



Our Ref
Your Ref

email Keith.hutton@bristolwater.co.uk
Direct Line 0117 934 2027

Market information consultation response
Ofwat
Centre City Tower
7 Hill Street
Birmingham
By email: water2020@ofwat.gsi.gov.uk

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Dear Ofwat,

Consultation on bioresources and water resources market information

Thank you for the opportunity to respond to this consultation. A market in the limited but important area of water resources could potentially achieve better outcomes for customers through cost reductions and increased security of supply. It will help reveal the full and fair cost of water trades and will contribute to improving resilience within the industry. However, the route to a fully functioning water resources market presents both opportunities and challenges.

Having engaged with Ofwat and the water resources working group, we have been working constructively with the industry to support the development and operation of markets in water resources. We support Ofwat's commitment to the transparency of information in this market, to ensure there is a level playing field for incumbents and new entrants and to deliver trust and confidence in the sector. Our recommendation is that there needs to be an alignment between the information published in a Company's Water Resources Management Plan (WRMP) and the water resources market information being proposed. Our view is that by aligning the information and associated publication dates, rather than publishing it separately, we will contribute to better visibility for customers and third party providers, help develop a more competitive market and reduce the regulatory burden on companies in the process.

Our responses to the consultation questions may be found overleaf. As a water only company, Bristol Water has no present plans to enter the bioresources market; we have no comments to make on this part of the consultation. Please let us know if you would like to discuss any of the enclosed comments further. We hope this response is helpful.

Yours Sincerely,

Keith Hutton
Director of Strategy and Regulation

Bristol Water plc

Registered Office: PO Box 218, Bridgwater Road, Bristol BS99 7AU
Tel: (0117) 9665881 Fax: (0117) 9634576
Registered in England No. 2662226
www.bristolwater.co.uk



- Do you consider that the information we propose requiring companies to publish is helpful and will provide sufficient transparency in the (i) bioresources market and (ii) water resources, demand management and leakage services market to support their operation and development? If not, please give reasons.*

Bristol Water agrees that changes need to be made to ensure that the information available in regards to water resources is more transparent and easier to understand for our customers. However, such changes should reflect a genuine open market and also take into account the need to reduce the regulatory burden on companies. Trust in the industry and what it aims to achieve with the market for water resources could be undermined if customers do not understand the potential benefits or mistrust the motivations of their particular water supplier.

The majority of the information proposed for water resources, demand management and leakage services is already contained in our Water Resource Management Plan data tables. Ensuring that publication of this information is done so in a consistent and timely manner is likely to be useful in facilitating water trading by making deficits more transparently discoverable.

We did find areas of ambiguity within the consultation document. There is, for example, a risk that under the description in section 3.3 in the *Water resources market information guidance*, the vagueness in this section could result in companies having to publish a new Water Resources Management Plan every year, which would neither be practicable for the companies involved nor fundamentally improve accessibility for customers and third party providers. We do publish an annual update to the existing Water Resources Management Plan and believe this should be sufficient.

In regards to the specific information identified in this section, we have provided our comments below on how useful each requirement will be to enabling third party providers to more effectively identify trading opportunities, using a RAG rating to identify our concerns:

Information requirements	RAG	Comments
Year of first deficit	Green	We support the inclusion of this information.
Size of deficit (in 25yrs)	Yellow	The guidance is not clear about the level of detail needed for the data required. We would welcome further details over how this information should be presented.
Baseline supply-demand balance	Green	We support the inclusion of this information.
Final plan supply-demand balance	Green	We support the inclusion of this information.
Planned scheme start date	Green	We support the inclusion of this information.
Preferred options	Green	We support the inclusion of this information.
Scheme benefit on full implementation	Green	We support the inclusion of this information.
Scheme costs	Red	We remain unconvinced that this is the best way to deliver a fair market for water resources or to deliver the best value-for-money for customers. An unintended consequence of this sort of information being published is that third party providers merely bid at a financial level just below the costs published, rather than offering a truly competitive alternative. In short, there is a low incentive for third party providers to identify competitive trading opportunities.

2. *Is there any additional information which it would be helpful if companies published for (i) bioresources and (ii) water resources (within the remit of Condition M1)? Please explain why.*

We note that the majority of the information Ofwat is proposing we publish is already contained in our Water Resources Management Plan data tables. As such, the information proposed is comprehensive and we would propose that rather than a more detailed analysis of the information needed at this stage, the process should be carried out with a review after an agreed period on which other information (if any) would facilitate the process.

3. *Do you agree with the proposed scope of the information on market activity to be provided to us for monitoring the development of the bioresources market? If not, please give reasons.*

Bristol Water has no present plans to enter the bioresources market and so we have not considered this question.

4. *Do you consider that the publication of any of the information that we propose water companies publish would (i) be contrary to the interests of national security or (ii) seriously and prejudicially affect the interests of any person? If so, please identify the information concerned and give reasons.*

We have identified security issues in regards to the market information requirements on pages 13-14 of the consultation document using a RAG rating to identify our concerns. Please see the table below:

Data requirements	RAG	Comments
Geographic data	Green	We have no concerns with using GIS for geographical mapping of the water resources zone (WRZ) boundaries.
Table 1: key information summary	Red	Information proposed in this table is largely available within published WRMPs which have already passed through a review for issues of national security. However, details such as number of water sources for a WRZ, treatment works capacities and treatment types, even when notionally anonymised, may for some water companies provide an inappropriate level of granular detail and create potential security risks for public water supply as a result. It would also be helpful to have further clarity on the proposed information to be released under "other planning considerations and constraints" as this may either create a security risk or not be provided consistently across the industry, based on the level of detail in the guidance provided on this section of the Table.
Table 2: baseline supply forecast	Green	The information is largely derived from the WRMP or its annual review and we therefore have no concerns.
Table 3: baseline demand forecast	Green	The information is largely derived from the WRMP or its annual review and we therefore have no concerns.
Table 4: baseline supply-demand balance	Green	The information is largely derived from the WRMP or its annual review and we therefore have no concerns.
Table 5: final plan supply forecast	Green	The information is largely derived from the WRMP or its annual review and we therefore have no concerns.
Table 6: final plan demand forecast	Green	The information is largely derived from the WRMP or its annual review and we therefore have no concerns.
Table 7: final plan	Green	The information is largely derived from the WRMP or its annual

supply-demand balance		review and we therefore have no concerns.
Table 8: final plan option costs		Although the information is largely derived from the WRMP or its annual review, clarity must be provided to the industry over whether the feasible costing options that have previously not been published by the majority of companies in the industry (or only published upon request), must now be made available.

5. *Do you have any comments on the proposed timing of the publication and the frequency that the information should be updated for both the bioresources market and water resources market?*

On the timing of the publication and the frequency that the information should be updated, this should align with the statutory requirements companies already comply with (and in particular follow the statutory timetable set out by DEFRA and the Environment Agency for the WRMP) and should not add any unnecessary regulatory burden.

As the consultation recommends, we support publishing initial market information in January/February 2018. Following such a timetable, the proposals seem appropriate and could generate a helpful method of engagement with potential providers of water resource. Our only caveat is whether the requirement to update market information within one month of any change to the WRMP reflects DEFRA's understanding of a material change, i.e. only changes which have a significant impact on customers, either through loss of security of supply or higher bills. Clarity over this definition is essential if the publication of the market information is to reflect an alignment with the existing regulatory regime and the water resource planning process.

In regards to assurance of the information published, we agree that in line with the requirements of the Company Monitoring Framework, it is appropriate for companies to obtain external technical assurance in support of their published data. This will help to ensure consistency and accuracy of the information provided.