

Annex A – Question relating to your Board’s support for the development of effective markets

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 support and resources they need for work concerning the development of markets?

The Company and the Board is committed to the aim of supporting and developing effective markets and achieving full compliance with relevant competition law. The Board has consistently been focused on the need to maintain a “level playing field” and in doing so give due consideration to the Ofwat guidance on the application of the Competition Act.

This includes the following principles:

- A well informed level of understanding by the Board, Executive, Senior Managers and relevant staff.
- Policies and procedures supporting a level playing field (eg equality of treatment of different parties, consistent service levels, clear & simple charging structures, cost reflectivity).
- An appropriate team structure with the right level of knowledge, experience and resource – including Executive and Senior Manager oversight.
- Open and transparent relationships with NHH retailers, Developers, NAVS, SLP and other relevant stakeholders.
- Investment in systems and processes to support market activity eg investment in software which supports effective market interactions.
- A balanced and proportionate approach to market issues which balances the need of the Company against the benefits to the market.
- Effective collaborations and sound working relationships with relevant parties – given the small size of the Company we typically have one to one relationships with named individuals which allows close working and a high degree of flexibility and responsiveness.

As a small Company the Board works closely with the Executive directors and senior leadership team. As such the Board is not structured with a separate sub-committee, but has a whole Board engagement with strategic matters, including the development of markets. In addition the Audit Committee Chair works closely with the Finance and Regulation Director and the Regulation Manager in the development of appropriately transparent tariffing structures. Tariffs are all subject to Board approval as are other market arrangements such as bulk supply arrangements.

The Board regularly undertakes strategic reviews of the business, the industry in general, and any aspirations described by stakeholders including Ofwat. The Board carefully considered the letter from Rachel Fletcher in relation to the development of effective markets.

The Board receives regular monthly reporting in relation to areas of the business supporting the development of markets (Developer Services and Non Household activities) and receives specific updates as related matters arise. In relation to the NHH market, now that the market is reasonably established, the Board review the monthly performance reports published by MOSL in combination with a more comprehensive quarterly review from the Executive directors. For Developer Services activity, the Level of Service performance is reported quarterly and the Board review the quarterly performance reports published by Water UK in

combination with a more comprehensive review from the Executive directors. We have been undertaking a survey of developer satisfaction throughout AMP6 with the results reported to the Board. This reputational ODI is undertaken annually and reported externally to stakeholders. The Executive Directors attend the annual Developer forum and report back to the Board.

By way of illustration of Board involvement, in the context of the introduction of non-household retail competition, a decision was made to seek to exit retail activities for business customers. Portsmouth Water's Board were the first to make the decision to exit the retail market. It was the Board's view that the business did not have the reach or experience to compete in this market on a national scale. Accordingly the Company entered an agreement with Castle Water, a water retailer already operating in Scotland, to dispose of its NHH retail business when the market opened on 1 April 2017. In this respect the Board received a monthly report from the executive to ensure the Company was ready to fulfil its obligations as a wholesaler in the market. This involved members of the delivery team directly presenting progress to the Board, together with presentations from independent third parties.

Similarly, the recent changes to the Developer Market have been discussed by the Board. The strategy has considered, for example, the presentation of transparent tariffing structures to allow a level playing field for self-lay providers operating in our region.

The Board has also been engaged in considering key regulatory publications in relation to market activity and effectiveness including Guidance on the approach to Competition, Rachel's letter regarding the development of markets, progress in relation to the Code for Adoption Agreements, Frontier Economics' study of the NAV markets and Ofwat's assessment of the Business retail market.

The Board has recently appointed a Commercial Director to the Senior Leadership team in order to continue to support the development of market opportunities.

Finally, the Board have been heavily involved in supporting the water trading market encouraged by Ofwat at PR19 in particular. The Board has taken the strategic view that the Company can contribute significantly to the development of additional trades and a longer term view about the strategic importance of water trading for the South East. The Board and senior leadership team has invested significant time and resources in order to develop a number of water trading opportunities, including the potential development of Havant Thicket Winter Storage Reservoir. We discuss this point further in the response to questions set out in Appendix D.

In conclusion, whilst there is not a designated Board Committee relating to markets, market issues are a matter for full Board engagement and are allocated time on the Board agenda both in terms of regular reporting and based on any specific matters requiring further engagement.

