



Dŵr Cymru
Welsh Water

Guidance for New Appointments and Variations (NAVs) - Large Users

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Definitions

The following terms will have the meanings set out below wherever used throughout this Guidance:

Bulk Supply: A bulk supply of water from one appointed water company to another or a bulk discharge of wastewater from one sewerage company into the sewers of another sewerage company.

Bulk Supply Service: A NAV can provide its own onsite infrastructure, but rely on a bulk supply of water, or bulk discharge of wastewater, from or to the relevant incumbent's network. The NAV still serves end-customers, but the NAV pays the incumbent for bulk services.

Customer: A new appointee or appointee seeking to vary its licence making a NAV application as a large user.

DWI: The Drinking Water Inspectorate, responsible for regulating public water supplies in England and Wales. The DWI is responsible for assessing the quality of drinking water, taking enforcement action if standards are not being met, and taking appropriate action when water is unfit for human consumption.

Full-Service: – A NAV that provides a complete end-to-end service on a site. For water, this incorporates obtaining a water source, treatment, distribution and retailing. For wastewater, this incorporates collection, treatment and sludge treatment and disposal.

Large User Criterion: Criterion for a NAV application where the prospective NAV applies on the basis that it will use a large amount of water. In Wales this is over 250 megalitres of water a year. In England this is more than 50 megalitres of water a year.

Undertaker: A company appointed under section 6 of the Water Industry Act 1991.

Wastewater: Sewage or Sewage and Surface water or Surface water only

WIA91: Water Industry Act 1991.

New Appointments and Variations (NAV): A Statement of Policy

1. Introduction

This document (the “Guidance”) sets out the Dŵr Cymru Welsh Water (DCWW) guidance for supporting customers to provide water and wastewater services under the Large User criteria in DCWW’s area of appointment.

The Guidance provides a framework to ensure all New Appointments and Variations (NAV) are treated fairly and in line with the legal and regulatory requirements. In particular, DCWW is committed to meeting the aims of Competition Law and meeting the requirements of our licence (i.e. prevention of undue discrimination, undue preference and the misuse of information) including **Condition E1**.

If you have any comments or observations in relation to this guidance please contact Kate Newton, our Competition Solicitor (at kate.newton@dwrcymru.com or on 01443 452740).

2. Supporting Our Customers throughout the Process

All enquiries from Customers should be directed to DCWW’s Wholesale Service Centre.

Wholesale Service Centre
DCWW Welsh Water
PO Box 3164, Cardiff, CF30 0FF
T: 0800 260 5053
<http://wsc.dwrcymru.com>
wholesaleservicecentre@dwrcymru.com

Internal controls have been established to ensure Customers are treated fairly and that any confidential information is handled appropriately to avoid any undue preference being shown to any party. There is segregation between teams delivering services on behalf of the Customer and those who may be delivering services directly to a developer.

Work commissioned by a Customer will be delivered to industry service standards or where applicable, internal performance standards designed to provide industry leading levels of customer service. DCWW encourages early engagement for new large user sites in order to address any issues that may arise during the planning/construction process.

This Guidance sets out the work required and key criteria that need to be considered in DCWW’s interactions with a prospective Customer. It may be the case that work streams will run in parallel e.g. eligibility and pre-planning report. The document therefore should be interpreted as a suite of tasks rather than a linear flow of work, the extent of the overlap largely reliant on the instruction received by the Customer. In any event DCWW

commits to responding to requests from Customers within the timeframes specified by Ofwat and where we are unable to do so we will provide a full explanation and the achievable timescale. A table outlining the stages of the application process and the timeframes for DCWW's responses is included in Appendix A.

3. Overview

A new appointment is made where a limited company is appointed by Ofwat to provide water and/or sewerage services for a specific geographic area. The new appointee has the same duties and responsibilities as the previous statutory water company.

A variation is where an existing appointee asks Ofwat to vary its appointment so it can extend the areas it provides services to.

A NAV therefore involves one company replacing another as the appointee for a specific geographic area. Ofwat provides guidance for Customers for NAV appointments, as well as for incumbent companies responding to NAV applications within their area, available via the following link:
<https://www.ofwat.gov.uk/regulated-companies/markets/nav-market/nav-publications/>

4. Site Eligibility

In order for a Customer to apply to serve a new or existing site under the large user criteria, **the** site must use or is expected to use more than 250 megalitres of water a year and be within the supply area of DCWW.

