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Trust in water

# **Bioresources and water resources market information guidance – Response document**

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## About this document

On 20 April 2017, we issued a consultation on our proposed requirement for companies to publish or provide to the Water Services Regulation Authority ('Ofwat'), market information for both bioresources and water resources ('the consultation'). The consultation was published alongside two draft guidance documents; the first relates to bioresources ('[Bioresources market information guidance](#)'); the second to water resources ('[Water resources market information guidance](#)') which set out the detail of the proposed requirements.

The consultation was in accordance with Condition M1 (Information Remedies) which sets out the requirement for water companies<sup>1</sup> to publish or make available specified information in relation to bioresources and water resources. This document sets out the reasons why we have issued the Bioresources market information guidance and the Water resources market information guidance and the decisions we have reached after consideration of the consultation responses, including changes we have made from the draft guidance.

This document should be read in conjunction with the final [Bioresources market information guidance](#) and [Water resources market information guidance](#) documents, which set out the information requirements and are available at:

- [Bioresources market information guidance](#)
- [Water resources market information guidance](#)

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<sup>1</sup> For the purpose of this document, a reference to a water company, water and sewerage company, incumbent or company, means, unless the contrary intention appears, a company holding an appointment as a water and/or sewerage undertaker under the Water Industry Act 1991.

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## 1. Introduction

We set out our decision to introduce market information remedies in ‘[Our regulatory approach for water and wastewater services in England and Wales](#)’, Ofwat, May 2016 (‘the May decision document’). In that document we noted the important role that revealing information within bioresources and water resources has in helping to improve the value of the services provided and encouraging new innovative ways of delivering services. This will bring benefits to customers, companies, investors and the environment and help achieve our vision of trust and confidence in the water sector in England and Wales.

In April, we issued a consultation on the proposed relevant market information we would require companies to publish or provide to us. The consultation followed continued engagement with incumbent companies, potential market entrants and wider stakeholders. We had engaged through both formal consultation and discussions in the bioresources and water resources working group meetings. Slides and minutes of the working group discussions are published on [our website](#).

This consultation was in accordance with the new condition M1 (Information Remedies) for the conditions of the appointment (‘licence’) of each of the 17 largest water companies in England and Wales. Condition M1 is a new requirement for these water companies to publish or make available specified information in relation to bioresources and water resources. Condition M1 gives Ofwat the power to require a water company to provide specified information about the regulated business to Ofwat or third parties (or a class of third parties) specified by Ofwat or to publish information for the purpose of:

- supporting the development and operation of a market in the provision, management and development of water resources, demand management or leakage services; and/or
- supporting the development and operation of a market in bioresources services.

Condition M1 provides that the detail of the information which companies will be required to provide or publish, will be set out in Directions (our final [Bioresources market information guidance and Water resources market information guidance](#) documents) that will only be issued or revised after consultation with the companies concerned.

**Table 1: List of the companies whose licences were modified to include condition M1**

Who?	What will apply to them
<p><b>Water and sewerage undertakers:</b>                      Anglian Water Services Limited                      Dŵr Cymru Cyfyngedig (Welsh Water)                      Northumbrian Water Limited                      Severn Trent Water Limited                      Southern Water Services Limited                      South West Water Limited                      Thames Water Utilities Limited                      United Utilities Water Limited                      Wessex Water Services Limited                      Yorkshire Water Services Limited</p>	<p>Information remedies for water resources and bioreources.</p>
<p><b>Water only undertakers:</b>                      Affinity Water Limited                      Bristol Water plc                      Dee Valley Water plc                      Portsmouth Water Limited                      South East Water Limited                      South Staffordshire Water plc                      Sutton and East Surrey Water Plc</p>	<p>Information remedies for water resources.</p>

In this Response document, for bioreources (section 2) and water resources (section 3) we:

- discuss the key themes identified by consultation respondents;
- set out our responses to the points raised, which includes setting out where we have made changes to the guidance documents and our reasons for those changes; and
- set out the detailed comments from consultation respondents on the data tables which appeared in the Bioreources market information guidance and Water resources market information guidance and our response to them in appendices 1 and 2, respectively.

Section 4 provides the timetable for the initial publication of the market information data (for bioreources and water resources) and the provision of market activity information to Ofwat (bioreources only).

## 2. Bioresources consultation responses

We received consultation responses to the bioresources information questions from nine of the ten regulated water and sewerage companies, and four other stakeholders. Most respondents agreed that the proposed information requirements would be helpful in supporting the bioresources market. However, two stated that the market would be constrained due to other factors, and as such the proposed information would be of limited value.

A number of key themes emerged from the consultation responses. We have considered these in developing the final Bioresources market information guidance. The key themes were:

- the purposes and scope of the information (see section 2.1)
- site security (see section 2.2)
- commercial confidentiality (see section 2.3) and
- contract and market monitoring (see section 2.4).

For each key theme we summarise respondent's views and provide our response. There were a number of more detailed comments on the tables which are summarised with our responses in appendix 1.

### 2.1 Purpose, scope and reasons for the information requirements

Bioresources activities do not have the characteristics of a natural monopoly so there is opportunity for greater diversity of suppliers of bioresources services. Making market information available will allow incumbents and potential new entrants to identify opportunities to provide bioresources services in a different way, including scope for trades.

At present there is no readily available supply side information on where bioresources are produced, their quantity or quality. Revealing this type of information will help identify opportunities for trade. We said in May, that evidence shows there is scope for increased optimisation of activities across the companies and, looking further ahead, greater participation from firms operating in wider waste markets. Credible and easily accessible information will enable markets to develop and evolve, and will enable comparison that could lead to market choice.

Location is likely to be an important factor in bioresources trading. This is why we have asked companies to publish granular local information about both their bioresources production sites (wastewater treatment works) and their bioresources treatment facilities (sludge treatment centres).