The Board are always clear of the need to ensure that market newer activities are well resourced (either internally or by external staff), with specific teams having responsibility for market activities (NHH, Developer Services and regulation) with oversight from both executive directors. The Board also receives feedback from regular third party review and reports from regulatory bodies, in addition to reports from management, to assess performance and / or compliance with the overall market objectives.

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 undertake a range of different activities in order to understand the experience of end customers and to use these different forms of feedback to triangulate customer experience. This includes a mixture of direct and indirect forms of feedback. These include the following;

- **Direct customer**
We have daily contact with customers, via email and telephone on a number of issues ranging from billing to operational requests. These contacts allow us to make informed decisions of the customer experience. Some customers are contacting us directly, as they do not have a great awareness of the business retail market. We provide information to these customers about how the market now operates.

Other customers contact us as they have tried to resolve issues directly with the retailer but have not been successful. In these instances, we use our personal contacts with the retailers to resolve the customers query as soon as possible. As a team we regularly review the themes arising from customer feedback and, where relevant either re-use our own processes or feedback to Retailers.
- **Liaison with Retailers**
Our discussions with retailers either through formal meetings or day-to-day contact on the phone do involve receiving customer feedback from the retailer. One of the improvements we have made to feedback is the additional information we require from our field staff, on the initial site visit of operational jobs. This has reduced repeat visits for information gathering and provided a more timely outcome for the end customer.
- **Focus groups**
In our preparation for our PR19 Business Plan submission we held focus groups with NHH customers. These informed both priorities for the Business Plan and ongoing actions.
- **Other Forums**
We consider wider forums for feedback such as feedback from Ofwat, MOSL and CCWater both through formal reports and ongoing contacts
- **Industry Groups**
We work with a number of individuals who represent business groups, for example "Small Businesses" and "Growers Association". This helps to inform our understanding of issues for particular types of NHH customer.
- **Questionnaires**
We have undertaken direct retailer questionnaires but found these to be less successful. Accordingly we are now supporting the "RMEX" working group.

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).**

Whilst we currently are not directly involved on the Industry Panel or associated committees, we follow discussions of the groups closely, via notification emails, MOSL website and MOSL Portfolio Manager meetings.

We respond to industry consultations and regularly attend industry forums, including User Forum, ORWG, RWG and WIG.

We recently volunteered for the MOSL working groups associated with long unread meters and vacancy. We were accepted on the long unread meter group and look forward to working with other group members to bring swift improvements to the market in this area.

- 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.**

When responding to industry consultations our primary focus is how the change proposal would benefit the market and stakeholders. We approach consultations with a balanced perspective and a principle of developing proposals which are not disproportionately favorable or adverse to any one stakeholder group.

We take a pragmatic approach to considering the cost/benefit of proposals, and investigate the least cost option of implementation.

Code changes are usually considered and discussed by the Wholesale Services Supervisor, Network Engineer (chair) and the Business Analyst (who led the implementation of our non-household solution) before drafting a response. Where appropriate, (e.g. when a change relates to Credit Terms), this group defers to the Financial Controller, or other relevant Manager, to submit the response. Expertise or decision-making outside this group is also sought whenever appropriate.

When responding to CPM 018 on the Options for the use of MPS and OPS charges, we supported a proportionate approach to fund special projects because we felt this could benefit the market as a whole, even though it was not necessarily to our advantage.

We supported the formal signing up of wholesalers to a Gap Site incentive scheme because of the benefits this would give to retailers, and the scope for improving supply point data quality.

In responding to CPW067 Bulk submissions of service requests by Excel, we carefully considered and set out the negative impacts that we identified on end customers and larger wholesalers. However, we noted that overall there was scope (with refinement) for this to benefit the industry as a whole.

We submitted a comprehensive response in support of DCP026: 'Removing Process A1-A5 of the Operational Terms', noting that the cost of implementation would outweigh customer benefits and the impact of complexity upon retailers.

Finally, in considering the question of frequency of code releases, we considered the benefits of more frequent releases delivering change more quickly and declared ourselves to be flexible, even though this could present extra effort in terms of appraisal and testing.