4.1. Large User Criterion

If a Customer makes an enquiry about an existing large user site, they should provide the details of the supply serving the site and DCWW will confirm from its records whether the site meets the 250 megalitres threshold.

Where a Customer makes an enquiry about serving a new site that is expected to use in excess of 250 megalitres of water per annum, DCWW requests that the Customer provides at the time of the initial enquiry a letter from the intended occupier of the site outlining its expected annual usage.

5. Pre-Application for a new large user site

5.1. Planning advice and Development Guidance

The Wholesale Service Centre is the point of contact for Customers for the pre-planning service. In the pre-planning phase we will: assess the impact of the proposed development; advise whether the local network can support the proposal; whether off-site water mains and/or sewers will need to be provided; and whether there is any apparatus located within the land the Customer may wish to develop and the requirements for these apparatus. Please refer to our Planning and New Development Guidance document and Application form available [here](#).

5.1.1. Information Requirements

Application forms can be downloaded from the Wholesale Service Centre website and submitted by e-mail to WholesaleServiceCentre@dwrcymru.com. In order to ensure that DCWW can provide Customers with comprehensive advice about the site, the information requested on the forms should be submitted with an enquiry.

The fee for this service can be found in Appendix C.

5.1.2. The Likely Future Assessment

The WIA91 (water and sewerage bulk supplies) requires undertakers to consider the impact any new connection requests from NAVs or Developers will have on its ability to deliver services to both its existing and likely future customers. DCWW will undertake a 'likely future assessment' to evaluate the impact the Customer's site will have on the water demand management and/or sewerage catchment. This process will establish whether the proposed application would:

- Pose a risk to DCWW's ability to provide existing water and/or sewerage services;
- Be of detriment to the connection offered to development sites with extant planning consent; or
- Bear costs that would not have been borne if the NAV site had not occurred.

The starting point is to assess all developments that have an extant planning permission in the same zone/catchment as the NAV application site. This will also include consideration of any active non-domestic bulk supply and trade effluent applications. If the only site with extant planning permission is the NAV application site (and there are no active non-domestic applications) then the baseline of assessing capacity shall be the current demand on the assets. In all other cases, the NAV will be required to fund the asset reinforcement required (which is in line with the headroom assessment used for developer customers), which will constitute:

- the existing demand (including any active non-domestic bulk supply/trade effluent applications);
- the extant planning permission demand; and
- the NAV application site

5.1.3. Water Efficiency Assessment

Section 40 of the WIA91 relates to the efficient use of water resources between water undertakers. The water efficiency assessment is designed to ensure that only the water needed to support the Customer and the demands reasonably expected from the number and types of connections set out in the extant planning is reserved under any future bulk supply agreement. DCWW's objective is to demonstrate the efficient use of water resources to ensure that capacity is not unjustifiably reserved in bulk supply agreements preventing customers from accessing available headroom and leading to unnecessarily investment. DCWW aims to work collaboratively with the Customer to ensure the supply requested represents an efficient use of water resources.

5.2. Network Hydraulic Modelling

The Planning and New Development advice will provide an indication of whether the existing networks can accommodate the new development. However, there may be instances where the assets do not have capacity to service the site and hydraulic modelling is required to assess the available options. It may be difficult to commit to definitive delivery deadlines, particularly for larger more complex developments. Please be advised that sufficient time will be required for these studies to be undertaken prior to finalising the bulk supply agreements.

There may be occasions where the site owner has already commissioned modelling work and the study has either been undertaken in part or full. Where this is the case, DCWW will ask the Customer to provide authorisation from the site owner agreeing to the release of this work.

The following three step approach sets out how to commission work to confirm the point of connection/discharge and the estimated cost of any network reinforcement required. The schedule of charges is set out in Appendix B.

Step 1 is the *modelling estimate*, which will identify the scope and cost of the modelling exercise needed. The Wholesale Service Centre will provide the Customer with an outline of the work required, estimate of the cost and approximate timescales where possible. For water modelling estimates, the Wholesale Service Centre aims to respond within 5 working days. Due to the complexity of wastewater hydraulic modelling, estimates can take up to 20 working days. The Customer then has 6 months to decide whether to accept this estimate and instruct DCWW to undertake modelling work. Estimates are valid for 6 months and payment is made in advance of the work being undertaken.

