

NAV policy and process overview document

2019/20

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Contents

1.	Background	3
2.	How SEW supports your NAV application	4
3.	Competition compliance	5
4.	Key processes and outputs	5
4.1	Site eligibility review	5
4.2	Bulk supply application	6
4.2.1	General policies underpinning our response	6
4.2.2	Bulk supply charges	7
4.3	Bulk supply agreement	8
4.4	Bulk connection	8
5.	Other services provided to NAV companies	9

1. Background

New appointments and variations (NAV's) are limited companies which provide a water and/or sewerage service to customers in an area which was previously provided by the incumbent provider.

A new appointment is made when a limited company is appointed by Ofwat to provide water and/or sewerage services for a specific geographic area.

A variation is where an existing appointed company asks Ofwat to vary its appointment so it can extend the areas it provides services to. A new appointee has the same duties and responsibilities as the previous statutory water company.

A NAV therefore involves one company replacing another as the appointee for a specific geographic area.

The Water Industry Act 1991 sets out the NAV appointment framework and Applications are made to Ofwat.

A NAV can be granted based on one of three criteria:

1. The site is not currently served by an existing undertaker, known as a "greenfield" site
2. The premises is supplied with at least 50,000 cubic metres of water per year, e.g. a large commercial user
3. The existing water and or sewerage undertaker consents to the change

Link to Ofwat's web page regarding NAV's

<https://www.ofwat.gov.uk/regulated-companies/markets/nav-market/>

As part of a NAV application, there are four key process's we as the incumbent are involved in:

1. Site Status review – to establish whether the site is served (for NAV's using the unserved criteria). Under the large user criteria we confirm the annual volume and under the consent criteria we confirm agreement in writing.
2. Bulk service application from the NAV - we will provide a response covering the point of connection, capacity, site status, cost of connection, infrastructure and bulk charges, and general terms and conditions.
3. Agreeing bulk supply agreement - this formalises the general terms and conditions and involves the negotiation of bespoke terms where appropriate.
4. Provision of the bulk supply connection, once requested and paid for by the NAV.

This document outlines South East Water's (SEW) key policies for each of these processes when dealing with a NAV request.

2. How SEW supports your NAV application

As the incumbent Water Company we will support the NAV through the four key process's outlined above, in the following ways:

- **Documentation – ease of access for the NAV**

All relevant NAV documents are available from a single location on our web site or on request and include:

- Our NAV site application form
- Our New Appointments and Variations Pricing document which sets out our bulk supply price
- Our standard bulk supply agreement
- Our NAV policy document

Follow the link and go to the NAV icon on the page

<https://wholesale.southeastwater.co.uk/help-advice/developer-services/>

The key outputs we will provide the NAV during their application process are described in section 4 of this document.

- **Response times**

We will respond quickly to any enquiries and ensure they are always within industry agreed service levels.

- **Contact points**

To support the NAV application process and ensure competition compliance we have dedicated contact channels for NAV companies.

Telephone	01634 276278
Email	nav.enquiries@southeastwater.co.uk
Post	South East Water, C/o Kieran Street, Rocfort Road, Snodland, ME6 5AH

3. Competition compliance

A developer has the choice of requisition, self-lay or NAV to install the onsite mains for a new development. To comply with competition law SEW will deal with all types of applications fairly and on a comparable basis to ensure a level playing field. To achieve this we have:

- a compliance policy in place governing our processes
- ring fenced staff dealing with these applications
- all NAV quotes are issued on an equivalent basis and methodology
- the same cost model is used for income offset/asset value calculations for self-lay and NAV applications
- externally and independently assured cost model and annual charges

4. Key processes and outputs

4.1 Site eligibility review

For NAV site applications using the unserved criteria:

To confirm a site status as unserved, the NAV needs to submit a request to SEW via email or post. A plan clearly showing the site boundary in relation to buildings on the edge of the site needs to be provided before we can start our review. Any information relating to connected properties within the site that will be demolished prior to the inset being granted needs to be provided with the request, to avoid delays.

We will provide a letter to the NAV confirming the served/unserved status of the site within 21 days of receipt of the request (calculated from the day after receipt).

For site applications using the consent criteria:

Please email the request to nav.enquiries@southeastwater.co.uk

For site applications using the large user criteria:

Please email the site details to nav.enquiries@southeastwater.co.uk so that we can confirm the annual volume.

4.2 Bulk supply application

A NAV application form is available on our web site or will be sent to you upon request.

Link to NAV application form:

<https://wholesale.southeastwater.co.uk/media/1440/160119-nav-application-form-v2.pdf>

Our response will include:

- Confirmation of service to be supplied including location, number of units on site and maximum peak flows allowed
- Bulk supply connection point details and plans.
- Details of temporary arrangements, such as temporary capacity constraints and temporary points of connection.
- Details of any permanent arrangements such as multiple supply points, site connectivity and flow constraints, at each supply point.
- Indicative information on any reinforcement work required.
- Estimated asset payment value.
- Estimated cost of and contribution to contestable works, if applicable.
- Estimated cost of and contribution to non-contestable works – connection costs.
- Indication of infrastructure charges.
- Bulk supply charges.

