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Charging Team
Ofwat
Centre City Tower
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Dear All,

Consultation on changes to Ofwat's NAV policy and assessment guidelines – ESPW response

Thank you for the opportunity to respond to your consultation. As you know, ESP Water Limited (ESPW) is a new NAV having been appointed in July 2022 for our first development. We are growing quickly and have already been appointed to 23 NAV sites across England. and our portfolio of future projects is similarly growing rapidly.

We are very concerned about Ofwat's proposals to place an extra burden on NAVs who wish to operate in Wales and also the potential to extend this for new applications in England. It is clear that the Welsh Government proposal is intended to inhibit NAV activity in Wales and as such, to not support competition in the new connections market. Ofwat's proposals place extra commitments around customer benefits (cost or environmental) on NAVs in Wales.

There are already several obstacles to the further development of competition. Including, the lack of transparency and consistency in the incumbent Bulk Tariffs and the lengthy site by site licensing approach, which Ofwat recognises, but has currently failed to address. This is clearly at odds with the requirements of developers for a viable alternative to incumbent water companies and the need to improve developer and customer experience and benefits. We believe the proposals are a clear risk to competition and are in opposition with the DEFRA Strategic Policy Statement (SPS) and the Water Industry Act and contrary to Ofwat's open plans to increase competition in this market.

I have included your questions in black and our responses in blue below:

1. What are your views on the proposed update to our Policy Statement and Application Guidance that would apply to applications for sites in Wales?

It is a clear that the intent of the Welsh Government is to frustrate and inhibit competition in new connections. NAVs were not formally consulted by the Welsh Government when the SPS was published, and we were surprised and astounded by statements explicitly specifying that "the promotion of competition in water is not a priority" and that "further promotion of competition is undesirable".



We are supportive of the need for NAVs to demonstrate that customers will be “no worse off” in being served by a new appointee rather than an incumbent water company. However, these proposed extra requirements would add additional burdens for NAVs both operationally and financially that will put NAVs at a further disadvantage compared to incumbents. This could further inhibit competition to the detriment of new housing growth and customer benefits. ESPW are therefore not supportive of the proposal.

2. What are your views on how, with respect to this policy proposal, we can best achieve our aim that regulatory burdens are kept to a minimum while ensuring companies deliver the best outcomes for customers?

As we are not supportive of this process we would also have to say that we feel this addition to the NAV process is not proportionate or reasonable as this is not in keeping with a competitive market.

3. What are your views on introducing a similar requirement for sites in England at some point in the future?

We are not supportive of extending this to England for the same reasons as discussed with regards to Wales above.

Please do not hesitate to contact me on catherine.fearon@espug.com should you wish to discuss our response or have any further questions.

Yours sincerely,



Catherine Fearon
Head of Regulatory Compliance (Water)