- 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 Company our strategy has not been to take a leading approach to the Industry Panel. However, we take a close interest in Panel activities and consultations.

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?**

The Company has not been subject to an IPRP at any point since they were initiated.

- 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, as we have not been subject to an IPRP.

- 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?**

Not applicable, as we do not have an associated retailer. Even so, we take our responsibilities in providing a level playing field seriously.

In addition to the market audits, we arrange a third party to undertake annual audits of our Wholesale Service Desk. No issues have been raised, from either of these audits, since market opening with regard to a level playing field.

Before market opening we rolled out a Company wide awareness programme, with regard to our responsibilities to provide a level playing field for all retailers. Awareness training is provided to all new employee's at their starter induction training.

- 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 have developed an embedded control framework that supports accurate and valid OPS data. This includes well defined systems and processes (leveraging our works management system) which incorporate both preventative and detective controls. We use a combination of control activities in order to ensure accuracy and validity of OPS data. This includes, auto validation, reconciliations & cross checks, exception reporting, management oversight and review.

For example The dates we enter in to SWIM-Pool will match dates held in other

systems, such as our works management system, and checks of this are carried out on an annual basis with an external auditor. In addition, the MOSL OPS template we have to submit our OPS data on to MOSL has its own validation checks to ensure the data adds up correctly when considering tasks left over from previous months. Importantly, in the majority of cases, the OPS SLA date is triggered from the date the retailer enters on the bilateral request they submit, therefore as a wholesaler we are not able to manipulate the start date of the OPS SLA.

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 offered all retailers the opportunity for Portsmouth Water to read all meters, free of charge, that were unread since before market opening. All affected retailers took us up on this offer. We now have no long unread meters since before market opening, without a skip code.

We are currently working with retailers on the meters unread since market opening, that have a skip code.

We review skip codes on current meter reads, and take proactive action to raise the necessary wholesaler initiated bilateral form if required. We have also undertaken a successful trial of desk top and site investigations into vacant properties. We have passed outcomes from these investigations onto the retailer, and the market data has been updated accordingly. Following the success of this trial, we plan to work with retailers on a wider scale to address vacancy.

In support of this work we have, for example, taken Long Unread Meters reports published by MOSL and enhanced them with data from our own systems to help us segment and target long unread meters. These reports are refreshed on a weekly basis.

We have worked with [REDACTED] on meter location validation work. We undertook 20 site visits, and provided additional location data for all. We have also worked with retailers with regard to updating incorrect data on the number of meter dials registered against meters in CMOS. This work has reduced the number of queries around meter reading.

An extensive desktop and fieldwork exercise, supported by commissioned IT reports and corrections to CMOS using the Medium Volume Interface, resulted in over 4,000 corrections to meter dials, minimising the risk of incorrect bills being generated to customers.

We have worked with our larger retailers to correct vacancy records, sharing the results of investigations we carried out, supported by commissioned internal reports, that suggested premises marked as vacant were likely to be occupied. We undertook a recent exercise whereby we visited 15 vacant properties and found that 14 were occupied. Occupiers details were passed to the retailer and the market systems updated.

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?

Since market opening our Wholesale Service Desk receives daily change files. These processes compare all the data held in our CRM system on a daily basis, and output additions to the Market set, removals and changes of any data such as meter serial numbers. The outputs from this comparison are reviewed daily by the Wholesale Services team who update CMOS appropriately. In addition they update a dedicated database which serves as our mirror of the CMOS system.

This database is compared to data within CMOS on a quarterly basis to ensure consistency of information that we hold with that of the market system. This 'SPID to CMOS' reconciliation has also been in place since market opening, and has helped us identify data areas to prioritise.

We have been carrying out an ongoing piece of work on Unpaired or allegedly Unpaired SPIDs with our colleagues at [REDACTED]. To date this has reduced the numbers of such SPIDs from over 2,000 to around 500.

- 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.**

Reports or suspicions of inaccurate data are mainly supported by Operational Forms mandated in the Market Codes, for example Form C/1 Verification of Supply Arrangements. These are recorded, and generally submitted through, the C&C SWIM-Pool solution that facilitates proactive monitoring of service levels.

When a Form is received, wherever appropriate a Work Order is initiated in our Works Management System so that a field operative can visit the site and report their findings. The findings will be actioned if appropriate and reported back to the retailer.

