

Northumbrian Water response to the Bioresources and Water Resources market information consultation

Q1. 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.

Water Resources

We believe the information required is sufficient in terms of supply demand deficits surpluses and looking at the options to remove a future deficit.

Our only concern is on the publication of costs in Table 8. Even once an option has been selected as the least cost with the highest chance of promotability, the costs can vary considerably over time as the option progresses. This would apply to nearly all water resource schemes and the cost change can be considerable depending on environmental sensitivity and mitigation required.

The combined supplies guidance uses the term 'indicative' to ensure that prospective market entrants understand this uncertainty. We suggest that the language used for this table should also reflect this.

Bioresources

The market information required to be published by companies is appropriate and adequate for the purpose of a bioresources market. It provides enough detail to enable water companies and third parties to sensibly price contracts for transport, treatment and recycling.

We support the requirement for more detailed information for larger sites, including Sludge Treatment Centres and Sludge Handling Centres, this being where the greatest value is for those seeking opportunities in the bioresources market.

Concerning the optional requirement to include typical or average volatile solids content for sites serving above 2,000 population, we currently do not routinely undertake this analysis for the majority of these sites. Our proposal is to provide this information where it is currently gathered, mainly for our largest sites, and gain an understanding of volatile solids content that is typical for the different types of WwTWs that we operate.

We consider the types of contract outlined in the Contract Information table as those where the area of service, such as transport or recycling, is solely undertaken by a third party.

Q2. 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.

For both water resources and bioresources, we consider there is sufficient information to allow for the market to develop and operate.

A review of the information published for bioresources after a number of years should be undertaken to understand if this can be either reduced or new information provided. A comparison of previous years published data, such as the volume of sludge produced, will allow others to see any significant changes in sludge production.

As an option, we are planning to publish alongside our information a spatial layout of our larger sites. This will allow others to easily see where our largest sludge producing and treatment sites are located.

Q3. 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.

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We agree with Ofwat's proposal to complete the non-published market or bidding activity table and that this will be at the same time as the Annual Performance Review. Alongside this we agree to provide a narrative to explain the changes happening in the market and any factors or issues arising. We consider the types of contract outlined in the Contract Information table as those where the area of service, such as transport, treatment or recycling, is solely undertaken by a third party contractor.

For example, we contract out the recycling of bioresources or biosolids to specialist contractors who provide the haulage, stockpiling and land recycling services.

For transport however, we use our own vehicle fleet through a joint venture company and contract the drivers through an agency. We would like to understand if this type of contract arrangement is reportable under the Sludge Transported (Market Share) section of the market activity table, but we believe that this is not the aim of the table.

Q4. 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.

For Water Resources, as the information is taken from the Water Resource Management Plan, we do not have any concerns over security. We do have a commercial concern that publishing projected cost information for specific schemes could make it less likely that best prices are obtained from the contractors.

We confirm that the publication of the proposed market information for bioresources is not contrary to the interests of national security and doesn't prejudicially affect the interests of any person. For example, high level information concerning the contracts we currently have in place for recycling bioresources or biosolids is publically available on the Achilles database.

Q5. 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?

We note the consultation refers to Ofwat publishing final guidance documents in October 2017. The same page refers to companies voluntarily publishing their 2016-17 bioresources information in Autumn 2017. We assume that companies would only publish information after the final guidance, so a deadline for publication of 2016-17 bioresources information would realistically have to be around the end of November 2017.

We agree that annual publication of market information for bioresources is adequate and appropriate for market opportunities to be investigated.

Publication more frequently would not be advantageous unless there was significant in-year change, such as the commissioning of a new sludge treatment centre or new contracts have been awarded. Much of the sludge information will remain static or largely similar year-on-year.

Northumbrian Water
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