## **Respondents' views**

We received three responses requesting that we keep the market information requirement under review as the market develops, to ensure that the published information is focussed on what is beneficial for the developing market, and does not constrain innovation.

Two respondents requested that we consider requiring companies publish information which includes more bioresources quality, product recycling activity, and assurance system information. We also had one response suggesting we need to make the purpose of the information clearer.

One respondent suggested that Table 1, which sets out the data for wastewater treatment works serving the equivalent of a population of 2000 or more, should have a higher threshold for the inclusion of sites. The respondent considered that wastewater works serving a population of between 2000 and 10000 should also be reported in Table 3, which is for small treatment works, and that only sites serving a population of more than 10000 should be reported in Table 1. Their concerns related to the volume of information to be inputted which would make them unwieldy. In addition they considered that Table 1 required more detailed information than Table 3 imposing a significant burden.

Another respondent asked for clarity around the timing of the voluntary publication of 2016-17 information, as it presumed that companies will only publish after the final guidance has been issued.

## **Our response**

We stated in our consultation document that as markets develop the information requirements may also need to change. We are committed to regularly reviewing the information we ask companies to provide. The timescale for requiring companies to submit any new data, will be determined based on the complexity and readily availability of the data.

The purpose of the information we are asking companies to publish is to facilitate conversations between bioresources service providers and service users. The information will not be the complete data set parties will need in order to form the basis of a contract. We are not asking companies to publish all the information required to form a contract because we consider to do so, would create disproportionate administrative burden and could limit innovation in the scope of contracts. We have made the purpose of the information clearer on the data template.

We consider that since the purpose of the information is not all-encompassing, it is not necessary to require companies to publish information on bioresources quality, product recycling or assurance system information. We would expect that this information would be revealed as part of commercial discussions between parties and that contractual terms with other service providers would include clauses around quality requirements and meeting assurance standards. Moreover, the final Bioresources market information guidance does not prevent companies from publishing this information voluntarily.

While we note the individual respondent's comments about our proposed threshold for sites serving a population equivalent of 2,000 or more for listing in Table 1 and < 2000 for Table 3, we have decided to retain these thresholds. We consider these to be appropriate thresholds, having regard to the information which all companies will be required to input into these tables. Table 1, only requires one further addition to all of the information that would be required Table 3 which is the tonnes of dry solids. We do not consider that provision of this additional information for those sites to be onerous. Further, we are not mandating how the list of larger sites is presented in Table 1, for example the order in which the sites are listed. Companies may choose to present this list in the way they consider will best focus readers' attention on the sites where trading could produce the greatest benefit.

As regards timing of the voluntary 2016-17 information, if companies publish their data to meet the requirements of the final guidance then we agree the end of November 2017 is a reasonable timeframe for this. However, since it is voluntary and on a best endeavours basis it would be possible for companies to publish earlier if they choose to do so using the draft format we consulted on. We note that one company has already published some of its information using an earlier version of the template we discussed at a sludge working group meeting.

## 2.2 Site security

In developing our proposals for the publication of wastewater treatment works and sludge treatment centres, we have looked to build on publicly available information where possible.

### Respondents' views

Three companies asked us to consider the wider implications to national security of publishing locations of water industry sites.

For bioresources, they were concerned that publishing locations and processes used at wastewater treatment works and sludge treatment centres could compromise national security. One of the companies also suggested it would be good practice for Water and Sewerage Companies (WaSCs) to develop a method of tracking who has accessed the data, for example via a web log on. In the event of a security issue, the company would be able to provide details of who has accessed the information.

### Our response

We do not consider that these information requirements are contrary to the interests of national security. There are already published databases including the locations of both wastewater treatment works (e.g. EU WISE database) and sludge treatment centres (e.g. Anaerobic Digestion site maps). We expect companies to have appropriate information management processes in place, which are proportionate and follow best practice.

As part of our consideration of respondents' views on this matter, we have discussed the security concerns raised with the Centre for the Protection of National Infrastructure (CPNI). The provision of the market information was confirmed not to increase security risk and no further concerns were raised by the CPNI.

## 2.3 Commercial confidentiality

### Respondents' views

Two companies asked for assurance that we will not disclose commercial or confidential information that we collect through Table 6 of the market activity table.

They were concerned that we could be asked to disclose such information through a Freedom of Information Act (FOIA) or Environmental Information Regulations 2004 (EIR Regulations) request.

## **Our response**

Section 206 of the Water Industry Act 1991 (WIA91) normally prevents the disclosure without consent of information that Ofwat obtains by virtue of any provision of the WIA91. Information covered by section 206 of the WIA91 is exempt from disclosure under the FOIA (see section 44 of the FOIA).

The EIR Regulations can override the restrictions in section 206 of the WIA91 in certain circumstances. However, the EIR Regulations do allow information to be withheld, subject to a public interest test, if its disclosure would adversely affect the confidentiality of commercial or industrial information where such confidentiality is provided by law to protect a legitimate economic interest. It should also be noted that water companies are already themselves subject to the EIR Regulations.

We consider that there are reasonable and appropriate safeguards to protect the confidentiality of commercially sensitive information should we receive a request under FOIA or the EIR Regulations. We will expect companies to draw our attention to areas where their information is commercially sensitive.

## **2.4 Contract and market monitoring information**

### **Respondents' views**

Four respondents to the consultation suggested ways to improve the usefulness of the contract information in both the published tables and in the market information to be provided to us. They noted that it would be helpful if greater clarity was provided on the scope of information companies were required to include when listing contracts. Some of the tables, have additional columns for companies to indicate where there are live contracts against each site. Respondents considered this could be complex, as the contracts often covered multiple sites due to the often region-wide nature of the contracts and the fact that one site may be covered frequently or rarely. They considered that this could be potentially misleading to those looking to identify commercial opportunities.

## Our response

We have considered the points they made and agree we should give greater clarity on the information companies should and should not include when listing contracts.