4.2.1 General policies underpinning our response

- Once we have received the application form we will review it and confirm receipt and completeness within 5 working days (calculated from the day after receipt).
- We will provide a bulk supply offer letter within 28 days of receipt of the complete application (calculated from the day after receipt of the fully complete application form).
- The asset payment calculation is equivalent to the self-lay income offset calculation.
- The non-contestable works include the bulk supply connection to the site, a bypass meter arrangement, wash outs and non-return valves. A washout is available for chlorination and testing. A contribution to these costs is calculated based on the income off-set percentage. The cost of the meter is not included in this calculation and will not be charged to the NAV.
- The quotation provided is valid for 6 months from the date of the letter.
- As of 1 April 2018 all off-site reinforcement costs are included in the infrastructure charge.
- SEW will provide a plan showings its assets within the site and adjacent to it.

- If there are existing SEW mains within the boundary of the proposed development, these can be diverted upon request from the NAV, at their cost and after agreement with SEW.
- If SEW trunk mains remain on the site please note the following procedure. Prior to any works commencing in the vicinity of or plant crossing a trunk main, the NAV is to contact SEW and written approval obtained in advance. Further documentation in the form of risk assessments/method statements may be required in advance of approval.

4.2.2 Bulk supply charges

The bulk supply price is the cost per cubic metre that the NAV will pay for the water they receive at the bulk supply connection point(s) from us.

Where the NAV site is primarily made up of residential dwellings, our starting point for the bulk supply price is the wholesale household standard measured tariff. This is the base price as per Ofwat's guidance. Where the site includes non-household use as well as residential dwellings we will use both the wholesale household and wholesale non-household measured tariffs, to calculate the bulk supply price for the household and non-household use respectively. To this base price we will apply a discount to reflect the costs that we will avoid and the NAV Company will incur because we no longer operate and maintain a part of our network.

Our bulk supply price is not calculated on a site by site basis. It is a single volumetric cost per cubic metre dependent on the charging year and charging region.

Our bulk supply charges are explained in detail in our New Appointments and Variations Pricing document, and this includes worked examples. This document can be downloaded from our web site or sent to you upon request.

Link to document:

<https://wholesale.southeastwater.co.uk/media/1439/nav-bulk-supply-charges-for-web-site-v012019-final.pdf>

For ease of use this document is available on our web site in both our NAV document repository area and in our tariff documents area.

<https://wholesale.southeastwater.co.uk/about-us/our-charges/>

<https://wholesale.southeastwater.co.uk/help-advice/developer-services/>

Each charging year runs from the 1st of April to the 31st of March. For each charging year we will publish our NAV pricing document by the 31st of January prior to the start of that charging year.

We will consult with stakeholders before making any material changes to our current NAV charging methodology.

4.3. Bulk supply agreement

SEW have a standard bulk supply agreement in place, which can be downloaded from our web site or sent to you upon request.

<https://wholesale.southeastwater.co.uk/media/1538/20190619-bulk-supply-agreement-template-no2-nt-v04b-web.pdf>

If you wish to discuss any of the clauses within the template agreement, or intend to propose additional terms, please contact us as early in the process as possible.

Our signed standard bulk water supply agreement will be issued to the NAV within a period of 28 days commencing 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).

A written acknowledgement will be issued to the NAV within a period of 5 days commencing on the day after receipt of the signed bulk supply agreement.

4.4 Bulk Connection

The bulk connection will be arranged once the NAV has confirmed in writing that they wish to proceed and any connection charges as set out in the bulk supply offer letter, have been paid.

A NAV may ask the Incumbent to construct and commission the water main between the NAV site boundary and the Incumbents point of connection as agreed in the Bulk Agreement. This work will be completed either (i) within a period of 90 days commencing on the relevant day, or (ii) no later than on the date agreed with the NAV.

Please note:

- Any agreement must be confirmed in writing with the applicant by letter or email.
- The construction and commissioning of the new water main is completed when the new water main is under pressure from the company's network.
- The relevant day is when an undertaking under s44 of the Water Industry Act 1991 signed by the NAV and a valid security have been received.
- Where the site has multiple bulk connections, this service level is applied separately in respect of each individual bulk connection on a development site.
- The target period may be extended by agreement with the NAV. However, a lack of resource by the water company is not a valid reason for an extension.

Where the NAV is responsible for the construction of the off-site main between the NAV site boundary and the incumbent's PoC as agreed in the Bulk Agreement. The incumbent will provide a source of supply for pressure and bacteriological testing within either (i) 28 days commencing on the day after receipt of request or (ii) such longer period as may be agreed with the NAV where there are engineering difficulties/requirement for offsite reinforcement/schedule 13 Water Industry Act 1991 constraints or where the NAV requests an extended period.

We will provide a permanent supply connection within 14 days following written confirmation from the NAV of satisfactory pressure and bacteriological testing of the NAV mains.

5. Other services provided to NAV companies

We are committed to providing additional services to NAV companies on equivalent terms. A range of services are available including: Water sampling and analysis; retail billing and collection services; network support – emergency and or planned; metering and water regulations. Please contact us if you would like to discuss the provision of any of these services further.

