

Bilateral markets – Call for information

Self- Supply Community Response

Summary Response

The Self- Supply community continues to grow, with a variety of drivers for choosing this option in the market, but across all self-supply licence holders working with Waterscan there is a united desire to ensure resilience, security of supply and deliver a sustainable platform for the growth of both their businesses and future generations.

This Call for Information, whilst not relevant for the current operations of all of the Self Supply licence holders, provides a principle and platform that aligns with our collaborative approach to delivering an efficient market. In particular, the ability to be able to transfer surplus water to support areas limited in supply and therefore support the wider availability greatly appeals to the both the mindset of individuals and their corporate responsibility goals.

1. Seeking views on the principle of a bilateral market

- a) Would Self Supply Licence holders, in principle, be interested in selling water resources via means of a bilateral market?

A number of the Self Supply community have borehole abstraction licences some of which have very limited use and others for whom it may be the main source of water for their site. All of those who have a borehole expressed an interest in understanding the opportunities a bilateral market could hold for them and would be interested in selling surplus water resources via this mechanism, if it were available.

- b) Would Self Supply Licence holders, in principle, be interested in purchasing water resources via means of a bilateral market?

Due to the nature of the Self Supply community being FTSE 250 companies there is always an interest in alternative options which may provide a cost benefit to their business. Therefore, in principle they would be interested in purchasing water via a bilateral market.

- c) Would Self Supply Licence holders, in principle, be interested in playing some other role (ie providing water treatment or other services) to support a bilateral market?

No-one has expressed a desire to do this at this moment in time.

2. Seeking views on the potential risks and benefits of a bilateral market

- a) What advantages or disadvantages does a bilateral market have for Self Supply Licence Holders compared to current trading arrangements?

Given this is a huge unknown the potential benefits could be of dealing with less Trading Parties in the market depending on the geographical coverage of the alternative; however there are likely to be added complexities depending on the regulatory framework and systems for operating.

In addition, a greater understanding of what a bilateral arrangement would look like given the seasonality of some production sites and the availability of borehole water (particularly considering the impact of recent dry summers). There is likely to be a need for comprehensive assessments of the potential surplus and given the fluctuation how this would be managed by the receiving party.

- b) How could a bilateral market complement or conflict existing mechanisms available for water trading?

This could be hugely beneficial for the overall market and overarching management of water security and resilience, Being able to trade water from water-rich areas to water-stressed areas within a regulated framework allows collaborative resolution to the impending water deficit predicted in the coming years. It is a natural progression and something the Self Supply community fully support.

We can see conflicting issues arising around border management and business planning but are confident Ofwat will address this fully.

- c) Would Self Supply Licence holders, have any preference between the existing arrangements and bilateral markets?

The preference would be to have the option of both, as proposed.

3. Seeking views on regulatory policy

- a) What key policies do Self Supply Licence holders consider need to be captured and what is the best means of doing this?
- b) What key policy risks do Self Supply Licence holders consider need to be mitigated and what is the best means of doing this?
- c) Would Self Supply Licence holders, have any preference between the existing arrangements and bilateral markets?

In principle there is no real preference: we would expect policy reviews be undertaken by Ofwat and considered through Consultation and usual market processes.