

SOUTH EAST WATER RESPONSE TO THE BIO-RESOURCES AND WATER RESOURCES MARKET INFORMATION CONSULTATION, APRIL 2017

Response prepared by Lee Dance, Head of Water Resources

Introduction

South East Water welcomes the opportunity to respond to this consultation.

Because we are a 'water only' company, we have chosen not to comment on bio-resources markets and so our responses are only relevant to water resources markets.

We provide safe and reliable water supply services to 2.1 million people across parts of Berkshire, Hants, Surrey, Sussex and Kent, and an area classified as seriously water stressed. Currently 8% of our total deployable output comes from bulk supplies and sharing of resources – the highest proportion of any water company in England and Wales.

Consideration of third party options features strongly in our water resources management planning, and we take a leading role in the work of the Water Resources in the South East¹ (WRSE) group, which is dedicated to looking at how water companies and third parties can bring about greater levels of water resources sharing and associated benefits to customers.

As an organisation we have long advocated greater consideration of third party options in water resources management plans, and therefore we welcome the proposals made in this consultation.

In 2015 South East Water asked Frontier Economics to prepare a paper titled 'Water 2020 – options to improve water resource planning'. In the paper (later submitted as part of our response to Ofwat's Water 2020 consultation), is set out many advantages we see arising from greater involvement by, and sharing of information with, third parties.

We believe the sharing of information with third parties will lead to the creation of a more complete and wide ranging suite of cost effective water resources management options for consideration by a water company, than might have been the case had it relied only on evaluating options on its own.

We believe greater sharing of information will: foster more innovation in the industry; encourage greater levels of collaborative working; improve the potential to scale up and make programmes more cost effective and less risky; and, in all cases (provided the process can be well managed and executed) lead to cost efficiencies and levels of service benefits that will be passed directly on to customers.

Response to consultation questions

Q1. Do you consider that the information we propose requiring companies to publish is helpful and will provide sufficient transparency in the (i) bio-resources market and (ii) water resources, demand management and leakage services market to support their operation and development? If not, please give reasons.

We strongly support the move to reveal more information relevant to the development of water resources markets, and we do not object to the proposals as have been set out in principle.

¹ WRSE - Water Resources in the South East is a collaborative group composed of the water companies of the South East region, the Environment Agency, DEFRA and Ofwat, established in 1997 and continuing to this day, examining the potential for sharing water resources across the region.

We believe most if not all of this information is already readily available. As an organisation we have already fully published and made available this information on our website as part of our current water resources management plan.

Whilst we recognise and accept detailed option cost information is already disclosed and made publicly available by water companies via their WRMPs, we feel it important that some caution is applied to how new processes are developed, so as to avoid any unintended distortion of cost in the market place that may constrain best value being achieved and passed onto customers.

Q2. Is there any additional information which it would be helpful if companies published for (i) bio-resources and (ii) water resources (within the remit of Condition M1)? Please explain why.

At this present time, we did not highlight any additional information which would be helpful for companies publish. We would say that the extent to which existing information is disclosed and published by water companies is very mixed. Standardisation of minimum requirements will be very helpful.

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 bio-resources market? If not, please give reasons.

Being a water only company, South East Water has elected not to make comment on bio-resources markets.

Q4. Do you consider that the publication of any of the information that we propose water companies publish would (i) be contrary to the interest 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 do not consider any of the information that is proposed for publication would, on publication, act contrary to the interest of national security, or seriously and prejudicially affect the interests of any person.

We already publish these information on our website in the form of our water resources management plan accompanied with a full set water resources tables.

Q5. Do you have any comments on the proposed timing of the publication and the frequency that information should be updated for both the bio-resources market and water resources market?

We agree the water resources market information in line should be brought in line with the company monitoring framework and follow the same assurance process.

We support the timing proposals for the publication of water resources market information, and agree this provides a reasonable attempt to facilitate the development of markets while minimising the burden to comply for water companies.

We support aligning the first publication of water resources market information with the publication of draft and final WRMP19s. This offers a further opportunity to encourage third party interest and engagement with the statutory process.

We support the inclusion of an annual review and update process for water resources market information, and feel it is sensible to bring it within the existing annual review and reporting processes.