The purpose of requiring companies to provide this information is to reveal companies' contracts with independent third parties providing a complete transport, treatment and/or recycling service (see Table 6). We have now clarified in the final Bioresources market information guidance that we do not require companies to provide us with market activity information on contracts for bioresources related "goods" (for example chemical supplies), or outsourcing contracts, where the company retains full control of the bioresources service (for example regular equipment maintenance contracts). We also do not require companies to provide us with information about contracts with Associated Companies (as that term is defined in Condition A (Interpretation and Construction) of water companies' licences).

In contrast, we require companies to publish market information which includes contracts with other joint venture organisations and other Associated Companies. This is to help reveal to third parties where commercial opportunities are available and where the companies have existing contracts (see Table 5 which requires companies to list successful contracts).

Some companies have expressed the difficulty of providing contract information against each site. In response we have decided to remove the contract columns from Tables 1, 3 and 4 and retain the contract information only in Table 5. We will review this as the market develops. We may consider introducing site based contract information in a later version of the information requirements, following further consultation.

In addition to these themed responses we received some helpful detailed suggestions on improvements to the data tables, most of which we have incorporated into the final versions. The specific suggestions and our responses are listed in Appendix 1.

### **3. Water resources consultation responses**

The publication of market information will support the effective optimisation of water resources, including demand management and leakage services, across England and Wales. In our May decision document we noted that third parties, who can either be other incumbents or independent third parties, interested in identifying new opportunities face ‘search costs’ as well as information barriers compared to incumbent water companies. This means that trading is below its optimal level, and taking steps to reduce identified barriers (such as creating greater transparency of existing information) would enable and encourage third parties to identify and develop beneficial opportunities. This should lead to significant benefits to customers, companies, investors and the environment.

We received 18 consultation responses on our information requirements for water resources, 14 responses were from the regulated water and sewerage and water only companies and four from other stakeholders. The majority of respondents agreed that the information we proposed requiring companies to publish would be helpful in supporting the market for water resources, demand management and leakage services.

A number of key themes emerged from the responses:

- interaction with other regulators (see section 3.1)
- timing and frequency of data publication (see section 3.2)
- security risks (see section 3.3)
- option cost transparency (see section 3.4)
- additional data requirements (see section 3.5)

For each key theme we summarise respondent’s views and provide our response. There were a number of more detailed comments on the tables which are summarised with our responses in appendix 2.

#### **3.1 Interaction with other regulators**

##### **Respondents’ views**

A small number of respondents expressed concerns regarding the potential negative impacts on water quality and the environment that could arise from the introduction of

new market participants. Respondents sought clarity regarding the roles of the existing regulators in the developing market.

One respondent suggested that controls should be put in place to ensure that entrants to the treated water market are able to meet the Drinking Water Inspectorate (DWI) water quality requirements. The respondent suggested that early-stage review of the arrangements for licensing new entrants may reduce concerns.

Another respondent suggested that the Environment Agency (EA) in England may be required to determine that entrants' water resources comply with the Water Framework Directive. The respondent also suggested that the EA should clarify its position on sustainability reductions and the effects on resource availability and that wider consultation between entrants and the EA may be worthwhile. This comment would also apply to Natural Resources Wales (NRW) in Wales.

## **Our response**

Markets will help to reveal information to ensure that the wider costs and benefits associated with activities in the water sector – including their environmental impacts – are factored into decision-making. For example water trading will tend to move water from areas where it is more plentiful, to areas where it is scarce and the environment is under pressure. Our proposals work within the existing regulatory framework and therefore should not lead to any increased risk to the environment or customer water quality.

In particular the aim of the market information is to stimulate conversations between incumbents and potential suppliers of water, demand management and leakage services. It does not cover all the information needed to establish a trade. As a result, complex questions about resilience, water quality and environmental impact, as well as any regulatory approvals required would be dealt with in the normal manner through negotiation and approvals with the EA/NRW and DWI. Environmental and water quality concerns are also a key focus of the screening process companies follow in developing options, typically through the five yearly water resources management plan process (WRMP) and this will continue.

With respect to information from environmental regulators we note that there is already significant information around water availability, online - the [Environment Agency abstraction licensing strategies](#) webpage and associated [Catchment Abstraction Management Strategy \(CAMS\) Reference boundaries](#) are two examples of this. We will be maintaining an ongoing dialogue with other regulators such as the

EA and NRW to see if further information and guidance is required as we monitor market developments.

## 3.2 Timing and frequency of data publication and review

### Respondents' views

We received a number of comments around the frequency of data publication, a number of respondents supported our approach while others sought clarity on the scope of potential updates. Another key theme was the need to ensure the data remains fit for purpose as the market develops.

In terms of updates, a number of respondents agreed that the water resources market information should be updated annually in line with the WRMP annual review, with one respondent suggesting that to minimise duplication and regulatory burden, Ofwat and the EA/NRW should align their annual reporting requirements.

There were concerns raised around the potential impact of updates to the information outside the WRMP process:

- one respondent queried whether the requirement to update market information within one month of any material change to the WRMP reflected the legal understanding of such a change as this would align it with the existing regulatory regime and the water resource planning process.
- another respondent queried the scope of the updates and noted it could require producing a 25 year plan every year which would be unduly onerous.
- linked to this another respondent noted that water companies should make updates to the water resources market information as changes happen on a best endeavours basis

The relationship between the market information and WRMP was also queried, as it was noted that differences between the market information reporting and WRMP's could cause confusion for users of the data and add to the regulatory burden of reporting.

## Our response

We have not made any substantive changes to the expected frequency and timing provisions of our market information but have clarified further below our expectations of companies.

As noted in the consultation we expect that most updates will happen annually to reflect changes over the period, linked to the annual review. The requirement to update the information is not tied to a material change in circumstance that would require a resubmission of a company's WRMP. It also does not require incumbents to undertake WRMP reviews and associated long term modelling more frequently than required under existing obligations.

