

Guidance for New Appointments and Variations (NAVs) – New Developments (Unserved Criterion)

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Version Control

Version	Date of issue	Modification to previous issue
V4.0	1 April 2020	Updated to reflect Industry Agreed levels of service. Removal of charging information as this is in a separate NAV charging document
V5.0	27 January 2021	Changes to make the document clearer. Updated website address
V6.0	15 March 2021	Updated Registered Office address and website links
V7.0	October 2021	Addition of Section 5.9
V8.0	18 February 2022	Change of text font in Section 5.7, amendment to Section 5.9 and addition of Section 5.10
V9.0	13 March 2024	Addition of Section 5.6.3, update to contact information in Section 1 and updated website links.

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 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 for a new development.

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.

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

Unserved Criterion: Criterion for a NAV Application whereby the prospective NAV applies on the basis that there are no existing water and/or sewerage mains connections on the site.

Wastewater – Sewage or Sewage and Surface water or Surface water only

WIA91: Water Industry Act 1991.

Guidance for New Appointments and Variations (NAVs) - New Developments (Unserved Criterion)

1. Introduction

This document (the “Guidance”) sets out the Dŵr Cymru Welsh Water (DCWW) guidance for supporting Customers to provide water and wastewater services to new Developments in DCWW’s area of appointment.

The Guidance provides a framework to ensure all New Appointments and Variations (NAVs) are treated consistently 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** legal@dwrcymru.com **and mark correspondence for the attention of the General Counsel.**

2. Supporting our Customers throughout the Process

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

Wholesale Service Centre

Dŵr Cymru Welsh Water

PO Box 3164, Cardiff, CF30 0FF

T: 0800 260 5053

<http://wholesale.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 in order to address any issues that may arise during a 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. DCWW commits to responding to requests from Customers within the Ofwat and Industry agreed levels of service timescales and where we are unable to do so we will provide a full explanation and the achievable timescale. We have indicated throughout this Guidance the normal timescales that will apply and we will aim to respond within these timeframes wherever possible. 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 in relation to NAV appointments, as well as for incumbent companies responding to NAV applications within their area, available via the following link:

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 Development site, the following criterion must be met:

- The **Unserved Criterion**: The site has no existing mains water connection and/or it has no existing mains sewer connection.

4.1. Site status review

Under section 7 read with section 36(3) of the WIA91, a site is unserved if none of the premises in the proposed appointment area are:

- Supplied with water by means of a connection with a distribution main of the existing water company (in the case of an application to supply water); or
- Drained by means of a public sewer or lateral drain of the existing sewerage company (in the case of an application to discharge sewage)

Ofwat guidance states that where appropriate the Customer should obtain a report from an independent professional adviser that verifies the unserved status of the site. Otherwise, if the status of a site is not in dispute, it may be sufficient for a Customer to provide Ofwat with factual details of the site, accompanied by a signed letter from the existing appointee confirming its view that the site is unserved.

Where an independent report is deemed necessary, the Customer and/or their independent professional adviser is asked to produce a coloured map clearly showing the boundary of the site and if known, the existence of any of the following:

- Existing water infrastructure;
- Existing foul sewerage infrastructure; and
- Existing surface water drainage infrastructure.

To assist in this process, the Wholesale Service Centre will provide on request (at no charge) two unmarked copies of the map covering the proposed development area (A1/AO) and/or an electronic copy in a common file format.

4.1.1. Site status review and Independent Site Status Reports

Where an independent site status report is required, DCWW will meet with the Customer and/or its independent professional advisor and provide information relating to any water, sewage or surface water drainage assets on site as required by Ofwat guidance. Meeting and information requests should be made via the Wholesale Service Centre. If the request is made directly by the independent professional advisor, the advisor will need to provide DCWW with a letter of authority from the Customer to confirm that DCWW can share the information.

Where a Customer asks DCWW for confirmation of a site status, this will be carried out either as a desk top study or if required by a survey of the site, identifying potential connections that may have been omitted from DCWW's mapping tools e.g. animal water troughs. Confirmation of the site status will be notified to the Customer within 21 days. Where DCWW identifies live connections, details of these will be provided to the Customer or their independent adviser and any resultant action agreed. Live connections will either be omitted from the application areas or the Customer will be required to provide evidence to show that this connection will be permanently removed before the appointment/variation is made. Strict rules surround the disconnection of existing properties and DCWW will need to be satisfied that the Customer has complied with Ofwat guidance before agreeing the unserved status of the site.