We would accept an email request if the retailer did not feel there was a suitable bilateral form for the update required.

Where a bilateral request is received to notify us of this inaccurate data we would investigate, apply the updates and respond to the retailer within the MOSL set SLA's. Where a request is received by email we would investigate, apply the update and respond to the retailer within 5 business days.

Please find numbers of the C/1 forms we have received over the past 18 months below:

2018-2019	C1 requests received = 137
2019 – 2020 (April – September)	C1 requests received = 100

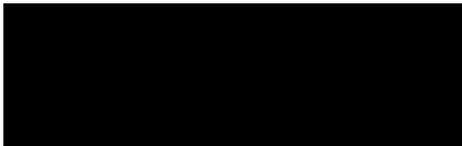
If we become aware of incorrect data, whilst undertaking an operational request, we take proactive action in updating the incorrect data.

When we receive direct contact from the end customer, we would take ownership and update the retailer and market systems where possible. For any operational requests we would direct them to their Retailer, as the market processes need to be followed.

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.**

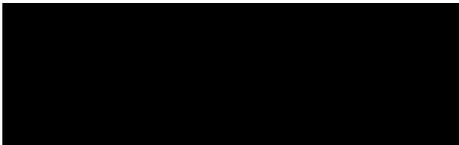
We are active members of the RWG and Wholesaler Interface Group (WIG), the Long Unread Meters working group, the Operations and Release Working Group, and the Release Operations calls. We also recently hosted a visit by the Bilaterals project team and indicated our eagerness to contribute to the project. Our involvement with the RWG and WIG is evidenced in the links below:



In addition to taking part in the group discussions, notes are taken and played back to internal stakeholders at a standing fortnightly meeting at which attendance at the groups is discussed together with points of interest and allocation of actions. These meetings are minuted and actions and owners noted.

We are involved with a number of the RWG best practice working groups, namely RMex, disconnections and planned/unplanned interruptions.

Our participation on these working groups is evidenced below:



Our position on the published best practice guides is outlined below:

- Leak allowance: Not following best practice guidelines.
No allowance currently provided, unless associated with Portsmouth Water assets. The Existing Company policy is under review as we are keen to understand the balance between customer service and the appropriate incentives for customers to address customer-side leakage.
- Data logging: Following best practice published guidance.
- Bilateral forms: Following best practice published guidance.
- Meter reading services: Not following best practice guidelines.
No current offering of meter reading services, but we currently have this policy under review.

We feel greater benefit to retailers will come from the best practice guidance that is currently in draft form, which includes RMex, eligibility, disconnections, planned/unplanned interruptions, vacancy and complaints. We are keen to provide the consistency both retailers and end customers seek.

- 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 support the implementation of an industry wide bi-laterals solution, and can appreciate the benefits and efficiencies this will bring to the market, and improving service to the end customer.

We are engaged with the MOSL Bilaterals project team, responding to requests for information. The bi-laterals project also forms part of our regular MOSL Portfolio Manager meetings. We recently hosted a visit from the Bilaterals team and had what they described as a very useful meeting. We are also in contact with our current solution provider, who in turn is actively engaged.

This is not seen as a matter which currently required deep Board involvement and is being handled at the level of executive Directors and Senior Managers. Our Board is aware of the project. This is evidenced by an example of a previous Board report found on page 7 here:



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

We focus on ensuring that wholesale policies are easily accessible. These are accessed through our Retailer portal. At meetup with Retailers we highlight where relevant information can be found and deal proactively with any queries. This is also covered in on-boarding of new Retailers.

Our policies on third party logging and our meter menu can be viewed by Retailers using links on the SWIM-Pool portal. These are reviewed on an annual basis and can be found here:

<https://www.wholesaleservicedesk.co.uk/meter-guidance-and-data-logging/>

We do not receive many queries, from retailers, with regard to our wholesale policies. Queries are answered, by email or telephone, on a case-by-case basis, as and when they arise. Any clarification is communicated at regular portfolio meetings.

- (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?**

We have recently allowed accredited entities to undertake some scopes of the WIRSAE scheme in our area of supply. Current scopes allowed include temporary disconnections and reconnections. The metering scopes of the WIRSAE scheme are being considered.

