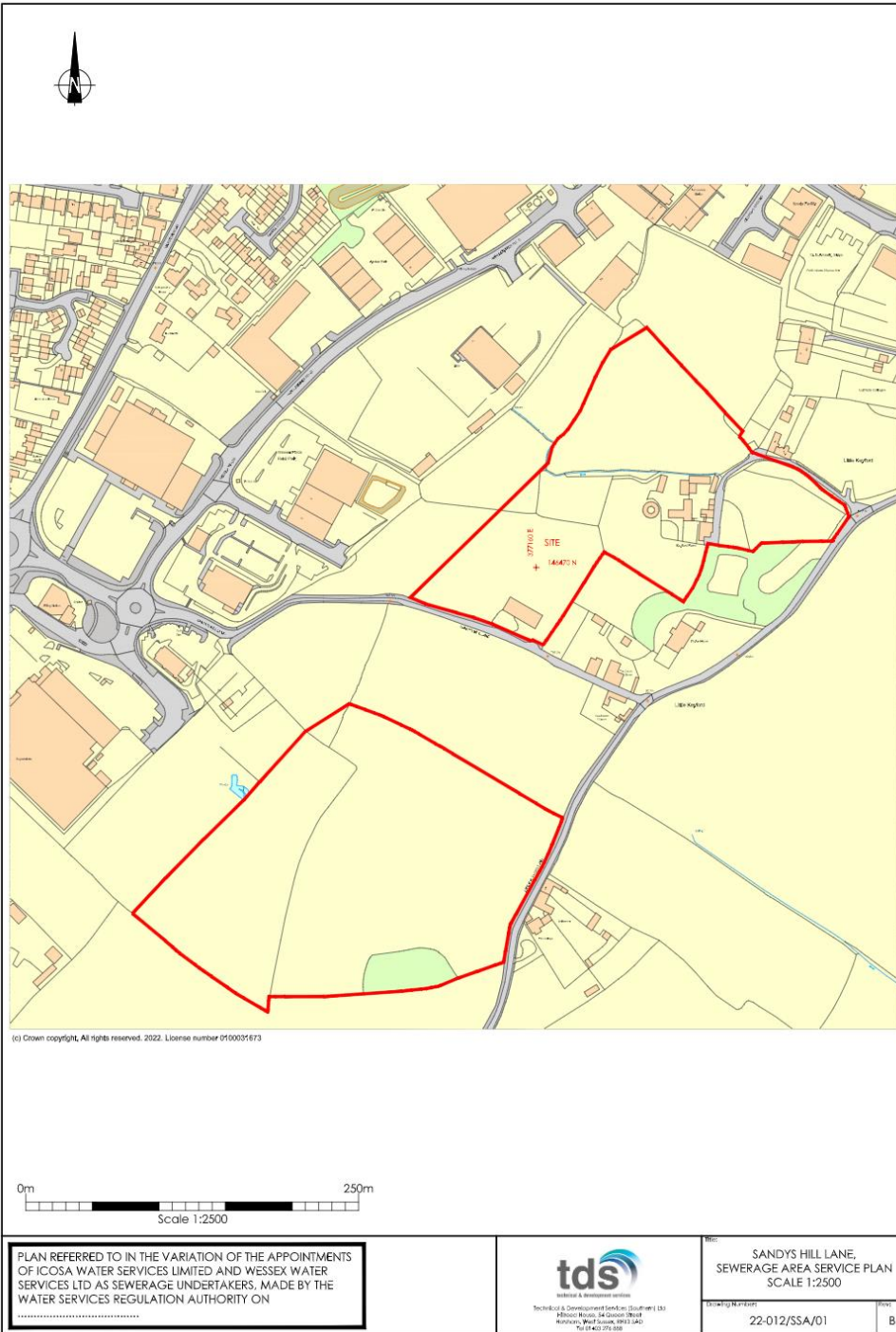
Water



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Sewerage



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