

Ofwat Consultation Regarding Methodology for the 2019 Price Review

P N Daly Ltd. response regarding 4.2

The Developer Services Experience Incentive

Evaluation of the 4 Proposed Options

Option 1

For option 1 to have value key elements would be;

- Composition of task and finish group must be representative of all interested parties identified in introduction to 4.2. Allowing this process to be managed by Water UK would simply result in a talking shop that produces meaningless metrics with so many exclusions that water companies are excluded from the risk of failure from outset.
- Measures would need to ensure that those areas where penetration of competition in connections is poorest are highlighted and dealt with as well as dealing with under resourcing/performance in those areas with high CIC penetration.
- The use of measures, which to date have not given any tangible benefit to developer services from water companies seems questionable. Clear, meaningful measures with no get outs and 100% reporting requirement and meaningful financial penalties for inadequate performance need to be used to encourage improved performance.
- United Utilities is the furthest advanced water company in respect of CIC in terms of culture and performance. In large part this is due to the past experience of the company having been subjected to investigation by Ofgem for breach of the Competition Act in circa 2005. Even as recently as 2015 DNO.s were being incentivised by Ofgem by the use of threats by Ofgem to refer DNO companies to the OFT if they could not evidence that they were progressing free and fair competition in all areas where there was a demand for CIC. Ofwats approach is too weak to bring about real and meaningful change.

Option 2

- Provided the issues identified with regard to Option 1 have been dealt with then option 2 would be a useful addition to option 1.

Option 3

- Option is dead in the water as it is based on Water UK reporting which lacks any credibility amongst developer services customers. Furthermore, there are a number of these metrics that are 'information only' metrics and do not form part of the overall performance figures. Before this option can even be considered, it must be mandatory for water companies to report on all published metrics. It seems Water UK have excluded the poor performing areas in order to boost all-round appearance.

Option 4

- Use of this methodology has produced some unrepresentative results when used previously in other industries. If submissions are made independently the issue then becomes one of oversight ie. who assesses and verifies the veracity of the submissions made. This would need to be an expert panel which would need to be completely independent of and have no members from any water company.

