

By email

18 October 2019

Rachel Fletcher
Ofwat
Centre City Tower
Birmingham
B5 4UA

Dear Rachel

INCUMBENT WATER COMPANIES AND THE DEVELOPMENT OF EFFECTIVE MARKETS

This letter sets out the response from Bristol Water to your open letter in May 2019 and Emma Kelso's letter in September 2019, concerning incumbent water company support for the development of effective markets. We take our responsibilities very seriously, and I take personal pride in our retail market performance to date and the improvement in our developer market performance. We provide a full response in this letter, and in an appendix answer each of the questions raised in full.

Some of this information is confidential as it includes market participant data which we cannot effectively anonymise due to low volumes, but we highlight specifically where we believe this should not be published. We provide a redacted version accordingly.

We share the concerns expressed in your letter that water companies are not as a whole effectively ensuring that markets are achieving their full potential for customers. We are proud of our performance as a wholesaler in the business retail market. This goes beyond being the only wholesaler in the upper quartile for OPS and MPS performance 2018/2019 in the MOSL market performance statistics, to the relationship we have with retailers and developers. This was confirmed by a leading performance in the first pilot of R-MEX at this stage of development for this metric. We believe the experience of retailers and developers with their water wholesaler is the most important step we can take in promoting markets. This approach stems from the culture and values we have as a local water company – we try and meet individual needs rather than solely meeting minimum market expectations. This is where business opportunities in a market arise, particularly where we look across sectors.

Our social contract includes partnerships with Bristol Waste and Bristol Energy – in conversation with retailers and developers we have identified opportunities, both to engage retailers' staff, engage their customers, new business opportunities for retailers and to develop market opportunities. Engagement in resource efficiency as part of a cross-utility effort has huge potential, and forms part of our strategy. This starts with conversations, and only can start with a positive relationship that starts with meeting


basic needs. The positive reaction we have had at our retailer and developer engagement days, our retailer surveys and quarterly account meetings demonstrates our positive contribution to developing markets. We suggested in our revised PR19 plan that a measure of retailer satisfaction “R-MEX” should be reflected in PR19 decisions – even if it takes a year from now to develop and test, we could agree to leave space in determinations for this to have real value. We note that a letter from the UK Water Retailer Council suggested a similar approach. This metric will now become part of MOSL’s Market Performance Framework.

We think we have particular duties to self-supply retailers, recognising the concerns of major multi-site customers such as supermarkets about incumbent behaviour was a significant factor in the business retail market being introduced in the first place. Their role in market code arrangements needs to be considered further.

We have responded separately on bilateral markets, and we are working to explore the potential for water resource markets as part of a partnership approach with others.


Performance in market metrics is important, but the evidence that retailers and developers are willing to publically state that our engagement with them is leading and often exceeds their expectations reflects something we aim for with all those we supply or we work with.




 **Water Retail Co** @co_retail · Jun 12

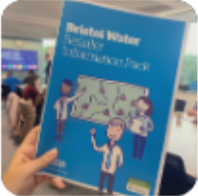
Great retailer day at @BristolWater today. Chance to meet all the different teams at Bristol & some other stakeholders with innovative solutions, also always good to chat with other retailers. Thank you & well done to Bristol. @Ofwat @WaterWatchdog @MOSL_

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 My Nation Underground liked

 **Wheatley** @WheatleyA · Jun 12

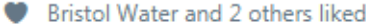
@WheatleyA's @SimonMurWrk is with @BristolWater today for their Retailer Day. He'd be delighted to chat with #water Retailers about our work with @BristolWater to improve the volume of #meter reads and the accuracy of market meter data. #pinpointnationwide #watermetering


 **Bristol Water** @BristolWater

We're opening our doors to our Retailers today, collecting ideas and feedback on ways we can improve the market and provide an excellent service to everyone 😊

#valuesmatter

1 1 3

 Bristol Water and 2 others liked

 **Simon Murray** @SimonMurWrk · Jun 12

Replying to @BristolWater @waterplusb2b and 4 others

Glad to be part of this. Thanks to @BristolWater for a great event. All positive support so far from retailers for #pinpoint #pinpointnationwide #water #mosl

1 5

Our Developer services performance has not always been as good as our retail market performance. We have made significant improvements in timeliness and effectiveness of response recently and will continue to focus on this. The experience and relationships with developers have been very positive, with a similar reaction to our engagement as that demonstrated by retailers above. We have an effective NAV and Self-Lay Provider market operating in Bristol. Although currently an area of regulatory debate, our engagement on income offset treatment and the new connection charging arrangements has been successful to date and supports the competitive market.

We publish technical information that makes it easier for developers and SLPs to understand our costs and approach to developer services. This does involve some technical language in our new charging arrangements document, which is not an issue for developers, but we are trying to balance technical and detailed information carefully. The key priority is to make costs certain and as fixed as possible, and developers are content that we have achieved this balance based on the feedback to date. We use worked examples and have a spreadsheet ready reckoner on our website. We had one issue

transitioning to the new arrangements, where after discussion with Ofwat we identified that we needed to charge SLPs who ask us to produce designs. This has been implemented with acceptance by SLPs of our approach.

One area of further development we are considering is whether to incentivise alternative developer offers for resource efficiency, reducing infrastructure charges for the wider benefits this brings. We are yet to find an approach which can embed benefits in a way that would guarantee benefits for consumers. We plan to work through Resource West to identify this opportunity.

Our continued focus on the retail market improvements includes my input as a MOSL Board member 2017 - 2019, and the leading role we continue to place having co-founded the Retailer Wholesaler Group (RWG) and the WIRSAE Accredited Entity Scheme. We will continue to lead and focus through RWG on the key issues identified in the CFI Outcomes Report (Strengthening Wholesale performance and services in the business retail market – June 2019). All members of our wholesale service team have some engagement with market working groups to improve outcomes:

- We use the RWG vehicle and the Wholesaler Interface Group (WIG) to share good practice, how we do things and the services we provide.
- Our wholesale services lead is empowered to make business changes through the wholesale service team, leading to speed of change that the market needs. Through this route we support standardisation of wholesale policies, which we do think will help the retail market, although there may be a point at which there is an adverse impact on wholesale services – the RWG is the right forum to explore the potential.
- We were involved on MOSL's MPC from 2017 - 2019 which reviews trading parties performance monthly
- Our Data Quality was in a good place prior to market and where we found issues we put them right. The principle that retailers should not pay for data or meter checks is an important principle to us, and changes the relationship with retailers (by not adding an overhead to retailers to access accurate market data. It is right that improving data is a wholesale cost, and wholesalers that see cost recovery from a compliance perspective between retailers may be missing the point in this regard.
- Our compliance team checks wholesale service team market behaviours on quarterly basis, reduced from weekly, fortnightly, then monthly in the light of experience. This matches the quarterly reporting that we undertake as part of the Commitments for our Development Services team. Using the shadow period to be ready for the market by engaging staff and to allow them to build relationships with other market participants is the key learning point that we think underpins our performance.

We agree with any measures proposed to make the code modifications process easier.

Water resources – although our Water Resource Plan does not indicate a need for the development of new water resources for the foreseeable future, we still recognise our responsibilities to and ambition to improve the efficiency and effectiveness of water resource markets:

- We are working as part of West Country Water Resources (WCWR), with a focus on regional exports as well as resilience. We recently agreed an MOU with the other companies involved, which sets out how we will transition from a cost share for the initial work to a “beneficiary pays” approach consistent with a water resource trading market. We have offered the “Cheddar 2” reservoir plans through WCWR in case this water resource development has value to wider West Country exports. The speed of development of our potential exports could be a useful pilot for RAPID, and we would be happy to provide this approach.
- We are implementing more network monitoring and scheduling, which will lead us towards internal water resource optimisation which will assist with water trading.
- We consulted on our Bid Assessment Framework, both for the original and the updated one in June 2019 reflecting Ofwat’s minor IAP feedback. We have published a simple Water resources trading code to provide a link between the BAF and water resources market information, given that we have spare water to offer, albeit at relatively modest quantities.

Our independently operated annual stakeholder survey measures business customer satisfaction as stakeholders. We also use our engagement with stakeholders in our duties as a wholesaler to promote the business retail market. As an example, we worked with a major multi-site business and a major retailer (not associated) to trial low-cost data loggers, as part of shared learning that could have a market benefit. To a certain extent, we have to be mindful of our role in the market in been responsive rather than driving the speed of such innovation (for instance the multi-site business could choose self-supply) – our objective is the customer relationship and to promote our business (in particular its social purpose) at all opportunities.