We believe our policies are clear and, since market opening, we have had no

requests from retailers seeking clarification or simplification of our policies. However, we do keep this position under ongoing review and subject to best practice guidance.

We moved from a bespoke retailer portal to a widely-supported bought-in solution – C&Cs SWIM-Pool product. Whilst this required initial and ongoing investment on our part, we recognised the benefits not only to ourselves but in particular to retailers in reducing the number of disparate portals offered by wholesalers. The solution was also felt to be the best available, offering simple interaction and rich reporting on service levels

(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?

Building on the point above regarding accredited entities (AE), over the last 6 months retailers have approached us with a view to using an AE to undertake temporary disconnections. We considered this and have now signed up to some scopes of the Lloyds Register run WISAE scheme, to allow AE's to undertake temporary disconnections and reconnections in our region.

The WIRSAE website can be viewed here:

<https://www.lr.org/en-gb/utilities/wirs-wirsae/wirs-accreditation/>

We have made no significant changes to our charges since market opening. We believe our services and charges are clear and, since market opening we have had no requests from retailers seeking clarification. We are consulting with retailers to ascertain what additional services that would like us to potentially provide (eg meter reading service).

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.

The Company has not undertaken any action since April 2017 to further simplify our wholesale tariff structure. Our tariffs are shown here:

SOC_WHOLESALE_2
019-20.pdf

We consider our tariff structure is straight forward with three measured volumetric charges, dependent on the customer usage, and standing charges relating to the size of the meter. Similarly, our unmeasured charges are relatively simple with either a basic standing and RV charge or licence charge.

We have had no feedback from any retailer that our charging structure is not readily understandable. However, we keep this area under review.

(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?

Our policy in this area has not changed since pre April 2017, and we do not currently have plans to alter our approach for the charging year commencing April 2020.

We do not raise charges for vacant properties where no water is being consumed. Where consumption occurs on a vacant property we do raise consumption charges as this is strong evidence of re-occupation. Where a property has consumption but has not not been re-occupied, consumption normally relates to leakage, and raising a bill is a strong incentive for the owner to repair the leak. Prior to market opening, such bills were raised by us, with appropriate follow up activity, but this responsibility now rests with the retailer under market codes.

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?

Our quality of service is a standard agenda item and discussed at regular portfolio meetings with retailers. A typical agenda is shown here:



We have quarterly meetings with 2 retailers, these retailers account for 89% of our total number of SPIDS.

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

Any issues with rejected or deferred tasks are communicated to retailers at the time of receipt, as this usually involves lack of, or incorrect, information provided on the bilateral forms.

Late OPS tasks are discussed at performance meetings with our internal departments. We have seen a good improvement in the number of late tasks since these meetings began at the start of 2019/20. This is evidenced in the recent embargoed MPS and OPS peer comparison tables for the first 6 months of 2019/20.

(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?

We have made no significant changes to the scope or charges to our published wholesale services since market opening. The scope of our services is currently under review, and we will carefully consider how we consult with retailers on any proposed changes.

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?

We have offered unsecured credit arrangements to retailers. We consider each request on its merits including the absolute level of potential credit exposure, the creditworthiness of the retailer and the extent to which the retailer has access to other, cost effective, credit arrangements. We have given Unsecured Credit Allowances to four retailers.

We have not refused to consider any requests for alternative credit arrangements.

(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?

We do not currently operate with any alternative payment arrangements. However, we would consider any requests on their merits and with reference to the practicality of the proposed arrangements.

(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.

We do not provide tailored offerings to reflect specific characteristics. Given the relatively low number of retailers that we engage with we are able to consider any individual request on its own merits.

Where alternative arrangements have been made these have typically allowed very small retailers or self-supply retailers access to cost effective credit terms.

- 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?**

We have no instances where a wholesaler complaint has escalated to ADR. We actively work with retailers and end customers to resolve complaints and disputes in the early stages of the complaint process.

If a complaint required escalation to ADR, we recognise that there are cases in which it would be appropriate for a wholesaler to support and assist a retailer. We are committed to providing the necessary support and accountability as part of this process in order to offer a meaningful route to resolution for 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)?**

In 2018/19 we did not receive any requests for payments under the Guaranteed Standards Scheme (GSS). We made three proactive GSS payments (totaling £60) to the relevant retailer during 2018/19. All three payments were associated with missed appointments. Since market opening, we have had no GSS requests or payments disputed with a retailer.