Instead the updates should be focused on capturing key changes to the demand/supply balance, operational or programme changes (e.g. the preferred options). This will provide greater transparency which will enable third party providers to more effectively identify trading opportunities. For example in response to stakeholder requests we are adding a requirement to record the progress of the development of any proposed options. This should enable third parties to understand the progress made to date in addressing any recorded baseline deficits and help bidders identify viable opportunities to engage and would need to be updated as options progress.

The data reported to fulfil market information requirements should align with the outputs of the WRMP process and rely upon the same base assumptions. For example market information produced following a draft WRMP will be based upon the draft 'most likely' planning scenario and this information will be updated following publication of the final WRMP.

In terms of future developments, we noted in our consultation document that the information is likely to evolve. We are committed to regularly reviewing the information we ask companies to provide. We would ensure that any changes would only be undertaken following an appropriate period of consultation and that the timescale for provision of updated data would be set based upon the complexity and availability of the data.

### 3.3 Security risks

#### Respondents' views

A small number of respondents raised concerns about the potential security risks around some elements of the market information which companies are required to publish.

One respondent suggested that releasing detail such as number of sources for a Water Resource Zone (WRZ), treatment works capacities and treatment type, may prove a security risk for some companies. Similarly another respondent suggested that the data may draw attention to critical assets within WRZs that are supplied by a small number of major works. It was also noted that the release of this type of data would be subject to review under the guidance provided by Centre for the Protection of National Infrastructure (CPNI).

#### Our response

Our market information requirements largely reflect that which is already available within published WRMPs. These have already passed through a review for issues of national security. However we recognise the potential sensitivity of certain data points we have asked for outside of the WRMP data tables and have reviewed them.

For example, revealing the number of sources could identify a WRZ with a few critical supply assets. To mitigate this risk we have changed the definition to record “<5” for WRZ with less than five sources and the actual numeric count for WRZ with five or greater raw water sources.

For treatment works, our guidance makes it clear that we do not require the reporting of number of works in an area or any specific location information. Instead companies will report, on an anonymised basis, key details for larger works (>10 Ml/d), this includes treatment type. We have removed the requirement to provide the maximum treatment design capacity to focus upon the available spare capacity as this data is of greater value in promoting third party discussions regarding trading opportunities.

These changes to the reporting to address stakeholder concerns will prevent easy identification of critical assets within a WRZ. Supporting this in light of stakeholder concerns we have also discussed security concerns further with the CPNI. The

provision of the market information was confirmed not to increase security risk and no further concerns were raised by the CPNI.

### **3.4 Option cost transparency**

#### **Respondents' views**

A significant number of respondents expressed concerns regarding the publication of detailed option costs. A key theme raised by respondents was that this transparency would reduce the likelihood of achieving best value from new trades. In particular respondents noted that:

- further clarity needs to be provided on the purpose for disclosing the final plan option costs and the benefits associated with this.
- publication of capital and operating costs will allow both challenge of pricing methodology and margins by the buyer. It could also result in a competitive advantage as companies would know the details and costs of the potentially exporting water company's options.
- this information could reduce the likelihood that best prices are obtained from the contractors.
- there may be an unintended distortion of cost in the market place which could constrain best value solutions being achieved and passed onto customers.

There was also a query regarding which stage of WRMP costing of options should be made available within the table and it was noted that feasible costing options have previously not been published by the majority of companies in the industry. One respondent also questioned why it was not proposed that companies provide information on bids for water resources, noting that this information is requested for bioresources.

#### **Our response**

We accept that cost transparency would not be revealed in a fully competitive market. However, the current opacity of this data strengthens the position of incumbent companies in the market and acts as a significant barrier to a third party understanding the scale of opportunities that exist to offer supply, demand management or leakage services. We consider the benefits of releasing this information to enable the market to mature are far greater than the minimal risk resulting from wider dissemination of the costs.

In response to companies concerns above we note that:

- The focus of the information is high level and we are asking companies to report the net present value of the option costs for feasible options only. We are not asking companies to report year by year costs and the estimates for all options considered during the WRMP process.
- Every option will have its own distinct characteristics that will influence the cost and ultimately the price. For example two borehole sources are unlikely to be the same, the lifetime cost of will depend upon numerous variables such as the treatment process required, driven by raw water quality and the pumping required to deliver the water into supply.
- Linked to this we recognise that costings for WRMP are not certain, reflecting that at this stage of development solution options are typically not designed in full detail and will rely upon the use of cost models. Numerous assumptions will have to be made to determine cost, such as consideration of planning and environmental constraints and future costs of power and chemicals. All of these factors will introduce a degree of uncertainty into the costing of options. We have represented this in our guidance by clearly identifying the costs presented as indicative.
- Greater participation by third parties in the market will help incumbents obtain the best value solutions from suppliers. In situations with multiple sellers the concerns noted above around poor value are limited. More generally this concern is reduced due to the bespoke and indicative context for option costs and their role as being a potential starting point for negotiations, rather than the final price.

We also note that, as the table below shows, there is already a high degree of transparency around option costs across the industry. For WRMP14, a review undertaken in March 2017 identified that of the 13 companies with options, ten have this information on their websites, and only three do not. We do not want to be in a situation where our market information requirements reduce the level of transparency over what is already publically available.

## **3.5 Additional information requirements**

### **Respondents' views**

We received a number of detailed comments on the data tables themselves. Some were focused on clarifying the requirements while others asked for further information to be required of incumbents.

The main focus of clarification comments was on Table 1, which is not directly linked to the WRMP process. The comments in the main were focused on the definitions provided and a request in some cases for further clarity. There were also some questions raised around the units to be reported, as it was noted that some companies report different metrics. In addition, there were some questions raised around the scope of the cost information to be provided and how this should be reported.