We discussed with the Ofwat team in Spring 2018 that the developer market commitments that remain in place for Bristol Water are now out of date and a consultation was required prior to their removal. These legal commitments with Ofwat on the developer services market require quarterly audits of developer service offering and market arrangements. We believe there is now sufficient evidence for these commitments to be removed, which otherwise could become a barrier to change in the developer services market given that many of the market arrangement have evolved since 2014 when these commitments were put in place.



I understand the challenges in releasing these commitments given your wider industry concerns, but I would ask you to explore with your team whether we can now progress this as soon as possible.

Yours sincerely,

Mel Karam
CEO

Annex A: Question relating to your Board's support for the development of effective markets

1. Please provide a description of how your Board engages in and discusses plans for the company's work to support the development of markets. For example, is there a designated Board Committee, is there a designated part of the agenda for regular Board meetings dedicated to discuss this? How does the Board ensure that staff have the time they need to be able to raise any issues, get the support and resources they need for work concerning the development of markets?

One of the four strategic objectives that the Board set for Bristol Water in its strategy is to "Develop our people and the business". This strategy includes two specific aspects related to market engagement:

- "Develop cross-utility service offerings that connect customers with communities" and
- "Participate in and encourage further use of competitive markets, such as for water resources and demand management".

The Board commitment is set out in our long-term ambition document "[Bristol Water...Clearly](#)". This publication also demonstrates the competition scenarios that the Board considered, with the executive organising staff support and resources accordingly. We summarise the steps that have been taken in annex D.

The Board regulatory receives a Compliance Report at board meetings, which may include competition issues as appropriate. Competition compliance is a standing quarterly Board update to the ARAC sub-committee of the Board. The full Board approves tariffs, policies and discusses market developments within the industry. MOSL and Developer service performance and commentary is part of the monthly Board reporting. The Board also directly engage with the innovation framework, including our incubator which supports the development of new markets.

The Board task the management team to ensure issues are raised and market development supported. This is by separation of duties with the Chief Customer Officer having responsibility for Developer Services and Wholesale service team, the Director of Strategy & Regulation having responsibility for commercial market opportunity development, charges and policy, with the Director of Corporate Affairs & Legal having responsibility for compliance. Water resources planning reports to the Director of Asset Management & Production, which provides a further separation of duties. The Chief Executive takes an active role in the development of markets in the industry, having until recently been a non-executive Director of MOSL. The Board itself has widespread background in relevant markets, including the CFO having joined Bristol Water from Bristol Energy, and the senior independent non-executive director having relevant experience, including as a CMA panel member.

The Board also receive regular independent checks, including as part of the Developer Services Commitments.



In terms of staff development, we continue to promote the benefits of markets to staff, but also publicise this wider, so that other market participants can participate. The benefits of this can perhaps best be seen through innovation – the interest of retailers to engage on the social contract to engage their customers, and our provision of “white label” water efficiency promotion materials. As can be seen with our recent [“NAV” video on YouTube](#), which we use on our intranet and in-office screens, we are building on our successful approach to the business retail market with future markets.

Annex B: Questions relating to the Business Retail Market

General 1. As the provider of wholesale services in the business retail market, what action do you take to understand the experiences of end customers in consuming these services? (For example, concerning the ease and speed with which end customers may - including via their retailer - request and receive meter installation, meter repairs, data logging services, decisions on leakage allowances, non-return to sewer allowances, permissions and permits concerning water supply and trade effluent services, disconnection or change of tenancy notification).

We engage primarily with retailers, to ensure we are supporting them in provision of these services. We set out our approach to this (e.g. retailer engagement) in the overview of this letter. Our portal allows retailers to log requests, and we monitor complaints, speed of response and complaints, of which we have very few. We have received no complaints in recent months, which is a record we would like to maintain for as long as possible.



The most important thing is that we keep retailers informed of matters affecting their customers (e.g. supply interruptions). We promote to customers through our charging publications the offers available via their retailer. We also use our Customer Sure App to collect feedback on our performance from the NHH customers. This is also shared with their retailer.

As well as our excellent performance against the Market Standards, we also monitor the average time we take to complete tasks, which are listed below. Please note that if we fail an SLA in the market we do not pass that non-primary charge onto the retailer. Data however does not tell the whole story, and we try and respond to individual retailer needs on behalf of their customer. Account and relationship manager discussions are the best way to monitor this.

Date Range 01/01/2019 - 26/06/2019		
Process	SLA Target	Average SLA
B1 Meter Installed	≤ 22	16
B3a Meter Accuracy	≤ 22	7
B3b Meter Accuracy	≤ 20	15
B5 Meter Exchange	≤ 22	9
C1 Verification	≤ 10	8
C3 Gap Site	≤ 22	11
C6 Dereg	≤ 20	9
F5 Complaint	≤ 8	8
H1A Leak Allowance	≤ 20	7
I1 Dis NP	≤ 6	1
I8 Rec	≤ 0	1

Industry Governance

2. Please outline and provide relevant evidence on the extent to which you monitor, contribute to and participate in the work of the Industry Panel (including relevant Committees and working groups).

Our wholesale service team contributes across a wide range of Industry panel groups. We would question why Ofwat need to ask for such data when you could engage directly with the groups as they all keep public records. The regulatory burden of some of this information request seems to be disproportionate and we would question the value of some of this information, particularly for small companies.

We set out below our engagement with various bodies with our team, many of which Ofwat participate in. We are considering reducing our engagement on these groups as the level of maturity and industry

engagement improves. This is appropriate to the size of our business and business strategy, as we can rely on our business relationships to prioritise and still contribute effectively.

PERSONAL INFORMATION REDACTED

3. Please explain how, in making decisions about how to respond to relevant industry consultations on code change proposals, you balance or reconcile your commercial interests with those of the market as a whole, where possible, citing examples.

We make a decision on a case by case basis, based on the facts presented. We consider primarily our experience of the market as a whole, as we take the view that in the long run this reconciles with our commercial interests. Where there are specific issues that are not resolved through market behaviour, then we may prioritise commercial interests, but this would be based on facts rather than speculation. However, we do not think this question is appropriate or makes sense. Presumably no-one with different motives would say this was the case, and with the code changes to date up to this point in the market we are not convinced this calculation would be possible. We therefore cannot cite any specific examples, as generally we listen to the balance of evidence presented and the views of retailers through our account and relationship management, where we are engaged on a topic. Where there is any doubt, the Head of Wholesale services will liaise with the Chief Customer Officer and Director of Strategy & Regulation, who will consider the balance of these topics.

4. How have you developed your company's strategic approach to participation at the Industry Panel (including relevant Committees and working groups)? To what extent has it been discussed or approved by your Board? Please provide relevant evidence to support your response (such as Board papers).

As a small wholesaler we have focused on building practical answers to market issues through the WIG and the RWG. We do not consider that participation at the Industry Panel is a strategic issue – it is an operational issue for those whose objective is providing an effective wholesale working relationship and service to retailers and their end customers in a way that ensures that wholesale revenue is fairly recovered in balance to other customers. We also make sure our policies and procedures more than

meet these minimum expectations. We make our strategic input with MOSL during our monthly portfolio and performance meetings.

Our strategic approach is independent engagement – all Directors meet a range of retailers and market participants in a variety of forums and check satisfaction with Bristol Water performance in the round. Our key focus is on relationships – does the market data sufficiently reflect general satisfaction of retailers and business customers with our performance in the market.

Our main strategic objective is to be an effective business partner to all market participants and customers and given this to minimise our cost to serve. Avoiding unnecessary disputes and complaints, or the burden of detailed regulatory actions and market mechanisms / inquiries and information requests which is value destroying rather than benefitting market development is our primary focus and objective.

Wholesaler performance

5. Have you been subject to an Initial Performance Rectification Plan (IPRP) at any point since they were initiated? If so, what measures did you take to understand the root causes for your underperformance, what activities did you undertake to address this and how has your performance changed since going on the IPRP?

Not applicable to Bristol Water as we have not been subject to an IPRP.

6. Where an IPRP has been put in place for your company, has your Board discussed your IPRP? Please provide relevant extracts of Board papers that document any such discussions.

Not applicable

7. Please set out what safeguards and/or monitoring you have in place to monitor your Operational Performance Standards (OPS) performance for your associated retailer in relation to other retailers?