Ofwat's reporting process requires that a draft report relating to the unserved status of the application site is circulated to the existing appointee prior to it being submitted to Ofwat in support of its application. The Wholesale Service Centre aims to provide a written response to the draft report within 5 business days. If DCWW is satisfied as to the unserved status of the proposed site, a signed letter will be provided to the Customer confirming the site's eligibility. Where DCWW disagrees with the report's findings, the reasons why the site is considered to be served will be set out within the response. If a draft report is not provided to DCWW prior to an application, Ofwat will share the site status report when the application is submitted. As this can cause a delay, it is preferable that the Customer shares the draft site status report once it is available.

5. Bulk Service Application

5.1 Information Requirements

Application forms can be downloaded from the Wholesale Service Centre [website](#) and submitted by e-mail to WholesaleServiceCentre@dwrcymru.com. To ensure that DCWW can provide a Customer with comprehensive advice about the site, the information requested on the forms should be submitted with an enquiry.

The Wholesale Service Centre will respond to the Customer within 5 business days acknowledging receipt of the application and confirm whether the application is complete or if further information is required before the application can proceed.

A bulk service offer will be issued to the Customer within a period of 28 days commencing on either i) on the day after receipt of the full application, or (ii) in an incomplete application and/or no payment has been received with the application, on the day after the required information and payment has been received. and where we are unable to do so we will provide a full explanation and the achievable timescale.

5.2. Proposed Development

DCWW 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 Proposed Development Guidance document available [here](#). The advice provided will be valid for a period of 12 months from the date of issue.

DCWW will provide this service as part of the Bulk service offer or as a standalone service if requested by the Customer.

5.2.1. The Likely Future Assessment

Sections 40 and 110A of 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 Customers' 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 detrimental to the connection offered to development sites with extant planning consent; or
- Incur costs that would not have been incurred 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

5.2.2. 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.

5.3 Point of Connection or Discharge / Engineering Design

The proposed development review will provide an indication of whether the existing networks can accommodate the new development. There may be instances where the assets do not have capacity to service the site and hydraulic modelling will be required to assess the available options. This is detailed in 5.4 below.

Where the existing network can accommodate the development a detailed engineering solution for the connection or discharge (if required) will be provided upon payment of a deposit. The deposit amount is detailed in our [Charging information for NAVs document](#) and will be deducted from the final cost of the scheme.

5.4. Network Hydraulic Modelling

The proposed development review 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 service offer.

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 and/or discharge and the estimated cost of any network reinforcement required. The schedule of charges is set out in our [Charging information for NAVs document](#).

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 business days. Due to the complexity of wastewater hydraulic modelling, estimates can take up to 20 business 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 will be requested 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 networks and treatment works 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 business 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 28 days, this response will include a formal offer for bulk services. A deposit will be required as detailed in our [Charging information for NAVs document](#) which will be deducted from the final cost of the scheme.

5.5. 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 business days of receiving the request. This can be applied for at any time and will run in conjunction with other Steps in the Application Process.

5.6. Bulk Service Pricing and Connection Charges

5.6.1. Bulk Charges

The price and non-price terms for the bulk service agreement will be provided as part of the bulk service offer and will include any costs associated with reinforcement of DCWW's existing water/sewerage networks and treatment works and connection charges following the engineering design. The offer will be based on the information available at the time of the request and may be subject to change.

The methodology used by DCWW to calculate indicative bulk supply charges is set out in our [Charging information for NAVs document](#).

5.6.2. Discount

DCWW may apply a discount against the capital and financing costs for work required to reinforce DCWW's existing water and sewerage networks. The value of the discount will be calculated based on the bulk supply / discharge revenues reasonably forecasted for the site. Where the revenue forecast differs to the information underpinning the site (for example the extant planning consent or the site's progress), DCWW reserves the right to adjust the value of the discount by adjusting the bulk supply / discharge revenue forecast. The commercial arrangements for the reinforcement works must be agreed and be in place before any works are undertaken.

5.6.3 Asset payments

The water undertaker who is a party to the self lay agreement is responsible for any asset payment due.

5.6.4. Infrastructure Charges

The Customer will be expected to collect the relevant infrastructure charges arising in relation to each of the new properties on their application site. Infrastructure charges are payable to the new appointee when the supply is made available – that is, when the first time connection is made.

5.6.45 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).

5.6.6. Bulk Service 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.

5.7. Bulk Service Agreements

A bulk service agreement should be in place before Ofwat will award a NAV. DCWW will use the WaterUK Standard Agreements as the basis for any Bulk Supply or Discharge Agreement with changes reflected in the Special Conditions as appropriate for the specific arrangements of each site. These agreements are available [here](#).