In terms of further information respondents asked for:

- more information to be provided on water availability by the EA/NRW
- additional reporting information to be required to help facilitate water efficiency schemes
- information regarding how the data provided will be used by Ofwat to assign 'cross over information' between different price controls
- sharing of best practice
- progress in delivery of proposed options
- data on existing trades
- identification if an option was considered for delivery via direct procurement
- charging information regarding bulk transfer, transportation and access charges
- explanation of how social and environmental costs are calculated
- information relating to bidding activity for water resources (noting this is provided in bioresources).

## **Our response**

We have provided a response to all points of clarification raised in the relevant tables in appendix 2. Where required for clarity we have made changes to the market information guidance to ensure consistent reporting across companies. The significant areas where clarification has been added include the identification of constraints, the reporting of treatment works and the reporting of options.

With respect to the further information we have focused on the data that fits the purpose of the platform, which is to facilitate effective discussions between incumbents and third parties. We have not included extra data on areas that are wider than this scope but have signposted where some of the information may be available. In deciding which extra data requirements to add we have also considered the potential regulatory burden, the levels of data on the area already included and reviewed previous reporting information to understand what information might be readily available from incumbents.

Reflecting this the significant areas where new data has been added is on the progress and delivery route for proposed options and these information requirements have been added to the revised guidance document. These extra requirements and our response to the other points raised are fully explained in appendix 2.

## 4. Timetable for initial publication of market information and provision of market activity information to Ofwat.

As stated in the consultation, we set out in the table below, the finalised dates for companies to publish their market information on their websites and provide bioresources market activity information to Ofwat. These reflect the provisional dates which appeared in the consultation, as most respondents did not disagree or offer alternative timetables that would be more helpful for other market participants.

As explained in the consultation, we have chosen these dates to facilitate the early development of markets while minimising the compliance costs of water companies by aligning them with the timetables we use for other regulatory information.

This information will also be available on our landing pages for [bioresources](#) and [water resources](#) respectively.

**Table 2: Market information relevant dates**

### **Bioresources:**

- Autumn 2017 (by end of November 2017) – Companies voluntarily publish their 2016-17 bioresources information.
- July 2018 – Companies publish their 2017-18 bioresources information and provide Ofwat with their market activity information.

### **Water resources:**

- January/February 2018 - Companies wholly or mainly in England publish their water resources information alongside their draft WRMP
- March 2018 – Companies wholly or mainly in Wales publish their water resources information alongside their draft WRMP.

## A1 Appendix 1: Bioresources - detailed comments on tables and our response

This appendix summarises the detailed comments we received on each of our proposed data tables. For each comment we provide the table and line reference, the comment itself, a marker as to whether a change has been made and our response.

### All or multiple tables

Comment	Changes made	Our response
Label the columns to aid reference	✓	Agreed
Tonnes is a unit of mass so propose changing “volume” to “mass”, or making it clear whether companies should report wet tonnes/m3 as well.	✓	Agreed that change is needed. Replaced “volume” with “quantity” where appropriate. Changes made to tables 1,3,4 and 6. We require companies to report sludge quantities typically as Tonnes Dry Solids (TDS).
Reporting template should allow for general commentary across any or all of the tables.	✓	Agreed. Added a row for optional company commentary above each of tables 1-5.
Where there is overlap with information as part of the APR, it would be helpful if the definitions identified reconciliation rules – for example if the sum of a column in one of these tables should match a figure in a table of the APR.	✗	We will consider this further in conjunction with the APR. No changes made to this version of the information guidance.

### Table 1: Wastewater treatment works (WwTW)

Item reference	Comment	Changes made	Our response
B1 Quantity of raw sludge produced per year	Some WwTWs receive sludge from smaller WwTWs for dewatering to reduce the onward cost of transport. To	✗	There are two possible scenarios:

Item reference	Comment	Changes made	Our response
	avoid double counting, the reporting requirements should specify that only the indigenous sludge is recorded here.	But provide clarity	A. list all sites on tables 1 and 3 with their indigenous sludge production, wherever that sludge is currently taken; or B. list only sites where sludge leaves assets which fall under the network plus price control i.e. do not list small sites where sludge is taken to the inlet of a larger treatment works for settlement in the larger site's facilities, and at that larger sites give the total sludge produced through indigenous and imported means.  We have decided to retain option B but make that clearer in the tables.
B5: Volatile Solids	Two companies propose to include an average value for the majority of sites and give exact values where measured at the largest sites.	x	This is a reasonable approach and we can expect improvement in measured quality parameters over time.
B6: WwTW classification	One company suggested it would aid searchability to have a separate tickable column for each type rather than a single column with a range of different code combinations.	x	Due to the high number of possible combinations, this would add a considerable number of columns to the spreadsheet. Propose to retain current approach but keep under review
Section E: contracts	One company stated that these columns are not easy to complete due to the often region-wide nature of the contracts, and the fact that one site may be covered frequently or rarely. It suggests removing the section due to the information provided in Table 5.	✓	Agreed. Entry in the columns is not a complete picture and may be misleading about whether there are trading opportunities at a site level. We propose removing the contract columns from Tables 1, 3 and 4, and making the "further information" column in Table 5 mandatory rather than voluntary in order to capture the locations covered by contracts. We will keep this under review.
A2 and A3 – location information	One company stated a preference to use OS grid reference rather than latitude and longitude.	x	Our aim is to make the information as standard as possible, and available for easy uploading to mapping software. Our preference is to retain latitude and longitude. It is our understanding that it is relatively straightforward to convert from one location definition to another, so companies may use a different means of defining location. However, we note that

Item reference	Comment	Changes made	Our response
			location information for sites in the EU WISE database is as latitude and longitude (e.g. 51.8267 Latitude and -0.855243 Longitude).

**Table 2: WwTW classification**

Item reference	Comment	Changes made	Our response
Possible additions to classifications	One company suggested we review notes in their published tables and consider adding them to the classification definitions.	✘	We have reviewed the published data and conclude that we are unlikely to cover all scenarios in our definitions list. We have decided not to make any changes, but encourage companies to use the further information column for any additional classifications.