We have the same approach for all retailers – we operate at arms length with Pelican for household retail billing and charging. All retailers, including Water 2 Business, have the same OPS standards and we monitor all retailers equally. Safeguards are in place by the Compliance Officer quarterly (originally monthly) checks that our procedures are applied equally.

8. Please set out what processes you have in place to assure yourself that OPS performance data is accurate and valid before it is submitted to MOSL.

We operate a three-lines of defence mechanism for our OPS and MPS data to ensure robust and consistent data quality:

1. Our Retail/Wholesale Portal generates reports on a daily, weekly, and monthly basis;
2. The Wholesale Services Manager reviews the monthly report and performs manual checks against all the data before it is sent to MOSL; and
3. Periodic internal audit checks provide independent verification of our process and data accuracy.

In addition, we have invited MOSL to conduct their own independent review as part of their monthly portfolio manager meetings. This proposal is currently being considered by MOSL.

Our periodic (currently quarterly) compliance checks operate to a schedule and reported to the Board via ARAC according to our competition compliance framework schedule listed below:

Area/item	Source/Provided by
Any compliance concerns arising from the performance of the Wholesale Services team against its KPIs as set out in the the reports generated by the Wholesale Services team for internal review and as submitted to MOSL	Wholesale Services: <ul style="list-style-type: none"> • Operational Performance Report
Any compliance concerns arising from the daily, weekly, and monthly statistics reports provided to the Wholesale Services. In reviewing these reports we will consider whether the statistics indicate potential discriminatory treatment or undue favouritism.	Wholesale Services: <ul style="list-style-type: none"> • Daily, Weekly, and Monthly statistics report
The number of Retailers active in our area of appointment, including any new Retailer contracts, and the split of customers between these Retailers.	Finance: <ul style="list-style-type: none"> • Monthly review meeting between Compliance and Wholesale Services Manager
Any internal issues recorded in the compliance log, including any actions taken as a result.	Legal and Compliance: <ul style="list-style-type: none"> • Compliance log kept updated on o-going basis, reviewed monthly.
Any external complaints received relating to non-compliance with the Compliance Policies and Procedures, Wholesale Retail Code, Market Arrangements Code and any other relevant Water Codes,	Wholesale Services: <ul style="list-style-type: none"> • Any complaints should be reported as they occurred

Area/item	Source/Provided by
Charging Statements and Documents and any actions taken as a result.	for inclusion in the compliance log; <ul style="list-style-type: none"> • Monthly review meeting between Compliance and Wholesale Services Manager
Any changes made to the working instructions or procedures applicable to the Wholesale Services team.	Wholesale Services: <ul style="list-style-type: none"> • Legal and Compliance should be informed prior to any such changes being made; • Monthly review meeting between Compliance and Wholesale Services Manager
Any changes to the wholesale charges.	Wholesale Services, Strategy and Regulation: <ul style="list-style-type: none"> • Annual review meeting between Compliance, Strategy and Regulation, and Wholesale Services Manager
Any discounts or non-standard terms agreed with retailers.	Wholesale Services: <ul style="list-style-type: none"> • Monthly review meeting between Compliance and Wholesale Services Manager
Any enforcement activity by Ofwat - have any investigations into conduct of other market participants been commenced for potential anti-competitive conduct? Any such investigations will be monitored and the published findings reviewed to identify lessons that should be applied to our business, policies and procedures.	Legal and Compliance and Strategy and Regulation <ul style="list-style-type: none"> • Review of Ofwat website

Data quality

9. Please explain any collaborative work you have initiated with retailers to improve the quality of market data in relation to: long unread meters; faulty meters; and vacancy.

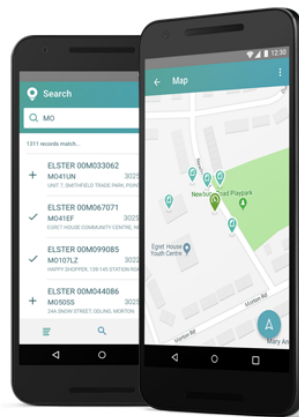
We use data analysis tools to identify any potentially incorrect data and then engage with retailers through our daily conversations and our relationship/account management. The development of the pinpoint tool with Wheatley and the promotion of this with Retailers is one of our approaches . On vacant properties, we use our local connections. For instance we identified that public houses were a particular challenge for retailers, and so collaboratively targeted them. We use creative and engaging approaches that emphasise the collaborative nature of our approach (though this did include a retailer's suggestion of a vacant property pub crawl with our account manager!). We plan to trial further proactive metering or disconnection/flow restriction of void properties where they are not metered, in order to improve this further. On long unread meters, we recently carried out an exercise to locate and read all meters that had not been read before market opening. We have also assisted retailers in locating meters for their meter reading providers. These meters have been where CMOS had said they are. The pin-point app is a further example:

Wheatley are extremely pleased to be able to say that our Pinpoint app has been shortlisted for the Water Industry Awards!

Our collaboration with Bristol Water plc to use technology to improve meter data quality and the efficiency of finding assets in the field has been shortlisted in the Most Innovative Data and Software Solution of the Year category!

Pinpoint is designed for Retailers, Wholesalers and their agents working with assets in the field. Pinpoint can hold data on a range of assets, but trials with Bristol Water have focused on meter assets. The app holds precise location details for the asset and assists the engineer in finding the asset, even at the most remote sites and even when no mobile signal is available. The app can then be used to validate the location of the asset and can record additional information on its location, condition, meter reading etc. including capturing photos and documents.

Competition has been tough this year apparently, with over 120 entries for the awards, so being shortlisted is an achievement in itself. The winners will be announced at the awards dinner on 20th May and Wheatley are looking forward to an evening celebrating with friends and colleagues in the water industry - whatever the result!



10. Please describe any processes you have in place to improve the quality or coverage of data in CMOS that relates to your activities and responsibilities as a wholesaler (for example, to ensure meter location data is complete and accurate). How long have any such processes been in place?

These processes have been in place prior to market opening (effectively shadow operation). Before market opening we went through a data cleansing process with both Pelican and Wessex Water before uploading. We have a communication process with retailers and address any data quality issues in CMOS that emerges. We also take proactive steps (such as development of the pin-point app).

A huge amount of pre-market work went into ensuring our data was as good as we could get it (without sending someone out to all 34000 SPIDs). Since market opening, we have completed work on long unreads, vacant, meter digits, unpaired SPIDs' general data cleansing activities and helped develop "Pinpoint" an app to improve the collection of market data (all at our own cost). We presently have Industry low numbers for vacant/unreads and Industry high levels for performance OPS/MPS. We will continue to work with our customers to improve data.

We had a data improvement plan which concentrated on unpaired SPID's, in place with Market Operator Services Limited (MOSL) and have an app known as PinPoint which was developed with Wheatley Solutions to help correct poor data in the market.

We have put in place improvements in new connection information for retailers to ensure they can engage and set the customer quickly. This has been put in place as part of our vacant reduction work.

11. Please describe any processes you have in place to take into account information received from retailers or end customers concerning incomplete or inaccurate data held in your systems or in CMOS. (For example this could relate to: meter location; customer or retailer meter readings; change of tenancy; or disconnection). Please also set out the process that a retailer would need to follow in order to inform you about incomplete or inaccurate data and your process and timetable for responding to this.

We follow the processes and timetables set out in the Market Codes and the market is updated promptly. This is clear in our MPS and OPS performance. The retailer should follow the processes in the Market Codes if they feel that the data in the market is incorrect or not complete. We do also provide the retailers with access to our GIS system via Dig Dats Plant Enquiry platform, so they have some understanding of their customers supply arrangements and the use of the Pinpoint App, so they have CMOS data on site.

Wholesaler retailer interactions

12. Please outline and provide evidence on the extent to which you monitor and contribute to the work of the Retailer Wholesaler Group (RWG) or other similar discussion and action groups. Have you fully implemented published RWG guidance? If not, please explain why.

We have provided this information previously in response to other Ofwat inquiries. Our Head of Wholesale Services helped to establish the RWG and is presently chairing the group. We have established and fully implemented RWG good practice guidance, where it applies to us. We provided our full list of market activities of our wholesale service team under question 2 above.

We continue to challenge our policies against the RWG good practice guidance and only leave anything different where we feel its better that the good practice (example being on leakage allowance). We were the first wholesaler to trial the Unplanned Events and Disconnection (for non-payment) good practice guidance and are currently reviewing the data logging guidance against our policy.