Step 2 Following payment of the estimated value of the hydraulic modelling, DCWW will undertake a modelling study and publish a *hydraulic modelling report*. This will set out the impact the bulk supply will have on the network and whether a point of connection/discharge can be offered without investment in DCWW's treatment assets or network. Where investment is required, it will detail the assets requiring investment and whether new mains and sewers will be required to communicate from the boundary of the Customer's site to a suitable connection point on DCWW's network. A high level estimate of the cost will be incorporated into the report and the results of the model will be valid for 6 months.

Step 3 is the *engineering design*. If the Customer decides to proceed, the final step will be to commission a detailed engineering solution for the connection. When an application is submitted for engineering design, the Wholesale Service Centre aims to respond within 5 working days to either confirm that the required information has been received to undertake the design or to ask for further information if required. Once it is confirmed that the application is complete, the Wholesale Service Centre aims to provide a response within 20 working days. A deposit will be required which will be deducted from the final cost of the scheme.

5.3. Risk Assessments

To enable a Customer to submit its risk assessment to the DWI, any risk assessment information required should be requested via the Wholesale Service Centre. The Wholesale Service Centre aims to return the information to Customers within 15 working days of receiving the request.

5.4. Water Pressure

Where a Customer requests the minimum and maximum water pressures available to a site, the Wholesale Service Centre aims to respond to the request within 20 working days.

5.5. Bulk Supply Pricing and Connection Charges

5.5.1. Bulk Charges

Where a request is made for price and non-price terms of a bulk supply agreement at the pre-application stage, the Wholesale Service Centre will aim to provide an offer letter within 20 working days. The offer will be based on the information available at the time of the request and may be subject to change.

5.5.2 Connection charges

DCWW will issue a cost estimate to the Customer which will include the connection charges and the cost of any offsite works that need to be carried out on DCWW's network to provide the required services.

5.5.3. Connecting Infrastructure

DCWW will model network solutions in support of the NAV application and will consider requests to undertake the capital works required to construct the communicating water main or sewer to the designated connection point on a case by case basis (in particular because DCWW may not have the statutory powers to carry out this work).

5.5.4. Bulk Supply Metering

DCWW may install bulk meters at supply points on the boundary of the NAV site to be used for charging and wider network management. The price of the meter will be included in the cost of the connection.

5.6. Bulk Supply Agreements

A bulk supply agreement should be in place before Ofwat will award a NAV. the Wholesale Service Centre will on request provide the Customer with a template bulk supply agreement for water and/or waste water service. DCWW do not prescribe a single approach and it is the Customer's decision as to whether they are comfortable in using the template or wish to offer an alternative.

Bulk supply agreement negotiations can be commenced during the pre-planning phase for new large user sites and will be concluded during the public consultation stage, following the application being submitted to Ofwat. Bulk supply offers will be conditional on both parties having agreed contract terms and the application being successful. DCWW will provide a letter of support to the NAV where appropriate and will furnish Ofwat of any details they may deem pertinent to their consideration of the NAV application.

5.7 Mandatory Sewer Adoptions

A sewer must not be constructed until the NAV has been appointed (it is a criminal offence for an unauthorised body to construct a sewer).

6. Post-Submission of the NAV application to Ofwat

Once the NAV application has been submitted to Ofwat, a Section 8(2) Notice must be sent to key stakeholders including the existing appointee of the relevant site within 14 calendar days. The notice should be sent to the registered address set out below:

Company Secretary
Dŵr Cymru Welsh Water
Pentwyn Road
Nelson
Treharris
Mid Glamorgan
CF46 6LY

It is requested that a copy of the notice is also sent by email to WholesaleServiceCentre@dwrcymru.com.

7. Post-Award

7.1. Transition

Once Ofwat have confirmed the award of the NAV to the Customer, DCWW will support the new appointee via a named point of contact within the Wholesale Service Centre. Transition arrangements will be agreed to ensure:

- Bulk supply contracts are enacted;
- Physical connections to DCWW's networks are facilitated;
- Billing arrangements are established.