**Table 3: Small WwTW**

Item reference	Comment	Changes made	Our response
Section C: contracts	The same comment applies as for Table 1.	✓	Agreed. See table 1 for response.
Sites included	One company suggested the table should include information on small WwTWs that currently tanker to larger WwTWs because a logistics service provider would be interested in providing such services.	✘	We have considered this alongside the comment on Table 1 B1 and have concluded that we will maintain the current reporting requirements which give an indication of where quantities of sludge are available for those interested in treatment. We will keep this under review.
Inclusion of sites	One company asked for clarity about sites that sometimes discharge sludge into the inlet of a larger WwTWs and at other times not.	✘	The purpose of the information is to inform participants of market opportunities. If the sludge produced at the small WwTW can be directed into the sludge stream, and is therefore

			available to a market entrant, the site should be listed in Table 3.
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**Table 4: STCs**

Item reference	Comment	Changes made	Our response
Section F: contracts	The same comment applies as for Table 1.	✓	Agreed. See table 1 for response.
B8: Type of site	One company suggests definitions for the terms.	✓ Include definitions in the data tables.	We agree that these could be defined but do not agree with the proposed definitions. Our definitions are consistent with the bioresources price control and are as follows: <ul style="list-style-type: none"> <li>• Thickening site – reduces water content of mixed indigenous and imported sludge to less than 10% dry solids</li> <li>• Dewatering site – reduces the water of indigenous sludge and/or imported sludge to over 10% dry solids</li> <li>• Sludge treatment centre – produces a treated product of appropriate quality for recycling or disposal.</li> </ul>
D4: Site compliance with the Biosolids Assurance scheme?	One company welcomed the inclusion of this column, but noted that “not applicable” should be an option for any STCs reporting the production of untreated sludge in D1	✓	Agreed. We have added to definitions and allowed entry “na” alongside “Y/N”.
Table 4	One company considered Table 4 is not necessary and asks this to be reviewed.	✗	Our view is that we do not want to pre-judge the market and want to allow the possibility of third parties being interested in acquiring treated sludge products. But we will keep this under review.

**Table 5: Successful contracts**

Item reference	Comment	Changes made	Our response
Scope of contracts to be listed.	A number of companies suggested the definition of contracts should make clear they relate to third parties undertaking services, and not for supply of goods/services to companies undertaking the activities themselves.	✓	Agreed. We have added table definitions to that effect. It should include contracts with joint ventures where the company is one of the parties to the venture or Associated Companies (as that term is defined in Condition A (Interpretation and Construction) of water companies' licences).

**Table 6: Market activity**

Item reference	Comment	Changes made	Our response
Scope of contracts to be listed.	One company asked for clarity on whether joint venture contracts should be included or not.	✓	We have added to the table definitions to clarify that the table should exclude contracts with joint ventures where the company is one of the parties to the venture or Associated Companies.
Titles	One company observed that using “market share” in the title is misleading because the tables are on quantities and not market share. Ofwat will be able to estimate the proportion of contracts held by each independent third party from the data provided.	✓	Agreed. Remove “market share” from table titles.
Block E – sludge transported	One company noted that the table asks companies to report quantity transported but the recent Information Request was for “work done” which includes both	✗	For third parties trying to understand market opportunities, we currently consider that quantity transported is a metric that would be understood better than work done but we will keep this under review.

Item reference	Comment	Changes made	Our response
	quantity and distance. The company suggests this is a better measure than quantity alone.		
Block F- Sludge recycled or disposed	One company suggested that contracts could potentially cover haulage separately from recycling/disposal and suggest additional lines are provided to accommodate this.	x	We recognise there could be separate haulage contracts, but consider that these could be included in Block E along with raw sludge transport contracts.
A3 – number of different suppliers C1 - number of informal bids	One company asked for confirmation whether this is “number of different suppliers at the end of the financial year” or “number of different suppliers during the financial year”.	✓	Added “at the year end” to the table line title for A3 and “during the financial year” to the line title to C1.
Narrative - Bidding activity	One company asked for clarity in saying that companies should provide a summary of reasons not to award a contract to any third party (rather than not awarded to those who were unsuccessful where a contract was let to another party).	✓	Agreed. Changed “a third party” to “any third party” in our expectations of what the narrative should cover.
Narrative	One company notes that how market share may change over the next reporting period can only be speculative, and should not be expected to be assured by a third party assurer.	✓	Agreed. We are adding text to make it clear that we do not expect assurance of opinions of future activity.
Narrative	A company noted that procurement law requires companies to report on bid	✓	Agreed. We have added text to the narrative explanation asking that companies provide or “show where it has already published” bid assessment details.

Item reference	Comment	Changes made	Our response
	assessment criteria, reasons not to award a contract and means of stimulating interest. It suggests that the proposed scope of the narrative could therefore be reduced, and assurance should be proportionate.		

**Changes we have made through our own review of the tables**

We have added the number of decimal places expected in the appropriate columns of Tables 1-5.

## A2 Appendix 2: Water resources - detailed comments on tables and our response

This appendix summarises the detailed comments we received on our proposed data tables. We received detailed comments on three tables:

- Table 1: Summary information
- Table 3: Baseline demand forecast
- Table 8: Feasible option cost information

For each of these tables we provide respondents comments, the item reference, a marker as to whether a change has been made and our response.

**Table 1: Summary information**

Item reference	Comment	Changes made	Our response
Table 1, line 1: Total number of sources	Two respondents expressed concern that publication of this information could identify critical assets within WRZs with a small number of sources	✓	We recognise that this data line could identify a WRZ with a few critical supply assets. To mitigate this risk we have changed the definition to record “<5” for WRZ with less than five sources and the actual numeric count for WRZ with five or greater raw water sources.
Table 1, lines 8, 9 and 10: Level of service units	One respondent asked to express the level of service unit as a percentage e.g. instead of a 1 in 200, it would be expressed as 0.5%.	✗	We want the data to be reported consistently across companies. A key advantage of the “1 in X” unit is more commonly used and better understood, especially when more extreme droughts are selected e.g. 1 in 200 is likely to be more meaningful to third parties than 0.5%.