13. What actions have you undertaken to support the development and implementation of a bi-laterals solution? Has your Board discussed your approach to the bi-laterals solution? Please provide relevant extracts of Board papers that document any such discussions.

We instigated the bilateral discussion in our engagement with retailers and RWG. Whilst our portal is considered very good by retailers, we are engaging with MOSL on a bilateral solution.

We have established a portal which allows for bi-laterals and allows for retailers to punch through from their CRM systems directly in our portal and we support transactions being implemented through the central market system. We have worked through MOSL, WIG and the RWG and originally led the potential development of a standard solution. The Board discusses our general market support approach and reviews compliance. The Board has not specifically discussed a bi-laterals solution, other than through our general technology and market compliance approach, which refers to our work in this area. We are meeting MOSL in late September to discuss their latest bi-lateral solution and this will be shared.

14. Wholesaler policies : Please set out (and where appropriate provide relevant supporting evidence): (a) what action you take to help ensure your wholesaler policies (including: i) the charges /charging structure;

We publish information within our wholesale charges scheme on our charges/charges structure. We also communicate this directly with retailers through our account and relationship management and retailer information pack. All policies are stored on our web site and on our retailer portal. Our charges are simple and standard in structure. We do not charge for data checks or data access. We as well as publishing indicative wholesale charges, we also now publish an indicative wholesale charges scheme, and then use this for engagement with retailers, including at a retailer day, as part of our consultation process.

and ii) any SLAs or KPIs; associated with the provision of wholesaler services to retailers) are readily accessible and understood by all relevant retailers?

The SLA's are clearly communicated within the Market Codes and we share our performance (as do MOSL) with all our retailer customers. MPS and OPS is also covered in Bristol Water performance KPI's.

(b) what, if any, unilateral action you have taken since 1st April 2017 to simplify or otherwise refine your wholesaler policies to the benefit of retailers?

Our policies and charges are already recognised by the retailers (including self-supply market support participants) as amongst the simplest in the industry. We currently lead the RWG work and fully support any industry measures to refine wholesaler policies and charges.

(c) what - if any - changes have you made since 1st April 2017 to the services you provide, the charges / charging structure for these, and/or any associated SLAs or KPIs associated with the provision of these services? If you made changes, what were the reasons for these changes?

We have not changed our charging structure materially, and have had no retailer driver to do so. We have increased the number of value added services to retailers, including DIG DAT's "in your area" and Retailer Notification Services (RNS), the Pinpoint App, free access to mapping via Plant Enquiries and are always looking for future services that will ultimately improve the end user customer experience. We continue to challenge our performance to drive down SLA's against the Market SLA's (below). Some of our internal levels of service are lower than the Market Codes.

Date Range 01/01/2019 - 26/06/2019		
Process	SLA Target	Average SLA
B1Meter Installed	≤ 22	16
B3a Meter Accuracy	≤ 22	7
B3b Meter Accuracy	≤ 20	15
B5 Meter Exchange	≤ 22	9
C1 Verification	≤ 10	8
C3 Gap Site	≤ 22	11
C6 Dereg	≤ 20	9
F5 Complaint	≤ 8	8
H1A Leak Allowance	≤ 20	7
I1 Dis NP	≤ 6	1
I8 Rec	≤ 0	1

We have also removed any cost to the retailer if we fail the Market SLA.

"For this question you should include at least the following services: meter installation, meter repairs, making meter readings you have taken available to third parties, data logging services, leakage

allowances, non-return to sewer allowances, vacant sites, permissions and permits concerning water supply and trade effluent services, disconnection or change of tenancy notification”

As part of our non-primary services, Bristol Water provides;

- Meter replacement and Installation
- Meter Accuracy Testing
- Verification of supply including leakage checks
- Water Regulation Breach/Inspections
- Temporary disconnections/reconnections
- Permanent disconnections
- Water Quality and Regulation Advice
- Accredited Entity Assistance

These services are set out in our Wholesale Charges Schedule <https://www.bristolwater.co.uk/wp-content/uploads/2019/01/Wholesale-Charges-Schedule-19-20.pdf>

The levels of service match those in the Wholesale Retail Code. Our own internal levels of service are set lower in some cases, hence our performance so far.

Our policies are clearly stated on our web site and are also on our portal for retailers to use.

<https://www.bristolwater.co.uk/wp-content/uploads/2019/03/WholesalePolicies2019-2020-Final.pdf>

They include; Leakage Allowance, Meter Usage Data, Data Logging activities and Water Regulations. These are also mentioned in our Retailer information Pack and are discussed during our regular Account/Relationship Meetings.

One element we have helped create and design is the WIRSAE National Market Accredited Entity . We presently allow retailers to use AE's for disconnection and small metering works. We are looking to have an contribution scheme in place from April 2020 to encourage the further use of AE's. Our Head of Wholesale Services is currently the Vice-chair of the WIRSAE Panel and we are proud to say that 14 wholesalers have signed up to recognising the scheme, we have 4 AE's registered and accredited. This scheme is being independently managed by Lloyds Register.

Accredited entity

We recognise the Water Industry Accredited Entity Scheme (WIRSAE) and will allow accredited entities under this scheme to carry out the following defined activities on behalf of a Retailer:

- Temporary Disconnection and Re-Connection Non-Household Premises up to and including 40mm sized supply.(TDNHS)
- Temporary Disconnection and Re-Connection Non-Household Premises over 40mm sized supply (TDNHA)
- Installation or replacement meter in existing chamber / inside building up to and including 40mm sized supply (MIAES)
- Installation or replacement meter in existing chamber / inside building over 40mm sized supply (MIAEL)

15.Charging: Please set out (and where appropriate provide relevant supporting evidence): (a) what - if any - unilateral actions have you taken since 1st April 2017 to simplify your wholesaler tariff structure with a view to facilitating retailers' ability to make price and service offers to end customers.

None necessary – it is already simple, and we have feedback from our retailer engagement that this is of particular value to them.

Supporting evidence on our retailer survey is attached (this applies in general, and not just specifically to this question). The verbatim comments 1 and 2 refer to the structure of wholesale tariffs.

(b) What is your expected charging policy in respect of vacant sites and premises from 1 April 2020? How, if at all, has this changed since: i) 1 April 2017; and ii) prior to 1 April 2017?

We do not charge for vacant sites. However, charges are automatically applied from CMOS if there is a volume of use, but it is within the retailers control. If the property is not occupied, or where a leak allowance is applied for a vacant metered property, then no charges will arise. We do not have choice but other than to receive the revenue through CMOS. MOSL incorrectly categorised us as charging for vacant properties (partially), but in reality this applies to all wholesalers through CMOS. The policy has not amended. However we have clarified this within our indicative wholesale charges scheme as this is within the control of retailers, in order to simplify this approach. Please see section 5.6 and 5.7.

16. How do you consult or engage with retailers on the following issues (where appropriate provide relevant supporting evidence): (a) Measuring or gauging the quality of service you provide to retailers? What actions have you taken here?

See other evidence on retailer surveys, stakeholder survey and market engagement days.

The strongest evidence we believe relates to the quotes that retailers and market participants agreed to be named to include within our PR19 market submission, which related to our plans to continue to improve the quality of service we provide to retailers:

Waterscan – “Bristol continue to be the most innovative wholesaler and the plans reflect this.”

The Water Retail Company – “Bristol Water’s Portal is already one of the most user friendly, so plans to enhance this further are a great idea”

Also in the recent R-MeX pilot, Bristol Water was the best performing wholesaler.

And as a further example – we see retailers using the joint material to engage with their customers, such as this from Everflow.

<https://www.everflowwater.com/single-post/2019/09/25/Top-5-water-regulations-for-businesses>

(b) maintaining and improving your working relationship with retailers (e.g. do you host retailer engagement days, portfolio meetings, onboarding processes for new entrant retailers etc.)?

Yes to all of this – please see earlier evidence. The survey and the R-MeX pilot results clearly shows that the working relationship is effective (and therefore, from our perspective, efficient). We attempt to engage with retailers before they become new retailers – our engagement days are open to all.

(c) Understanding causes for, and improving levels of rejected, deferred or late OPS tasks?

Any failures on the OPS standards are reported to the relevant Bristol Water team using an exception report. This report has to be completed and signed off by a senior member of that team and includes what precautions are going to be put into place to ensure the failure does not happen again. We also

have reporting in place tracking all jobs against SLA's. Our OPS performance clearly shows the process working.

