

	Details
Applicant	MUA Water Limited (“ MUA Water ”)
Site Details	Pearl Lane, Astley Cross, Worcestershire (“ the Site ”)
Services	Water and Sewerage
Current water and sewerage appointee	Severn Trent Water Limited (“ Severn Trent Water ”)
Proposed supply arrangements	Bulk supply and bulk discharge agreements with Severn Trent Water
Criterion	Unserved
Household Customer	329
Business Customers	0
Developer	Barratt Homes West Midlands
Estimated Site completion date	June 2030
Summary of consultation	<p>A statutory consultation made under section 8(3) of the Water Industry Act 1991 (“WIA91”) to grant MUA Water a new appointment as a water and sewerage company.</p> <p>To also vary the appointment of Severn Trent Water as a water and sewerage company.</p> <p>Consequently, MUA Water will become the water and sewerage company for the Site.</p>
Deadline for submissions	<p>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.</p> <p>Responses must be received by Ofwat no later than 17.00 hours on 26 February 2024.</p>
<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. MUA Water

MUA Water was founded in 2019, as a joint venture between utility industry companies J. Murphy & Sons Limited ("**JMSL**") and the SGN group ("**SGN**").

JMSL is a global, specialist engineering and construction company founded in 1951 that delivering infrastructure. It operates in the United Kingdom, Ireland and Canada, and offers services including transportation, water, power, natural resources, and construction and property. SGN owns one of the UK's largest gas distribution networks, operating across Scotland, southern England and Northern Ireland. SGN manages the network which distributes natural and green gas to approximately six million homes and businesses across Scotland and southern England. Alongside the UK and Scottish Governments and the other gas distribution networks, SGN is developing the world's first zero-carbon gas grid.

MUA Water has the aim to operate in the New Appointment and Variations ("**NAV**") market. Alongside two existing utility businesses within the larger group; MUA Gas Limited ("**MUAGL**"), and MUA Electricity Limited ("**MUAEL**"). MUA Water has stated that becoming a new appointee and entering the NAV market will complete the group's plan to become the first choice multi-utility supplier.

MUA Water intends to operate as an undertaker providing water and sewerage services to household customers and will enter into bulk supply and/or discharge agreements with incumbent companies as it does not plan to use its own resources. MUA Water has not previously operated in the sector, and this is its first application for an appointment as a water and sewerage undertaker.

2. The Site

MUA Water has applied for a new appointment to be able to provide water and sewerage services to the Site. Site boundary maps can be viewed in section 6 of this document.

The Site is within the water supply area and sewerage services area of Severn Trent Water.

The Site will comprise 329 residential properties. The Site is expected to be fully built out in June 2030.

3. The proposal

Ofwat proposes to:

- grant a new appointment to MUA Water as a water and sewerage company, by including the Site in its water supply and sewerage services area: and
- vary the appointment of Severn Trent Water as a water and sewerage company by excluding the Site from its water supply and sewerage services area.

By means of the above, if we grant the appointment to MUA Water, it will become the water and sewerage services provider for the Site. This will allow MUA Water to provide services to both household and business customers.

MUA Water has notified Ofwat and the Market Operator Services Limited ("**MOSL**") for the business retail market in England, of its intention to apply to exit the business retail market, should it be granted an appointment. MUA Water intends to operate as a wholesaler and retailer for household customers and wholesaler for business customers on the Site.

MUA Water can only apply to exit the business retail market once it has been granted an appointment to provide water and sewerage services. Applications to exit the business retail market are processed by the Department for Environment, Food and Rural Affairs ("**Defra**"). The Secretary of State, in accordance with regulation 11 of the Water and Sewerage Undertakers (Exit from Non-household Retail Market) Regulations 2016, grants permission for an undertaker to exit the business retail market.

Our engagement is ongoing with MUA Water, Defra and MOSL in relation to these proposals.

MUA Water has entered into discussions to arrange a subcontracted arrangement with Everflow Water Limited ("**Everflow Water**"), whereby Everflow Water will serve its business customers until it exits the market. MUA Water believes it will have sufficient time to exit the market between the time of being granted an appointment and identifying a Site containing business customers. If this appointment is granted, any business customers MUA Water serve will be added to Everflow Water's billing system as new customers and all customer and billing services will be handled by Everflow Water. Should MUA Water be granted an appointment and exit the business retail market, its business customers will have a choice to remain with Everflow Water or move to another retailer of their choice.

