

Introduction

United Utilities welcomes the opportunity to comment on Ofwat's consultation on the bioresources and water resources market information.

United Utilities is supportive of Ofwat's approach to both the water resources and bioresources markets. We see UuW as both a potential buyer and seller of water resources and bioresources services. Water UK's recent work has shown that north-south water trades can play a cost-effective and resilient part in meeting the significant water resources challenges in South East England. We are already engaging with some other incumbent water companies as a potential resource provider and we have also identified, through market engagement, a number of third party supply and demand options for our Water Resources Management Plan. We intend to be a significant participant in the bioresource market. We are continually seeking new opportunities and having discussions with companies about potential cross border trades that could happen all through the bioresource value chain.

Consistent and timely provision of market information for both markets will be useful in progressing such schemes, and encouraging further opportunities to be identified for the benefit of customers.

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) bioresources market and (ii) water resources, demand management and leakage services market to support their operation and development? If not, please give reasons.

1i) Bioresources

We support the proposal to publish the information in the bioresources market and do believe the proposed approach provides sufficient transparency to encourage more market activity.

1ii) Water Resources

In line with our overall support of Ofwat's approach, we consider that the proposed aggregated publication of information will be helpful for development of the water resources market. The majority of this information (Tables 2 to 8) is already provided by United Utilities in WRMP tables and so is potentially already in the public domain. The majority of the data identified in Table 1 is also available through WRMP planning by Water Resource Zone.

We think that the water resource zone level data, especially supply-demand balances, is the most useful for third parties to identify where new resource is required. Data on maximum capacity and spare capacity for WTWs > 10 Ml/d is useful once more detailed discussions between the potential supplier and incumbent water company has commenced. At this point geographical locations of potential supply points will be under discussion, likely under a non-disclosure agreement between the parties. That said, we have no objection to making capacity information available early.

We do not consider it appropriate to provide details of NPV split by capex and opex in the public domain. Water trading should give benefits to customers of both the supplying and receiving companies. In a limited market, where there may be only one buyer and one seller, full transparency at an early stage could prevent this objective being achieved. For example, it could encourage a supplier to bid up to just below the potential buyer's costs. We are also concerned about implications for when incumbent water companies are bidding in to other companies' plans. Publication of capex and opex will allow:

United Utilities response to the Ofwat consultation: Bioresources and water resources market information

- Challenge of pricing methodology and margins by the buyer
- Competing bids to emerge based on the asymmetric competitive advantage knowing the details and costs of the potentially exporting water company's option(s).

While these points may appear superficially attractive for further development of competition, it would act as a further disincentive for incumbent water companies to invest in developing export options.

We support the publication of both AICs and AISCs and consider that these provide sufficient information to the bidder as to whether it can compete. It is helpful to separate out financial costs from social and environmental costs given that the latter are more subjective and where approaches may vary from company to company.

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.

2i) Bioresources

We agree the proposed amount of information required is sufficient to fulfil the objective of the information platform. We consider that the burden of requiring additional information beyond this scope would place overly onerous obligations on companies to collect and update the data.

2ii) Water Resources

We have not identified any additional information which we could helpfully publish to aid the development of a water resources, demand management and leakage services market. We believe the proposed information is sufficient to allow potential market entrants to identify opportunities within specific resource zones and to engage with incumbents and others. We consider that the proposed level of information would be sufficient to allow UUW to identify opportunities to trade with other water companies. More detailed information can then be provided, as appropriate, as options are considered, similar to the market engagement ongoing as part of WRMP19.

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.

We agree with the information requirements proposed for Ofwat's monitoring the bioresources market. We do not consider it would be appropriate to include contract information for maintenance and material usage (chemicals) in treating sludge as this specific contract information does not represent how the bioresources market is performing.

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.

Bioresources

There is potentially some risk to national security of revealing detailed site level information of sludge treatment centres where there are large gas storage assets. We consider that the degree of risk involved and potential mitigation should be given further consideration.

United Utilities response to the Ofwat consultation: Bioresources and water resources market information

Water Resources

We note that none of the proposed information names indicates the geographic location of an existing source, treatment works or major infrastructure asset. However, it is notable that (for some companies) the data may highlight the existence of a single major treatment works asset within a resource zone and therefore draw attention to the criticality of said asset.

In both cases we think it is important that Ofwat consult the Centre for the Protection of National Infrastructure (CPNI) on these proposals.

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?

Bioresources

We agree the timings of the publication for the bioresources market information are appropriate and we agree with updating the information at least annually.

Water Resources

We are generally comfortable with initial publication in early 2018 aligning with public release of the dWRMP, an update within 1 month of publication of the final WRMP, and annual updates aligned to (and within 1 month of) the annual WRMP reporting, recognising these will create additional burdens of reporting. We are less supportive of additional ad-hoc updates which we believe would be unduly onerous. We believe that an annual data refresh assists with a business as usual process with appropriate governance and assurance and also that data maintained on an annual basis is sufficient for the purpose of supporting development of a water resources market.

The above comments pertain to the publication of the proposed information and should not be taken as comments on the timetable or practicalities of considering new options generated through the market information database. Given the scale of the WRMP options appraisal and review process and the fact that solutions are publicly consulted upon (often supported by additional engagement activities) we believe there are limits as to how far new options may be reasonably incorporated at the revised draft stage of the planning process (or within the Annual WRMP process). These risks will differ depending on the nature and volume of options that may be identified between WRMP cycles. If these result in materially different plans than those which were consulted upon, this could result in material changes to the WRMPs and thus revisions further out of sync with the Business Plan process.

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