(d) changes or updates to the form or scope of your wholesaler services, the charges or charging structure for these, and/or any associated SLAs or KPIs associated with the provision of these services? How formal is this consultation?

Consultation is formal in the sense we publish an indicative charges scheme, and we communicate this on our website, including on social media. We advise when the final charges will be published, which provides an end date. The more effective consultation is semi-formal, in that we pro-actively provide our indicative charges to our retailers and then it is discussed at the account management meetings, and any feedback is reflected in the final charges. In practice though, we have not received feedback other than to confirm satisfaction. However, we are not complacent in this regards. The market engagement day is more informal style, but allows discussion of market issues, and therefore allows us (alongside the retailer survey, and our stakeholder survey which includes business customers annually) to test. More formal parts of our engagement include CCWater and the Bristol Water Challenge Panel, who we also keep informed on engagement with retailers.

For all of these elements, we provide the same engagement to developer services markets including SLPs and NAVs. See our spill-over retail market response to Ofwat for more information.

17. Concerning credit and payment terms, do you offer: (a) alternative credit arrangements under Schedule 3 of the Business Terms of the Wholesale-Retail Code? If you have, what have you agreed and why? If not, or if you have refused a request for Schedule 3 terms, why not / why refused?

Presently we are reviewing alternative credit arrangements and are planning to have an offer in place by April 2020. We have had correspondence with a retailer, hence the review.

(b) alternative payment arrangements, under Section 9.2.4 and Schedule 3A of the Business Terms of the Wholesale-Retail Code Please describe. If not, why not? (c) tailored offerings under (a) or (b) above to reflect specific characteristics of retailers (for example, self-supply retailers)? If not, please explain why this is the case.

Presently we are reviewing alternative payment arrangements. We have had correspondent with a retailer, hence the review.

18. There is currently a gap in the protections available to customers under the Alternative Dispute Resolution (ADR) provisions insofar as non-household customers cannot get a remedy which is binding on the wholesaler. What, if any, unilateral actions have you taken to address the ADR gap in relation to compensation from wholesalers?

To date – this is a gap but the issue has not arisen. We would prefer for this to be through WATRS. We are working through RWG to establish an ADR route for non-household customers.

19. In 2018/19, how many requests did you receive from, and how many separate payments did you make to, retailers under the Guaranteed Standards Scheme? How many, if any, of the requests were subject to dispute between you and the relevant retailer(s)? How many, if any, of the payments made were subject to dispute between you and the relevant retailer(s)?

This is an automatic payment and we have not received any requests or any disputes. We have paid out £5300 over the 12 months and this has covered 5 retailers.

Annex C: Questions relating to the Market for Developer Services

Please provide a concise commentary and supporting evidence on the market for new connections and developer services in your area of appointment, including the questions in this section. Developer services and new connections market overview Aim: To better understand the market context and what actions you are taking to promote an effective market.

The market is active and SLPs are effective and have full market penetration for all schemes where it is economically viable for them, in our view. Similarly for new developments NAVs are active and there are 2 sites that have new appointments. This has been supported by our approach to developer service charges, particularly for the new charging arrangements and the approach to income offset, which we believe to be leading. At our market development days, we have an open conversation and have positive feedback as to the approach we take.

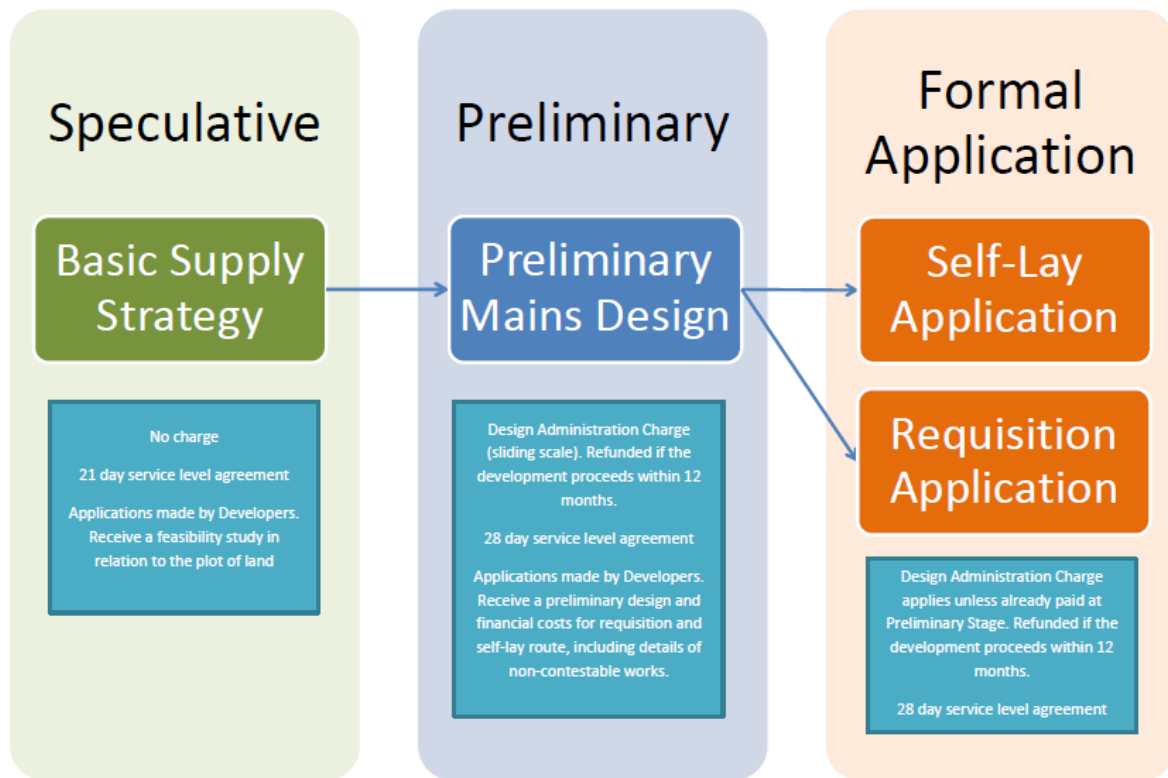
We have seen an increase in SLP penetration from 20% of all New Connections in 2015/16 undertaken by 3 SLP's to 32.5% SLP penetration of all New Connections in 2018/19 undertaken by 12 SLP's. It should be noted that SLP's are only actively seeking to undertake connections on development sites rather than infill single connections which means that SLP penetration is 65% of active schemes that SLP's are interested in providing connection services.

1. Please explain how your developer services teams manage their competition law obligations in delivering services to developers, New Appointments and Variations (NAV's) and self-lay providers (SLP's) and in-house operations?

This is largely set out in the commitments reporting. The compliance team audit that the processes are been followed. Training is provided (e.g. demonstrated with the NAV video referred to earlier) when new members of staff are employed and refresher training is provided to all members of staff

The same applies as for the retail market – we have separation of duties between the Head of Developer Services, the compliance team, and the Director of Strategy & Regulation.

We have a very clear NAV tariff and the NAV also has the option of the large user wholesale tariff if that is better for them. All developer offers are the same. The process shown provides a simple guide to the approach and relevant service levels that are provided equally to all applications



Our approach to compliance follows the Commitments¹:

A1.3 Calculation and Presentation of Infrastructure Costs.

Principle: Bristol Water will take all reasonable steps to ensure that the costs quoted for the provision of water infrastructure on a new development are calculated in a way which does not cause undue preference to, or unduly discriminate against, either the self-lay option or the requisition option, and which is consistent with all Relevant Legislation and the Licence.

A1.4 Broad equivalence of new development charges

Principle: Bristol Water will take all reasonably practicable steps to ensure that charges applied to SLOs, or charged in circumstances where mains and/or service connections are being self-laid, are broadly equivalent to charges applied for equivalent services in the context of the requisition of mains and/or service connections, and that they do not cause undue preference to, or unduly discriminate against, SLOs or act in a way which is inconsistent with the requirements contained in Relevant Legislation and the Licence.

A1.5 Interactions with self-lay organisations [providers]

Principle: Bristol Water will, using its best endeavours and acting in good faith, take all reasonably practicable steps to ensure that in its dealings with developers and SLOs it does not cause undue preference to, or unduly discriminate against, SLOs or act in a way which is inconsistent with Relevant Legislation and the Licence.

