



By email: charging@ofwat.gov.uk

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29 June 2023

Dear Ofwat Charging Team,

Re: Consultation on changes to our [Ofwat's] New Appointments and Variations policy and assessment guidance – Wessex Water response

Thank you for the opportunity to comment on the above consultation. In summary, we fully support the proposed changes to policy and proposed new requirements to applications for New Appointment and Variation (NAV) sites. We provide our responses to the specific consultation questions below.

Question 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?*

We fully support the proposed changes to the Policy Statement and Application Guidance set out in section 2 of the consultation document.

We agree with the statement made by the Welsh Government that the introduction of competition should not be supported where it cannot clearly be evidenced that the activity of new entrants would be beneficial to customers in the Strategic Priorities and Objectives Statement (SPS) made to Ofwat¹.

This reflects our wider views in support of markets to improve overall outcomes. Incumbent customers are protected by the regulatory regimes and mechanisms put in place by Ofwat since privatisation. The same level of customer protection is not observed in the NAV market, and we think these changes should be rolled out nationally to ensure customers and the environment are protected.

As an example, we are facing significant water resources challenges in our supply area and have now been instructed by regulators to cap our licences in the Hampshire Avon catchment, which reflects our broader water stressed status. This creates a potential challenge in meeting new growth in the area, and therefore as part of our water resources management plan we are proposing a programme of smart metering, leakage, and water

¹ December 2022

efficiency activity alongside supply-side schemes, to enable us to reduce demand, and meet this growth without abstracting more from the environment.

A significant portion of this new growth is likely to come in the form of NAVs. If NAV sites do not follow similar standards that we are implementing across our region and are not held to similar levels of regulatory account, this will make meeting supplies from a set of capped licences/sources difficult and undermine the potential environmental benefits that could be provided by a NAV market function more aligned to incumbent obligations. We would require NAVs and the properties therein to follow similar standards to ourselves with respect to household water efficiency (including building design standards), and leakage management, to be able to deliver water in these sensitive catchments.

There is a need to ensure fairness to both incumbent and NAV customers in each region and area and this will need to be considered as part of the new requirement as to whether a new NAV site is beneficial to all customers.

Question 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?*

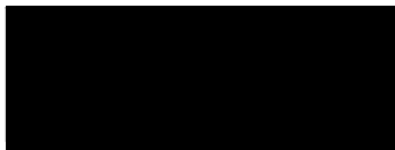
We agree, as per section 1.3 of the consultation, that there is a careful balance between minimising the regulatory burden and delivering the best outcome for customers. We support the proposed policy changes and consider it will overall lead to improved outcomes as set out in our response to Question 1 of the consultation.

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

For the reasons mentioned above, we are supportive of the proposals and would welcome the introduction of the same or similar requirements for sites in England.

Please do not hesitate to get in touch if you would like to discuss our responses further.

Kind regards,



Matt Greenfield

Director of Strategy & Regulation

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