Item reference	Comment	Changes made	Our response
Table 1, line 11: Summary key cause of supply constraint	One respondent expressed that the key cause for supply constraint could be misleading, “we would not want a potential bidder to be discouraged from offering water because of an existing constraint”.	✘	Our view is that the risk of this information misleading participants or discouraging participation is low. Knowledge of potential constraints should provide more targeted proposals and follow up conversations between third parties and companies.
Table 1, line 11: Summary key cause of supply constraint	One respondent expressed a risk of “inconsistent reporting” between WRZs.	✓	We have added clarification to the table definition to provide more guidance on what should be reported. We have aimed to provide further clarity while not unduly limiting flexibility as we recognise that every WRZ will face different constraints.
Table 1, line13: Year of first zonal deficit (if any)	One respondent observed that this would be dependent upon outcomes of sustainability deduction decisions and asked for clarity regarding the base assumptions to be provided in the guidance.	✘ (but Section 3.2 above)	The data reported to fulfil market information requirements should align with the outputs of the WRMP process and rely upon the same base assumptions. The guidance document has not been updated as we believe the existing content provides sufficient clarity however we have responded directly to this comment in Section 3.2 above.
Table 1, line 15: Other planning considerations and constraints	One respondent requested “further clarity on the proposed information to be released under ‘other planning considerations and constraints’	✓	We have added clarification to the table definition to provide more guidance on what should be reported. We have provided examples of information that could be included in this area whilst retaining the flexibility to cover WRZ specific issues that are not already stated in Table 1, line 11: Summary key cause of supply constraint.
Table 1, line16: Treatment works details	One respondent observed that maximum capacity can be variable and may depend upon a number of factors. Spare capacity was identified as the more useful measure providing clarity to third parties.	✓	We have removed the requirement to report maximum capacity to focus the information on spare capacity. This is the more relevant metric for third parties as it provides them with a basis to identify potential opportunities and initiate discussions regarding both raw water and potable transfers. The guidance document provides further detail on how this should be calculated.

Item reference	Comment	Changes made	Our response
Table 1, line 16: Treatment works details	One respondent expressed concern that identification of treatment works capacities and treatment type, may prove a security risk for some companies even if the data is suitably anonymised.	✓/✗	The requirement to report maximum design capacity has been removed (see line above). The identification of spare capacity does not provide an indication of the size of the works or population served and therefore is not considered a security risk. This also applies to the requirement to report treatment type (see Section 3.3 for further comment and response).
Table 1, line 16: Treatment works details	One respondent requested clarity regarding existing treatment plant constraints.	✓	We have added examples to the table description of potential treatment plant constraints. We have additionally clarified the guidance for classification of water treatment works treatment type to align with the information reported in the 2016-17 cost assessment information request. The categorisation is included within the final spreadsheet template for reporting of market information.
Table 1: Additional data	One respondent observed “it may be useful to third parties if the Environment Agency were to publish where and how much water is available at a WRZ-level”.	✗	We note that there is already significant information available online regarding water availability, including that provided by the EA. We intend that the provision of open platform market information, including WRZ boundary data will enable third parties to utilise a combination of sources to identify trading opportunities (see Section 3.1 for further comment and response).
Table 1:Additional data	One respondent observed that there was additional information that could be used to inform wider benefits of water efficiency programmes <ul style="list-style-type: none"> <li>• Socioeconomic data for the households (if held by the water company)</li> <li>• Customer satisfaction at the WRZ level</li> </ul>	✗	We consider that reporting of this data is not essential for promoting trading discussions with third parties over and above the information already provided through our market information requirements. Socioeconomic data is available from sources such as the Office for National Statistics (ONS) and water company satisfaction is reported at company level through the service incentive mechanism (SIM).
Table 1: Additional Data	One respondent queried the timetable for decision making and whether a ‘bidding window’ would	✗	As part of their business plans incumbents are required to develop their company bid assessment frameworks which will set out the approach to decision making and bidding windows. Our proposed principles and

Item reference	Comment	Changes made	Our response
	be defined for third parties to offer innovative solutions.		expectations for a high quality framework was set out in ' <a href="#">Appendix 9 – Company bid assessment frameworks: the principles</a> ', of the PR19 methodology, Ofwat, July 2017. Our final decisions on the principles and expectations will be confirmed in December.
Table 1: Additional Data	One respondent requested detail of how this information could be used by Ofwat to assign 'cross over information' between different price controls.	✘	The market information aims to stimulate the bidding market for water resources, demand management and leakage services. These services sit across the planned PR19 controls for wholesale water of water resources and network plus water. Reflecting this the information is designed to support the twin track approach of supply and demand options. It does not capture our regulatory reporting requirements, these are set out in our regulatory accounting guidelines the most recent of which are available on our website <a href="#">here</a> .
Table 1: Additional Data	One respondent queried why the provision of information relating to bidding activity for water resources had not been requested (noting this has been requested in bioresources).	✘	The existing WRMP process provides a mechanism for the identification of third party options and provides transparency of bidding activity. Further as part of their business plans incumbents are required to develop their company bid assessment frameworks (see link above), these include a focus on the transparency of bidding activity. In light of this we have not added further reporting requirements.

**Table 3: Baseline demand forecast**

Item reference	Comment	Changes made	Our response
Table 3, lines: 5, 6 & 7 per capita consumption (PCC) Note this applies additionally to Table 6, lines: 5,6 & 7	One respondent asked if Per Property Consumption (PPC) could be used as an alternative to Per Capita Consumption (PCC)	✘	Our aim is to make the information as standard as possible, PCC is the unit used in current WRMP reporting and therefore it is retained as the unit for reporting in this table. We will review this and any other water resources market information requirement in the future if amendments are made to the equivalent standard forms of reporting in the WRMP e.g. PPC is adopted alongside/in place of PCC.