A1.6 Policies and Procedures

Principle: Bristol Water will, using its best endeavours and acting in good faith, take all reasonably practicable steps to produce external and internal policies and procedures relating to

¹ https://www.ofwat.gov.uk/wp-content/uploads/2015/11/det_ca98201503brl.pdf

the provision of infrastructure for new developments which are clear and easily understood, do not cause undue preference or undue discrimination, and which are compliant with the obligations contained in Relevant Legislation and the Licence.

A1.7 *Internal Structure and Processes*

Principle: Bristol Water will, using its best endeavours and acting in good faith, take all reasonably practicable steps to ensure that its approach to the provision of services relating to the provision of water mains infrastructure for new developments (referred to by Ofwat as 'Developer Services') is not structured in such a way that it causes undue preference to, or unduly discriminates against, SLOs or acts in a way which is inconsistent with Relevant Legislation and the Licence.

The Principles contained within the Commitments, which specifically apply to the self-lay market have been adapted and applied to our approach to other competitive markets.

2. Please describe what actions you take to promote a vibrant and effective developer services market on an ongoing basis.

We promote the potential for a NAV option, both our NAV video, through our charges, and with the developer services days. We have a very simple tariff structure. We want to explore what further incentives we could provide for water or wider efficiency through our Resource West partnership, and will attempt to include NAVs within that. Our suggestion for the innovation framework in the recent Ofwat consultation is an example of that.

The NAV portal, mirroring our retailer portal, and the development of self-serve, is another route we take into developing the market.

To demonstrate our deep engagement with developers and the positive and open relationships, and because it provides useful information in support of Ofwat's request, we attached the outputs from our market development day with developers which identifies their views on us, both good and bad, and how this relates to the wider market. CONFIDENTIAL - REDACTED

3. To enable a better understanding of the market, at a high level please describe the following points. Note that no supporting data is required to be submitted for this question, if it is not easily obtainable: (a) What is the breakdown in size of developments you are seeing each year (e.g. of new connections, the % of single properties, % small developments 20 and 100 properties)?

This information is available in our App28 submission and the PR19 DD response developer services development. The split is shown below:

Revenue correction inputs – wholesale water services	2021	2022	2023	2024	2025	TOTAL				
Definition of Band A – wholesale water services	Single properties and multiple properties where connections to existing mains only required									
Band A – number of properties connected during the year	3.686	3.193	3.155	3.092	3.027	16.153				
Band A – number of properties to which contestable services were provided during the year	3.686	3.193	3.155	3.092	3.027	16.153				
Definition of Band B – wholesale water services	2 -10 properties where connecting to new mains									
Band B – number of properties connected during the year	0.017	0.014	0.014	0.014	0.014	0.073				
Band B – number of properties to which contestable services were provided during the year	0.017	0.014	0.014	0.014	0.014	0.073				
Definition of Band C – wholesale water services	11 - 99 properties where connecting to new mains									
Band C – number of properties connected during the year	0.758	0.657	0.649	0.636	0.622	3.322				
Band C – number of properties to which contestable services were provided during the year	0.159	0.138	0.136	0.134	0.131	0.698				
Definition of Band D – wholesale water services	100+ properties connecting to new mains									
Band D – number of properties connected during the year	2.189	1.896	1.873	1.836	1.797	9.591				
Band D – number of properties to which contestable services were provided during the year	0.419	0.46	0.398	0.393	0.385	2.055				

We have identified that SLP's do not actively pursue single connections to existing mains and where new Development sites have connections that are required to existing mains a connection is requisitioned. We also find that small developments choose to requisition mains and services from Bristol Water even though the offer letter to the Developer highlights the Self Lay provision route which we assume that either the SLP's are not contacted by Developers or small developments are less attractive to SLP's

(b) What is the breakdown in developer customers (i.e. customers who are not SLPs or NAVs) you are seeing, e.g. what proportion of new connections is for your five largest developer customers? How many developer customers might you have in one year?

Our top 5 developers represented 18% of New Connections. In 18/19 we received applications from 932 different Developers/Developer Agents. With c5,000 new connections this shows the average developer has 5 new connections, but as you will see above there is a clear distinction in the market for developments at c50 properties.

(c) What proportions of new connections are brownfield vs. greenfield?

The estimated split between Greenfield and Brownfield is 70/30. This reflects the nature of the surrounding rural area within the Bristol Water area.

4. Please provide information on SLPs in your area: (a) How many SLPs have carried out new connections in your area (number of SLP companies as opposed to number of SLP connections)?

a) 12 SLPs are active in carrying out new connections in our area. CONFIDENTIAL RESPONSE REDACTED

(b) What services do SLPs tend to provide (e.g. do they do the design themselves; are they multi-utility or water only)?

All SLP's except one ask us to produce designs, even though we charge separately for this service. All other contestable works are undertaken by SLP's including main laying, service laying, pressure testing, chlorination and Sampling. Although some of the SLP's are multi-utility, they are only providing water infrastructure. We believe this to be a general feature of the developer market in our area and across the wider South West which we understand is outside of the scope of this study. Ofwat may wish to explore SLP views on this point.

(c) Do they tend to compete for a particular size or type of development? Please describe the size/type of development.

See the data shown above – it tends to be above 50 properties only that currently appears to be worthwhile. This of course may change as the housing market changes, as we promote an SLP option for all development offers.

5. Please note any other aspects of the market that are helpful context for your area.

CONFIDENTIAL RESPONSE REDACTED

Charges for new connections and developer services Aim: To understand what progress has been made since Emma Kelso's letter earlier this year, to better understand how each company goes about setting its charges and to understand why there may be differences between companies.

6. Emma Kelso's letter of 29 April 2019 requested that you urgently review your new connection charges to ensure that they are cost reflective, transparent and do not prevent, restrict or distort competition. (a) Please provide details of what work you have carried out in response to this letter. If a review was carried out, please send us the conclusions of the review and explain how this has been communicated internally.

We had reviewed this in the work to remove our commitments, and the cost-reflectivity of our commitment charges was publically demonstrated in our charges scheme. We have reviewed these again and have reflected that the charges remain unaltered in our indicative charges scheme for 2020/21, which we are consulting on. The comparison of connection charges suggested we were recovering in line with costs, except for a fixed contractor overhead charge, which did not vary with volume of other activity. As the contract covers a wide range of mains replacement, leakage and metering activities, and given the low variation in new connection charges, we reconsidered our overhead allocation. This means that costs are in line with revenues. However, for the nature of our network maintenance contracts (which include new connection activities) change from 2020/21, therefore we are reviewing the cost structure of the new contract and will reflect this in our charges for 2020/21. We currently expect some change to current rates, although we need to consider the degree to which underlying cost increases can be absorbed by efficiencies from the partnering and target cost approach to the new contract.

In terms of transparency, the rates are all published, with worked examples extensively used in the new connection charging arrangement documents. SLPs seem to be able to successfully compete with these charges, and concerns have not been raised by NAVs in this regards. This should not be surprising as the costs are generally set out per connection, which allows SLPs and NAVs to provide different services to developers than we can. There is full transparency in our new connection charging arrangements of the comparison and rates build up which reflects the actual costs for Bristol Water to deliver these services. We also publish our rates in a spreadsheet to allow developers to compare and calculate the individual components.

We also took into account previous Ofwat feedback and try to include as much explanation and definition as possible (although there are inevitably technical terms such as types of concrete that cannot be translated easily).

(b) What changes have you made to your charging arrangements since the letter?

None – we cannot change our charging arrangements for 2019/20 as this is outside of the approval cycle. No urgent changes that would allow us to go through the Board, assurance and Ofwat approval for a change have been identified.

The main change we made for 2019/20 was to include a self-lay design fee for SLPs who ask us to produce a design. This was previously embedded in overheads which was a minor cost-reflectivity challenge which arose following the new charging arrangements introduction and we quickly corrected our approach following discussion with Ofwat.

(c) What changes are you planning to make, and what are the timings for the implementation of change?

None – no changes have been identified as current charge structure are reviewed as compliant. We will expand our examples to include the Ofwat mandated ones (although these are less extensive than the ones we already include).

We will include references to the NAV adoption code. We are also charging the infrastructure charge, income offset payment and net infrastructure payment wording for 2020/21 charges – see our consultation on new charging arrangements that accompanies our wholesale charges scheme.

As noted above, we are considering the level of charges in the light of our revised contracting arrangements from 1 October.

