

Variation of Leep Networks (Water) Limited's appointment to include Manor Road, Cheltenham

On 2 December 2021, Ofwat began a [consultation](#) on a proposal to vary Leep Networks (Water) Limited's ("**Leep Water**") appointment to become the water and sewerage services provider for a development in Severn Trent Water Limited's ("**Severn Trent Water**") water supply area and sewerage services area called Manor Road, Cheltenham ("**the Site**"). Details of the application and our assessment of it were set out in the consultation document.

The consultation ended on 4 January 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 Leep Water's application and having taken account of the responses we received to our consultation, we decided to grant a variation to Leep Water's area of appointment to allow it to serve the Site for water and sewerage services. This appointment became effective on 28 April 2023.

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 Leep Water's appointment.

The DWI and the Environment Agency had no comments to make with regard to this consultation and did not have any objections. The points raised in the response from CCW are set out below.

CCW

CCW states that in general it expects applicants for a new appointment and/or variation (“**NAV**”) to provide customers with prices, levels of service and service guarantees that match or, ideally, better those of the incumbent. This is particularly true for developments that include domestic housing, as household customers cannot choose or switch supplier.

CCW is disappointed that there will be no direct financial benefit to customers from having Leep Water as their provider of water and sewerage services, as Leep Water intends to match Severn Trent Water's charges. However, CCW considers that Leep Water generally matches or exceeds the levels of service of Severn Trent Water, so overall CCW supports the application. Where it exceeds service levels, Leep Water generally does so by offering greater compensation for not meeting a particular standard.

CCW notes that, due to the relatively small size of its customer base, Leep Water does not currently offer a social tariff to financially vulnerable customers in the way the incumbent does, but will offer the standard WaterSure tariff for qualifying customers. CCW sets out its expectation that Leep Water would offer appropriate, flexible support to any customer in financial difficulty who would otherwise have benefitted from a social tariff and that this should not be at the expense of its other customers. CCW considers that by matching the incumbent's charges Leep Water already benefits from the cross-subsidy the incumbent's customers pay to support its social tariff.

CCW notes our conclusion that, as a result of the variation, Severn Trent Water's existing customers would see a potential £0.01 increase on their annual water and sewerage bills. CCW appreciates this is a negligible increase but is unclear whether there will be any significant benefits to the existing customers of Severn Trent Water. It questions the value of the NAV regime if it cannot deliver benefits to all customers.

Our response

One of our key policies when considering NAV applications 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.

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 Maps

Water



Sewerage



3. Variation Notice

<p>WATER SERVICES REGULATION AUTHORITY WATER INDUSTRY ACT 1991, SECTIONS 6 TO 9</p> <p style="text-align: center;">¶</p> <p>Variation of the Appointments of Leep Networks (Water) Limited and Severn Trent Water Limited as Water and Sewerage Undertakers</p> <p style="text-align: center;">Made on 27 April 2023 Coming into effect on 28 April 2023</p> <ol style="list-style-type: none">→ Leep Networks (Water) Limited ("Leep Water") and Severn Trent Water Limited ("Severn Trent Water") hold Appointments as water and sewerage undertakers for their respective areas ("the Appointments"). The areas to which the Appointments of Leep Water and Severn Trent Water as water and sewerage undertakers relate ("Water Supply Area" and "Sewerage Services Area") are set out in their Instruments of Appointment.→ The site called Manor Road, Cheltenham which is shown edged in red on the plan attached to this variation ("the Site") is within Severn Trent Water's Water Supply Area and Sewerage Services Area. The Site is being developed by Persimmon Homes Limited.→ Leep 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 and sewerage undertaker to include the Site and for a consequential variation of Severn Trent Water's Appointment to exclude the Site.→ 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 Services 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 Leep Water's application.→ Therefore, as provided by sections 7(2) and 7(4)(b) of the Act, and with the agreement of Persimmon Homes Limited, the Water Services Regulation Authority varies— <p style="padding-left: 40px;">(a) the Appointment of Leep Water as a water and sewerage undertaker so that the Site is included in Leep Water's Water Supply Area and Sewerage Services Area; and</p> <p>¶</p> <p>¶ Severn Trent Water's original Appointment as a water and 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. Leep Water's original Appointment was made by the Water Services Regulation Authority under sections 6 and 11 of the Water Industry Act 1991.</p> <p>¶ 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.</p>	<p>(b) the Appointment of Severn Trent Water as a water and sewerage undertaker so that the Site is excluded from Severn Trent Water's Water Supply Area and Sewerage Services Area.</p> <p>Signed for and on behalf of the Water Services Regulation Authority</p> <p>¶</p> <p><i>Laura Clougher</i></p> <p>¶</p> <p>Laura Clougher Principal, Casework and Enforcement</p>
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