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.

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

We recognise our position of dominance and our responsibilities with regard to competition. The business has a top down approach, with the Board and Senior Management instilling a commitment to compliance.

Our developer services team are trained in their competition law obligations, and manage this by being aware of the need to identify risks, risk assessment, mitigate and review.

A third party undertakes annual audits of our levels of service data to ensure we are providing a level playing field between all our developer customers (developers, SLP and NAV).

We set a transparent tariffing structure in order to allow a simple and clear comparison to be made, by developers, NAVs and SLPs, between the different options available to them. This is structured using simple menu options so that any provider can easily build up their own costing for comparison purposes. We also provide worked examples for reference purposes.

A copy of our 2019/20 charging arrangements is included here:

Developer-Services-
Charging-Arrangem

We are satisfied our practices are consistent with competition law and other regulatory obligations.

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

The actions we take are centered around engagement with developer customers, service provision and our charging structure.

We have effective communication with developer customers, whether that be through account manager meetings, via telephone (for smaller developers and private individuals) or our developer services forum. As a small company we have personal relationships (and ownership) with developers and this allows very direct lines of communication and a high degree of flexibility. Our developers comment on our commitment to be flexible and responsive to their requests, particularly if needs or schedules change at short notice.

We have a transparent tariffing structure which developers tell us is easy to understand.

Accordingly developers are aware of the choices they have for requisitions and service connections.

The “terms letters” issued to developers for mains requisitions, it sets out the choices they have for undertaking the work. For example on a terms letter for a new main it clearly sets out our developer contribution in the case of a requisition, and the asset payment, if they chose a SLP to install. An example of our terms letter can be found here:



We have transparent new connection charges that allow SLPs to compete on a level playing field in our region. This is clearly set out in our charging arrangements. We have aligned the presentation of our charges in line with the Water UK best practice document drawn up prior to the new charges in 2018.

With the way charges are set out in unit rates a SLP should find it relatively straight forward to compare costs. For instance, if a 125mm diameter main was required to be laid in unmade ground, it is just a question of knowing the metered length and multiplying by the unit cost. There are no ‘hidden’ extras for pipe fittings or reinstatement etc.

We are fully supportive of a vibrant, effective and competitive developer services market. This is supported by the figures shown in Q5 which demonstrate an annual increase in mains requisitions and service connections undertaken by SLPs since 2016/17. For mains requisitions there has been a marked step change since the introduction of the current charging rules in 2018/19.

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 properties, % medium >20 and <100 properties, % of large developments >100 properties)?

YEAR	SINGLE	SMALL <20	MEDIUM >20 <100	LARGE >100
2019/20 YTD	37%	2%	24%	37%
2018/19	39%	6%	32%	23%

The breakdown in the size of developments is shown in the table above.

(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?

YEAR	TOP 5 %	No. of CUS
2019/20 YTD	32%	151
2018/19	28%	265

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

YEAR	BROWNFIELD	GREENFIELD
2019/20 YTD	37%	63%
2018/19	39%	61%

**Brownfield are categorised as new connections from our existing mains
Greenfield are categorised as new connections from requisitioned mains*

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)?

YEAR	No. OF SLP
2019/20 YTD	5
2018/19	3

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

YEAR	DESIGN	MULTI	WATER
2019/20 YTD	1	4	5
2018/19	0	2	2

**figures are number of active developments in that year*

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

YEAR	SINGLE	<20	>20 <100	>100
2019/20 YTD	1%	0%	4%	95%
2018/19	0%	4%	44%	52%

**based on % of new connections undertaken by SLP*

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

	2016/17	2017/18	2018/19	2019/20 YTD
SLP s45	2%	6%	4%	11%
SLP s51A	10%	12%	21%	40%

SLP s45 shows a general growth in the number of service connections undertaken by SLPs since 2016-17

SLP s51A shows a yearly growth in the number of mains requisitions undertaken by an SLP via s51A

Charges for new connections and developer services

**RESPONSES TO Q6-8 TO FOLLOW – AS AGREED WITH OFWAT
PLEASE SEE ACCOMPANYING LETTER**

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.**
 - (b) What changes have you made to your charging arrangements since the letter?**
 - (c) What changes are you planning to make, and what are the timings for the implementation of change?**

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

 - (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.**

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

- 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)?**

 - (b) What services do contractor rates apply to?**

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

- 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, there are no instances in which we would charge one particular customer, and not another, for a similar service.