7. Please explain how your charges reflect costs: (a) How did you calculate the charges? What were your data inputs?

See our new connection charging arrangements document which shows detailed calculations to demonstrate that charges reflect costs as transparently as possible.

Connection and network reinforcement activity is outsourced and therefore this is based on contracted rates. Time build up is used for design and design administration which is undertaken in-house. Metering is based on a contracted schedule of rates and purchase costs. We provide full transparency on highway and other costs.

The charges scheme is based on the actual costs incurred by Bristol Water to deliver that service and includes contract costs (from competitive tendered contract), material costs (from competitive tendered contracts), overheads incurred by Bristol Water for Developer Services and third party costs eg Highway Authority costs.

(b) For requisition charges and infrastructure charges (and other charges if applicable), explain what you consider to be relevant drivers of costs and how these have been used to determine relevant charges.

Mains costs are on a schedule of rates. Infrastructure charges are an average of five years projected network reinforcement costs. The costs are based on our individual scheme costs. Actual costs and

income are adjusted for actual data. See the example calculation in our new charging arrangements 2020/21 indicative scheme consultation document. Similar information is in 2019/20 actuals.

(c) Do cost drivers vary across your region? If so, how are, or will, these differences be reflected in charges?

No – we have a single supply zone and resilience throughout our network, which means connection costs and network reinforcement costs are regional.

8. Where you rely on contractor rates to determine cost, please provide more information about those rates: (a) How are costs structured or formulated (e.g. are they based on a schedule of rates)?

The Network Maintenance Contract rates are based on a schedule of rates for different items of work. This means that the actual charged cost of a connection may be several elements of the contract price list together with material costs and BW overheads. e.g.

A typical connection may comprise:

1. Mains tapping
2. Length of service pipe
3. Fit Boundary box

All of these have a separate rate. We show the individual components within our charging arrangements document.

(b) What services do contractor rates apply to?

The Network Maintenance Contract for Developer Services includes mainlaying and service laying. All contestable activities except for engineering / design. Also includes some non-contestable activities other than elements such as water quality testing where we have an outsourced laboratory testing but undertake sampling etc. in house.

(c) What assurance can you provide that these rates are cost reflective? Please provide supporting documentation.

The contract is market tested (see above answer). The rates therefore reflect a competitively tendered contract and as such are cost reflective. This has recently been re-contracted. SLP and NAVs are successfully competing. Note that Ofwat's PR19 framework is applying efficiencies based on base econometric analysis to these costs, which may mean our charges in theory become less cost reflective, as cost and revenue adjustments even for contestable costs will not be balanced to our

actual costs – we will consider this further depending on the PR19 Final Determination approach. However, the principal that the charges should reflect our actual costs should apply where there is a market choice, but for smaller developments, arguably Ofwat cost assumption rates should apply to keep the balance of charges between developers and other customers. It does not appear to us that Ofwat have considered this issue sufficiently in the PR19 developer services approach, as the methodology has changed away from a specific developer services spend enhancement assessment which was specified in the methodology, without considering this issue.

PERSONAL CONFIDENTIAL REDACTED The attached file shows the overhead allocation rate that is used for developer services and SLP design and engineering that links to our new connection charging arrangements (document previously supplied to Ofwat at an earlier stage of NAV/SLP market enquiries). This recognises that our rates include recovery of our overhead values on contract management, as well as for the activities such as engineering that are undertaken in-house. This demonstrates as an example that standard rates recover full allocation of costs on an activity basis, including overheads. This is on an average cost basis based on an assumed level of new connections. There may be a variation depending on the actual level of activity compared to that assumed, but this will correct itself over time through the target cost / pain gain sharing within the contracts which provide incentive for cost reduction over a contact that is wider than just developer services provision.

9. Do you have any of the following instances: (a) Do you have any similar services for which you levy a charge on one customer type (developer, NAV, SLP, etc.) and not another? If so, please describe the service and the reason for the difference

No (we assume that not charging a NAV for design when an SLP may or may not request it and a developer will always have it within an overhead is not relevant). We effectively only charge for a specific activity that is contestable, but the SLP could ask us to provide it, and for other developers is within our overheads. In these circumstances the SLP benefits from the income offset and has the option to provide the full contestable service, or ask us to provide contestable elements at cost.

(b) What charges do you levy on SLPs, NAVs (directly, through a developer, or through a third party) or developers, that are not published in your charging arrangements, charges scheme, or

bulk charges (for NAVs)? Please explain the activities to which they relate and the circumstances in which they apply.

None – all charges are in the charging arrangements documents etc. NAV bulk supply charges are published in the wholesale charges scheme.

For instance, we do not charge for boundary metering for a NAV – you could argue this is different to the charges for individual properties on a site, but we think there is an objective justification for the difference as a bulk supply rather than an individual supply to a customer property.

10. When agreeing a bulk service agreement with a NAV do you: (a) Publish a standard agreement; or (b) Provide bespoke agreements for each new site?

We have a standard agreement with each NAV, which a site schedule to support each one. However we only have one site with each of two NAVs.

We engaged with the Water UK work to standardise the agreement and provided a copy of our standard agreement into this work. We will adopt the standard agreement. This will include any bespoke arrangements (e.g. emergency arrangements) within each site specific schedule.

ii. Please give supporting evidence of this by providing information on the forms of bulk service agreements proposed and / or prepared for different NAV licences, over the last two years.

Only one NAV agreement has been provided. The bulk charging arrangements are as published in our wholesale charges scheme. The form is a standard agreement from the NAV, with a schedule of build rate and charges. It was future proofed as it recognised the shift from bulk charges to infrastructure charge reduction for income offset. The form of the agreement largely is similar to the standard agreement proposed by Water UK.

Culture, customer experience and quality of service Aim: To understand how each incumbent water company operates to provide high quality services that meet the needs of their customers.

11. Please explain how your developer services teams are organised: (a) Please provide an organogram, staff numbers and the scope of responsibility for the different teams involved in delivering services for developers/NAV/SLPs.

Please see quarterly assurance report associated with the commitments. This sets out team responsibilities and checks their delivery. This provides a description of how staff deliver the approach set out in Question 1. An organogram is shown below. PERSONAL REDACTED

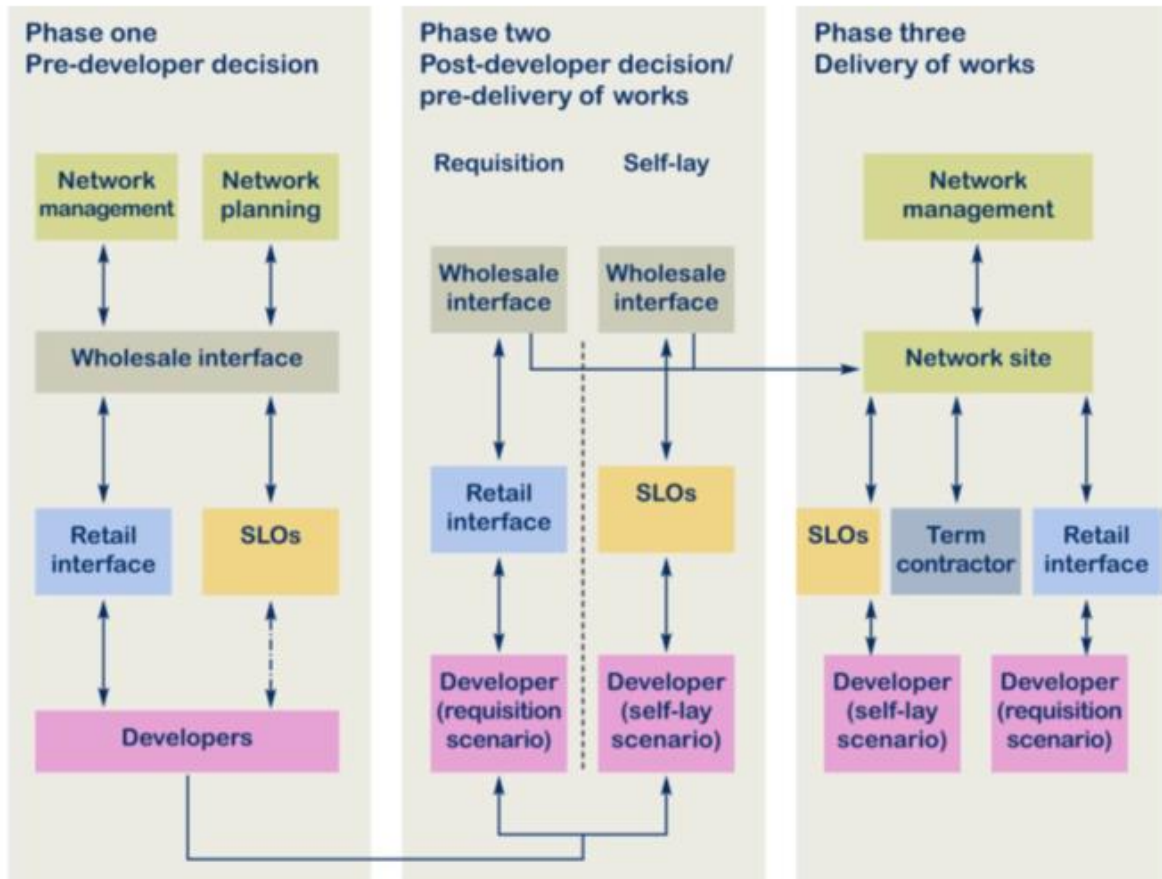
The organogram shows the distinction between engineers and design, operations which covers network site agents who liaise and direct delivery, management of the interface with developers, dealing with new supplies and the payment and invoicing process, and the financial analyst who assures that developer charges are calculated and accounted for correctly. Technical standards is a separate activity.