4. 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](#).

Unserved status of the Site

To qualify under the unserved criterion, an applicant must show that at the time the appointment is made, none of the premises in the proposed area of appointment is served by the existing appointee.

MUA Water have applied under the unserved criterion; Severn Trent Water have provided a letter dated 7 august 2023, in which it confirms the Site is unserved for water and sewerage services.

Given the information provided by MUA Water and Severn Trent Water, we are satisfied that the Site may be considered unserved.

Price

MUA Water proposes to match the charges to customers on the Site to those of Severn Trent Water. it will not offer a discount.

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 MUA Water's proposed Customer Code of Practice, and our view is that it is of an appropriate standard. Our

¹ The legal framework for new appointments and variations 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.

view is that customers on the Site would be no worse off in relation to the scope of MUA Water' proposed Customer Code of Practice than they would be if Severn Trent 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 Drinking Water Inspectorate, Consumer Council for Water and the Environment Agency have all informed us that they are content for us to consult on this application.

The DWI is satisfied that MUA Water understands 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 DWI therefore raises no comments or objections to Ofwat proceeding to consultation and decision for applications submitted by MUA Water.

As part of the application process Ofwat has engaged with CCW. CCW's position is that new appointments and variations (NAVs) should bring benefits to customers on the proposed NAV site. CCW expects NAV 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 looked at the proposed levels of service, service guarantees and prices of MUA Water. CCW is satisfied that MUA Water offers prices and levels of service which will match or better those offered by the incumbent water and/or sewerage companies which would otherwise serve the site. CCW agrees with Ofwat's assessment that customers on the Site will be no worse off if served by MUA Water and so, overall, supports the proposed appointment.

Impact on existing customers

In considering whether customers will be no worse off, we also considered the potential effects of this appointment on the prices that Severn Trent Water's existing customer base may face.

The incumbent's bulk charges to the NAV should closely relate to the services the NAV provides to its end customers. We published our final guidance on bulk charges in January 2021 ([Bulk charges for new appointees - guidance on our approach and expectations](#)),

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.

following a consultation on our approach and a consultation on a draft version of our guidance in November 2020.

Our approach to regulating bulk charges was informed by a report we commissioned to explore whether incumbents' practices when setting bulk charges for NAVs were driving benefits for customers, the environment and wider society. The report confirmed that incumbents were setting bulk charges with reference to our May 2018 guidance, [a new approach to bulk charges for new appointees](#). This guidance introduced the principle that bulk charges for new appointees should be set to reflect the relevant wholesale tariff(s) and deduct costs that the incumbent would no longer incur if a new appointee supplied the site instead.

Therefore, if the incumbent's bulk charges are set at the correct level and adjusted to ensure that they remain cost reflective, we consider that granting this appointment to MUA Water would have no financial impact on the bills of the incumbent's customers and could have potential benefits for customers. There are also potential spillover benefits to customers arising from dynamic efficiencies achieved as a result of the competitive process to win sites.

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. We specifically look at the operational and financial viability of the company.

Our assessment of operational viability requires the company to demonstrate to us that it is technically and operationally able to fulfil the duties of an undertaker. The key considerations we look at are listed in our published guidance [here](#), in section 5.7 (page 40).

MUA Water has provided sufficient evidence to demonstrate that it has the necessary processes and expertise in place to be able to comply with its obligations as a water and/or sewerage undertaker. MUA Water has several subcontracted arrangements in place with water and sewerage companies and third-party providers. These arrangements cover provisions such as retail services, emergency repairs, meter reading and the supply of bottled water. MUA Water has provided information on its assessment process of appointing subcontractors, how the arrangement will work in practice, and the contingency plans it has in place should arrangements not work as intended. Further, MUA Water has provided details of the assurance processes it has in place to ensure any infrastructure or assets it adopts meet the industry standard required.

Having reviewed the above, we are satisfied that MUA Water has the necessary operational viability to perform the duties of an undertaker.