 - (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. There are no charges that we apply that are not stated within our charging arrangements.

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?

i. If you publish a standard agreement, please set out in what circumstances it would not apply and you would seek to agree a bespoke agreement.

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.

We would provide a “wholesale minus” approach to any new NAV who requests a bulk supply of water from Portsmouth Water. This is outlined in more detail in our bulk charges for NAVs document, which can be viewed here:

Bulk-Charges-for-NAV
AVs.pdf

We have had no NAV licenses applied for in our area of supply over the past 5 years.

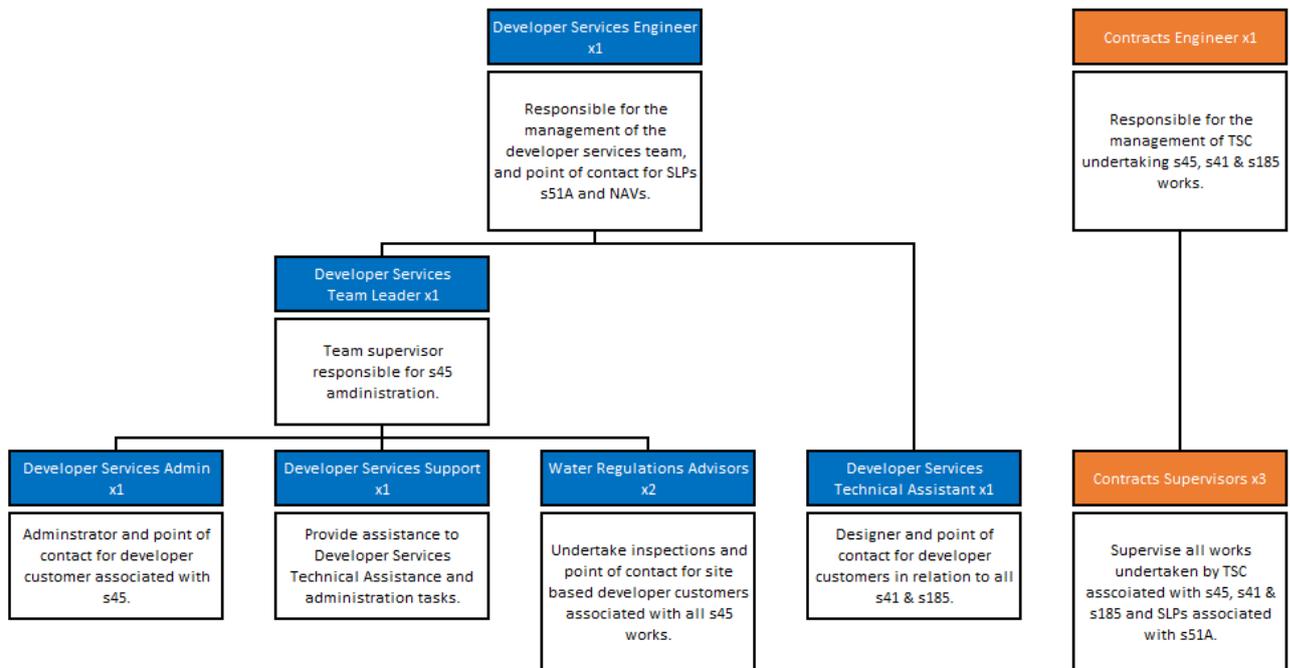
Culture, customer experience and quality of service

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/NAVs/SLPs.**
- (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.**

Please see diagram below which sets out how our developer services team is organised, including staff numbers, areas of responsibility:



It should be noted that the same small team deals with all customers – Developer customers, NAV and SLP and we apply identical systems, processes and service levels.