<p>Table 3: Additional data</p>	<p>One respondent observed that there was additional data that could help to inform development of demand management options including:</p> <ul style="list-style-type: none"> <li>• Meter penetration rates</li> <li>• Property ages and types</li> <li>• Household sizes</li> <li>• Presence of gardens</li> <li>• Previous water efficiency programmes completed in the area – high level details on the approach and a timeline</li> </ul>	<p>✘</p>	<p>Tables 3 and 6 already include 26 data points on demand, we have reviewed the further data requested and note that:</p> <ul style="list-style-type: none"> <li>• Metering penetration data is included in Tables 3 &amp; 6.</li> <li>• Occupancy rate is included in Tables 3 &amp; 6.</li> <li>• Information on the presence of gardens and property type and age data is not readily available and has not been reported to us or other regulatory bodies previously</li> <li>• Proposed water efficiency options will be included within the feasible options in Table 8, high level details on previous programmes will be available from previous WRMPs.</li> </ul>
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**Table 8: Feasible option cost information**

Item reference	Comment	Changes made	Our response
Table 8: General	A number of respondents expressed concerns regarding the publication of detailed option costs because of the potential to reduce the likelihood of achieving best value from new water trades.	<p>✘</p> <p>But clarity added to guidance text</p>	In order to reflect the uncertainty in the estimates we have clarified that these costs are indicative in the table. We consider the benefits of releasing this information to enable the market to mature are far greater than the minimal risk resulting from wider dissemination of the costs (see Section 3.1 for further comment and response).
Table 8: Sharing of benefits	One respondent asked “How will water efficiency savings and benefits from ODI rewards be passed onto third parties?”	<p>✘</p>	Sharing of benefits from any ODIs would form part of the contractual arrangements for any agreed options. These will be scenario specific and are outside the scope of our market information requirements.
Table 8: Sharing best practice	One respondent identified that the sharing of best practice in delivering solutions would be beneficial providing information	<p>✘</p>	The sharing of best practice would be beneficial and expect this to occur through industry and regional groups and conferences. Formalising this is outside the scope of our market information

Item reference	Comment	Changes made	Our response
	was not commercial sensitive and did not impact the market.		requirements but this could be considered in the wider context as the market develops.
Table 8: Inclusion of options	One respondent requested clarity on what set of options were to be included in Table 8. Should the feasible costing options that have previously not been published by the majority of companies in the industry (or only published upon request), now be made available.	x	The requirement is for all feasible options relating to WRMP19 and future WRMP revisions to be made available. There is no requirement to publish historic options that no longer are identified as feasible options in WRMP19. This is defined in the narrative text describing Table 8 in the guidance document.
Table 8, line1: Name of Option	One respondent identified that when releasing WRMP data they redact any reference to specific location.	x But clarity added to guidance text	We have reviewed the published data and companies have named options with variable levels of specificity about the location. There is no requirement for this data field to include specific location data and explanatory text has been added to Table 8 in the guidance document to clarify this point.
Table 8, line13: Total planning period indicative social and environmental costs (NPV)	One respondent asked for clarity regarding the calculation of the social and environmental costs.	x	This information will be provided by the companies in the WRMP and will be consistent with guidance provided by the EA/NRW in the WRMP supporting information, Environmental Valuation in Water Resources Planning - Additional Information.
Table 8: Additional information	One respondent asked for clarity on the progress of any proposed options to enable third parties to understand the progress made to date in addressing any identified deficits.	✓	We have amended Table 8 to include an additional line 6 'Progress of planned scheme'. Text has been added to the table description, "defines the progress of the delivery of the planned scheme. Description should indicate the progress against standard project lifecycle stages or indicate if project has not yet commenced. Not commenced/Concept /Definition/Delivery/Handover".
Table 8: Additional information	One respondent proposed identifying whether the proposed scheme was planned to be delivered under Direct	x	Direct Procurement is planned only for the largest schemes and we consider it was be disproportionate to include this for all schemes reported by companies. Transparency of the schemes chosen for

Item reference	Comment	Changes made	Our response
	Procurement to promote competition.		delivery via direct procurement will be provided at the next price review (PR19).
Table 8: Additional information	One respondent asked for information regarding the charging for bulk water transfer to be included.	✘	Charging for bulk supplies is outside the scope of our market information requirements. Relevant guidance documents on bulk supply charging which companies can use if they want to include: <ul style="list-style-type: none"> <li>• <a href="#">‘Bulk supply pricing – a statement of our policy principles’</a>, Ofwat, February 2011;</li> <li>• <a href="#">‘Negotiating bulk supplies – a framework’</a>, Ofwat, August 2013; and</li> <li>• <a href="#">‘Our framework for resolving pricing disputes related to bulk supplies’</a>, Ofwat, January 2014.</li> </ul>
Table 8: Additional information	Two respondents asked for information regarding existing trades and transfers to be included.	✘	Information regarding existing trades and transfers are outside the scope of our market information requirements as the focus of the information is to stimulate a market for new supply and demand options. Information on existing trades is also available as part of our bulk supply register which is available on <a href="#">our website</a> .
Table 8: Additional information	One respondent asked for “visibility of transportation and access charges”.	✘	Our market information requirements are focused upon the bidding market for water resources, demand management and leakage services. This does not require information on access charges. Our work on the bilateral market for England explores this issues further, a key document that sets out our initial approach is: <ul style="list-style-type: none"> <li>• <a href="#">‘Appendix 5 – Water resources control’</a>, Ofwat, July 2017</li> </ul>

### Changes we have made through our own review of the tables

- We have numbered the rows within the tables for ease of reference.
- We have added the number of decimal places expected to the tables.