Bulk agreement negotiations will be commenced during the Bulk Service Application process. Bulk service offers will be conditional on both parties having agreed contract terms and the NAV application being successful. DCWW will provide a letter of support to the NAV where appropriate and will furnish Ofwat with any details required by Ofwat as part of their consideration of the NAV application.

5.8 Mandatory Sewer Adoptions

Section 106 WIA91 (as this provision applies to Sewerage Undertakers that are ‘wholly or mainly in Wales’) requires that any new sewerage construction that will communicate with an existing DCWW public sewer (whether this is in our Welsh or English part of our operational area) must be included in a Section 104 WIA91 sewer adoption agreement with DCWW before construction commences even where the site is the subject of a NAV application. DCWW has no ability to afford any flexibility with this legal requirement. This legal requirement only falls away in the event that a NAV deemed ‘wholly or mainly in England’ is appointed for the site.

Any sewerage pipe laid prior to the NAV being appointed, i.e. within DCWW’s area of appointment must, in addition to being subject to a Section 104 sewer adoption agreement, also comply with the Welsh Ministers Standards for Gravity Foul Sewers and Lateral Drains.

5.9 Sewer Connections

In the event that a proposed sewerage system in a NAVs area of appointment (foul or surface water) is private (e.g. constructed by a developer), then the connection, directly or indirectly, of this to the existing public sewer is subject to a notice being served under Section 106 WIA91, including complying with the provisions of section 106B WIA91 where the existing public sewer is within a sewerage undertaker’s area who is wholly or mainly in Wales, i.e. DCWW’s area. DCWW cannot authorise the connection unless :-

- The proposed sewerage system (all the sewers, lateral drains etc prior to construction) are the subject of a Section 104 sewer adoption agreement
- The Section 104 adoption agreement must include for the adoption to occur automatically upon the occurrence of specified events
- All foul sewers and lateral drains must comply with the Welsh Ministers' foul sewer standards

Any communication with the public sewer that is undertaken without complying with these requirements is a criminal offence under Section 109 WIA91 and any sewers or lateral drains that are constructed without first having the benefit of a sewer adoption agreement in place have no legal status (they are stranded assets).

5.10 Requests to adopt NAV Assets

DCWW's standard position is that a NAV, as undertaker for its area with the same duties and responsibilities as the former incumbent company for that area, would adopt, operate, and maintain the assets within its area of appointment. It would only be in exceptional circumstances where it is in the best interests to DCWW's customers as a whole, that we would consider adopting assets constructed inside the NAV's area of appointment (which benefit the NAV's customers). In this type of situation, we would consider a request from a NAV on a case by case basis (based on all relevant information).

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
Linea
Fortran Road
St Mellons
Cardiff
CF3 OLT

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

7. Post-Award

7.1. Transition

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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 service 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 and this 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 from the Customer.

Stage	Key Process	Process	Response Time
1	Site status review	DCWW engages with the Customer and confirms the unserved or serves status of the site or DCWW provides the requested information to an independent adviser.	21 days
2	Bulk service application	The Customer submits an application form and DCWW acknowledges receipt and confirms completeness.	5 business days
2	Bulk service offer	<p>DCWW will provide a bulk service offer which will provide the following information:</p> <ul style="list-style-type: none"> Proposed Development – Confirmation of bulk service requirement including peak flow / discharge; Services – Confirmation of services and available capacity; Connection — Details of permanent point of connection and connection costs. Details of temporary arrangements, such as temporary capacity constraints, temporary points of connection and indicative information on any reinforcement work required; and Commercial terms and conditions – Applicable connection costs, capital and financing costs for work required to reinforce DCWW's existing networks and treatment works (including any discount), infrastructure charges, bulk charges and standard bulk agreements. 	28 days

2	Hydraulic modelling estimate (if required)	If hydraulic modelling is required, an estimate of the cost to model the solution will be provided. DCWW aims to provide water estimates within 5 business days and wastewater estimates within 20 business days.	5-20 business days
	Hydraulic modelling study (if required)	Modelling study and hydraulic modelling report to show whether network has capacity or if investment is required. On completion of the modelling study and after confirmation that the Customer wants DCWW to proceed to the Engineering Design the Bulk service offer will be provided within 28 days as above.	Dependent on modelling required
	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 business days.	15 business days
3	Bulk service agreements	Standard bulk service agreement signed and issued to the NAV within 28 days commencing on either (i) on the day after written acceptance from the NAV of the bulk service offer, or (ii) on the day after agreement of non-standard terms.	28 days
		Acknowledgement of returned signed agreement	5 days
4	Bulk connection (following payment)	Off-site mains construction Off-site sewer construction Provision of connection and supply of water for testing Provision of permanent supply of water	90 days 180 days 28 days 14 days