The business processes were defined using our LEAN standard, supported by our business improvement team.

This structure reflects the approach associated with the commitments that were included in Ofwat's final decision document at the time. The distinction between network planning, wholesale interface and site management can be clearly seen in the organisation chart, including the liaison with the "term contractor".

(b) Please indicate which SLP and NAV activities are covered by which teams, and whether those teams cover equivalent activities (if applicable) when the developer is the customer.

A1.10 Operational structure for Bristol Water’s developer services function



All SLP's and NAV's contact BW through the Development Services Team direct who process applications and respond to queries. Developers who contact Bristol Water direct do so through the Developer Interface Team who are the interface between Development Services and Developer. This was organised in 2015 as part of the Bristol Water commitments between Bristol Water and Ofwat to ensure that the route for a Developer is consistent irrespective of which route for infrastructure he chooses

12. Please provide a description of your approach to engaging with developers, SLPs and NAVs over the last year, including: (a) the groups that you have engaged with, the form of engagement and how the engagement was communicated to potentially interested stakeholders; (b) the topics covered by the engagement (e.g. whether it included information about the proposed levels of charges for the upcoming charging year); and (c) the process by which contributions from stakeholders are taken into consideration and progress is communicated back to stakeholders. (d) Please provide supporting evidence, including emails issued, agendas used, papers or consultations prepared.

Please see information in covering letter. Consultations are reflected in charges scheme / charging arrangement documents on our website – both indicative and final

We hold a Market Engagement Day (MED) at least yearly where we invite Developers, Self Lay Providers, NAV's and Agents/Industry Representatives to discuss New Proposed Charges, Industry Changes eg Adoption Codes, Site Issues (eg clashed with other utilities), Retail updates and DMex. There is also an opportunity to discuss other matters whether at the Market Engagement Day or at a more convenient time. The next MED is proposed for November whereby the topics for discussion will include New Charging, D MEX, Adoption Codes and the Business Plan.

The output of our Market Engagement Day shown below demonstrates the positive relationship and engagement with developers, SLPs and NAVs. REDACTED

13. With respect to information and services provided to NAVs, SLPs and developers: (a) Do you offer any similar services with operational service levels that differ depending on the customer type (developer, NAV, SLP)? If so, please list the services and explain the reasons for the differences.

No. We aim to provide all information and services within service levels consistently across our various customer types.

(b) There are a number of published Water UK developer service metrics that relate specifically to SLPs. Please provide commentary on your performance with respect to those metrics, including an explanation if any measures are blank.

Bristol Water performance on SLP metrics has historically exceeded Requisitions as a whole. This is because the overall Water UK Developer Service performance has been affected by the Section 45 connection performance which has historically resulted in lower quartile performance. We have been making extensive efforts to understand the root cause of each individual failure to ensure performance improved, despite our change of contract. This is contributed to both SLP and overall Water UK developer service improved performance. Our aim is to continue this improvement so that it matches our business retail market performance, although s.45 connection events (e.g. highways, weather etc) can carry a risk of failure for all of these transactions, which requires active and continuous management.

SLP Performance (19/20 to date) metrics below:-

Metric	Description	April	May	June	July	August	Notes
W19.1	Point of Connection ack	None	None	None	None	None	This applies when Self Lay Provider undertakes design
W20.1	Point of connection report <500 plots	None	None	None	None	None	This applies when Self Lay Provider undertakes design
W21.1	Point of connection report >500 plots	None	None	None	None	None	This applies when Self Lay Provider undertakes design

W22.1	Design approval and terms ack	None	None	None	None	None	This applies when Self Lay Provider undertakes design
W23.1	Design approval and terms <500 plots	None	None	None	None	None	This applies when Self Lay Provider undertakes design
W24.1	Design approval and terms >500 plots	None	None	None	None	None	This applies when Self Lay Provider undertakes design
W25.1	Agreement ack	50%	100%	100%	100%	100%	
W26.1	Supply of water for testing	100%	None	None	None	100%	
W27.1	Permanent supply of water	100%	None	None	100%	None	
W28.1	Issuing of vesting certificate	92.31%	100%	90.91%	100%	80%	
W29.1	Asset Payment	100%	100%	None	100%	100%	
W30.1	Plot reference and costing	100%	100%	100%	100%	100%	

(c) Water UK has a draft report on Behavioural Improvements relating to interactions with NAVs. It sets out several SLAs relating to NAVs, please describe your performance against those metrics over the past year.

Although we have no activity in the period, it has taken longer to make a bulk supply agreement in the past. However, this reflected novelty (how to reflect transition on both NAV charges and infrastructure / bulk charges for income offset. We therefore plan to adopt and monitor these Water UK service levels as a minimum.

Measure	Behavioural market project (calendar days)	Performance October 18 – September 19	Notes
Site Status Review	21	N/A	No activity
Bulk Service Application Acknowledgement	5 (working days)	N/A	No activity
Application Offer Letter	28 days < 500 properties, 42 days > 500 properties	N/A	No activity
Standard Bulk Service Agreement Signed	28 days	N/A	No activity
Offsite mains construction	90 days	N/A	No activity
Provision of connection and supply of water for testing	28 days	N/A	No activity
Provision of permanent supply of water	14 days	N/A	No activity

d) Are there any examples of instances where you have provided information to NAVs or SLPs at the same time as, or after, providing a quote/offer to the developer of the same site?

For developers / SLPs – yes. All offers provide the same detail of requisition v self lay options.

CONFIDENTIAL REDACTED: Example provided in the attached as this reflects our standard approach, in a format that can be delivered electronically (e.g. through our portal). The clarity of this information and the transparency that sits behind it in our charges scheme has been a significant priority for us.

14. With respect to asset adoption, please set out: (a) How you are ensuring you will be ready for implementation of the new sector guidance and model adoption agreements, once we have approved them and they form part of the Code for Adoption Agreements.

They will be reflected in our portal and referred to in our charges scheme. We have reviewed all the requirements and they align with our approach generally. We use LEAN business improvement methods to ensure processes are effective.

(b) How you have engaged with customers around codes for adoption.

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ANNEX D: Future Development of Markets

We summarise our main areas of exploration and development of markets below. This is a summary as Ofwat have details of these activities already through other responses.

We see great potential in the development of bilateral markets and have been working with a number of partners to develop a pilot to explore how this may develop. Please see our response to the Bilateral Market Call For Information.

We are also using innovation as a way of identifying future disruptions to the water and energy market. Please see the appendix on our innovation framework we provided on the recent Innovation consultation.

We are also working as part of West Country Water Resources to encourage better use of water resources across England through developing new and existing resource use in partnership with Wessex and South West Water to supply the South East via Southern. Please see the joint statement supplied by West Country Water Resources as part of the PR19 Draft Determination response.

We are also working on environmental markets, both as part of the Bristol City Council “One City” plan where we will see cross-sector opportunities with Bristol Waste and Bristol Energy, and working with Wessex Water to explore where there are benefits for sharing innovations, including Entrade and the Wessex market place, building on the existing retail billing arrangements between Bristol and Wessex through Pelican.