

Bilateral markets call for information
Ofwat
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SENT BY EMAIL ONLY: bilateral.markets@ofwat.gov.uk

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Dear Sirs

Thank you for inviting us to respond to the call for information on bilateral markets. We set out below, our general comments in relation to the implementation of bilateral markets.

We are, in principle, in favour of the introduction of bilateral markets. As a water retailer, our interest lies in purchasing water resources via this means, rather than selling water or providing some other role (such as providing water treatment or other services).

We believe that the introduction of bilateral markets will promote upstream competition in relation to water and sewerage which will bring further efficiencies and, ultimately, benefit customers. Ofwat has already highlighted that *“Cave suggested bilateral markets would promote more efficient allocation of water and achieve better outcomes for customers and the environment in the form of cheaper and more resilient services.”* This is supported by the Defra Impact Assessment (“IA”) which found that the *“major areas of benefit [of Cave’s proposed upstream reforms] are the one-off productive efficiencies arising from competition (£1,790m NPV) and the ongoing dynamic efficiencies arising from competition (£581m NPV)”*. Furthermore, the IA found that the introduction of bilateral markets *“will make it easier for new entrants to compete with incumbents to provide network services”*. As one of Ofwat’s stated aims, we support the promotion of competition wherever possible.

Aside from promoting competition, we also believe that there is scope for bilateral markets to be more transparent than the existing arrangements. This can be achieved by ensuring that a clear framework and governance are in place. For example, we believe that there should be a centralised information database into which Wholesalers must submit information, so that licenced providers can establish where there are opportunities to enter into bilateral agreements for the purchase of water resources. We also consider that a non-compulsory template agreement should be developed. This would assist new entrants wishing to make arrangements with an incumbent, without precluding parties from entering into a bespoke agreement, if that is more appropriate.

If you wish to discuss any of the above points in more detail, please do not hesitate to contact us.

**Clear
business.**

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Yours sincerely



Chris Earle
CEO
For and on behalf of Clear Business Water Limited