Controls established to maintain confidentiality between Developer Services and the Wholesale Service Centre during the application process will be relaxed, reflecting the transition of the new appointee from a competitor to a customer (Ofwat's 'Competitor Principle'). It facilitates the use of appropriately skilled and knowledgeable

resources with development industry backgrounds to support the new appointee when connecting to DCWW's network.

7.2. Contract Management

On-going support including billing, collection of charges and meter reading will be provided via the Wholesale Service Centre. Tailored contract management services may also be made available to Customers on request.

Appendix A - Application Process

The table below outlines the stages of the application process. It may be the case that work streams will run in parallel e.g. eligibility and pre-planning report. The table should be interpreted as a suite of tasks rather than a linear flow of work, the extent of the overlap largely reliant on the instruction received by the Customer.

| Stage | Action | Description | Process | Response Time |
|---------------------------------|-----------------------|---|--|------------------|
| Pre-application | Initial enquiry | Enquiry submitted by potential Customer | The Customer makes contact with Wholesale Service Centre to enquire about a NAV application and provide contact details, site information and the criterion they intend to apply under. | 5 working days |
| Pre-application | Eligibility check | Engagement with Customer to discuss eligibility criterion | Engagement with the Customer to discuss eligibility | 5 working days |
| Pre-application | Network information | Water pressure | Where a Customer requires minimum and maximum water pressures available to a site, DCWW aims to provide this within 20 working days. | 20 working days |
| | | Formal offer for bulk services | Where a Customer requests price and non-price terms for a bulk supply/discharge agreement, DCWW aims to provide an offer letter based on information available at time of request. | 20 working days |
| Pre-application | Risk assessment | Risk assessment | Where a Customer requires information on DCWW's drinking water safety plans to submit a satisfactory risk assessment to the DWI, DCWW aims to respond with the requested information within 15 working days. | 15 working days |
| Pre-application and application | Bulk agreements | Bulk supply and bulk discharge agreements | Negotiation of bulk supply and bulk discharge agreements during pre-application and application stage. Agreements to be finalised at public consultation stage. | Not defined |
| Post-submission | Application submitted | Application is submitted to Ofwat by the Customer | The Customer submits formal application to Ofwat and issues a Section 8(2) notice to DCWW within 14 calendar days. | 14 calendar days |

Appendix B – Bulk Supply Charging Methodology

Where a request is made for price and non-price terms of a bulk supply agreement at the pre-application stage, DCWW will aim to provide an offer letter within 20 working days. The offer will be based on the information available at the time of the request and may be subject to change. The Bulk charge will be based on the appropriate Wholesale Industrial Tariff as detailed [here](#).

Appendix C – Schedule of Charges

Cheques can be submitted with posted applications. If an application is made via email an invoices will be issued for immediate payment

Written Pre-planning Response

The pre-planning service will provide information on whether existing assets can support a development for both water and waste water. In order to provide this service, DCWW will require any relevant information regarding the development including any proposed drainage strategies. See Section 5 of this document for more information.

Charge
2019-20
£133.00 + VAT

Modelling Estimate

The modelling estimate will identify the scope and cost of the modelling exercise needed. The Wholesale Service Centre will provide a written estimate of the cost for which a charge will apply. If the estimate is accepted, the next step will be to instruct DCWW to undertake the hydraulic modelling study. Modelling estimates are valid for six months.

Charge
£250.00 + VAT

Hydraulic Modelling Study

Following payment of the estimate outlined above, a modelling study will be undertaken and a hydraulic modelling report will be published. If the cost of undertaking the study exceeds the estimate provided, DCWW will advise of the reason for the increase and the additional costs will be payable upon receipt of the final report. The hydraulic modelling report will set out the impact the bulk supply will have on the water network and whether a point of connection/ discharge can be offered without investment in treatment assets or the sewer network. Where investment is required it will detail assets needing investment and if new mains and sewers will be required to communicate from the boundary of the Customers site to a suitable connection points on the existing network. A high level estimate of the cost will be incorporated into the report and the results of the model will be valid for six months.

Charge
Payment of
modelling
estimate required
in advance

Engineering Design

If the Customer wishes to proceed, the final step will be to commission a detailed engineering solution for the connection or connections. An upfront deposit will be required, which will be deducted from the final cost of the scheme.

Charge
£2,000 + VAT