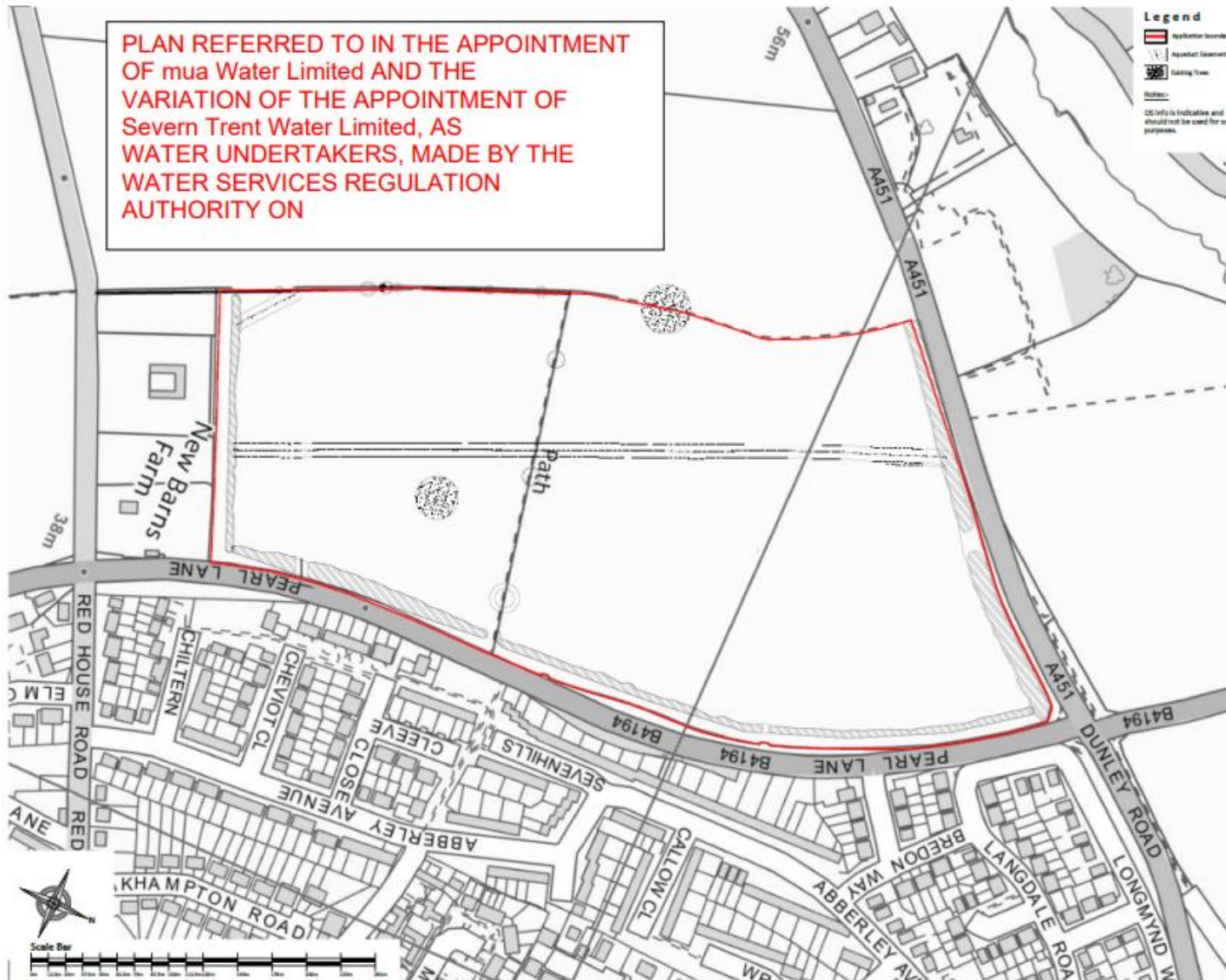
We also have considered the financial position of MUA Water in relation to providing water and sewerage services to the Site, and we are satisfied the company demonstrates sufficient financial viability.

5. Conclusion and next steps

In assessing MUA Water' 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 MUA Water would be able to finance, and carry out, its functions. We have also considered the effects of granting the proposed appointment on the existing customers of Severn Trent Water.

We are currently minded to grant the new appointment under the 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 new appointment set out above.

6. Site maps Water



Sewerage