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;**

An annual Developer Services Forum is held in which all types of developer customers are invited based on recent transactions and long standing relationships. We had attendees from national and regional developers, self-lay

providers and consultants. The forum takes the form of a presentation on various developer services topics and interaction with the attendees. We also use a web based app to obtain questions and give feedback to those that couldn't attend. Recent forums have been well received, and attendees have suggested we hold two forums a year, which we are considering going forward.

An awareness of our Developer Services Forum is communicated 4-6 weeks in advance of the event. Invites are generally extended to developers, SLPs and NAVs who we have had contact with over the previous two years. Some industry stakeholders are invited, but we recognise our invites to this group should be wider in future.

We hold regular account management meetings with SLPs and our larger developers. We have one NAV operating existing sites, within our area of supply, and hold ad-hoc meetings, as and when required.

We also sit on the HBF's 'Water and Sewerage Futures Group' (WSFG). The HBF started this group in 2017 and invited Portsmouth Water to participate in the group, which sits twice annually.

(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 Topics covered in our Developer Services Forum can be seen using the link in 12(d). Topics include, Charging Arrangements, D-Mex, Codes for Adoption, site practices and Levels of Service.

Similar topics are also covered at account management meetings and more generally, on a more strategic level, at the HBF's WSFG.

(c) the process by which contributions from stakeholders are taken into consideration and progress is communicated back to stakeholders.

Feedback from engagement events/meetings is discussed at senior management and Executive level. Depending on the feedback, and potential improvements to be made, there are differing channels within the business that any improvements may pass through for consideration.

Feedback is provided at account management meetings, and via calls with smaller developers, and a review at our Developer Services Forum.

A good example of us acting on feedback, is our switch on policy for 2019/20, from laying ductile iron pipe on 'contaminated sites' to now laying barrier pipe.

This change in policy was feedback to developer customers at our last developer forum. Developers have commented an improvement in our service, which is reflected in the Water UK levels of performance data for W8.1 'Mains laid within target', summarised below:

PERIOD	%
2019/20 Q1	88
2018/19 Q4	60
2018/19 Q3	17
2018/19 Q2	36
2018/19 Q1	44

Having two developer forums annually will assist us on more timely feedback to customers. We are also considering how feedback may be achieved by a regular newsletter.

- (d) Please provide supporting evidence, including emails issued, agendas used, papers or consultations prepared.**

Please find a copy of our 2019 Developer Services Forum presentation slides here:



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.**

When offering similar services, we offer the same service levels to all our customers, whether they be developers, SLP or NAV.

For example, if we received a request for a mains design, for development with less than 500 properties, from either a developer or a SLP, we would provide the necessary information to both parties within the 28 day SLA.

- (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.**

YEAR	SLP SCORE	PERFORMANCE
2019/20 YTD*	100.00%	UPPER-QUARTILE
2018/19	98.03%	INTER-QUARTILE

**2020 YTD is Q1 APR-JUN (Q2 figures not yet published)*

Performance has improved this year upon last. In 2018/19 two Asset Payments were issued late when they were proactively identified by the Company during a review of metrics.

- (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.**

Over the past year, the only interaction we have had with NAVs in regard to the SLAs are four point of connection (POC) enquiry. Three of these were returned within the SLA. One went over the SLA, due to some ambiguity in the POC enquiry. An alternative date for return was then agreed with the NAV.

- (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?**

We regularly receive multiple requests for the same development, whether it be from consultants and agents, developers, SLPs and NAVs. However, for SLPs and NAVs this request is usually received after we have provided the quote / offer to the developer.

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.

We have been engaged with the Code for Adoption Agreements throughout the process, participating in industry workshops and discussion at Water UK's Infrastructure Policy Group. Regular updates have been provided to our Executive Directors throughout the process.

Although, potential implementation dates have moved a number of times, we feel we are in a good position to implement the Code, once approved, in a short timeframe. We have recognised and reviewed internally the changes made during the iterations of the draft Code.

Once the Codes have been agreed we do not envisage any significant issues in their implementation. There will be no new systems we require. We would need to finalise the company specific information currently required in the Codes, and undertake staff awareness training on the final iteration of the Codes.

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

Over the past 18 months we have provided progress updates to developers and SLPs at regular account management meetings on the codes for adoption process. It was also a topic discussed at our last Developer Services Forum.

We also encouraged all of our developer customers to engage directly with the consultation process.

The main feedback we receive is the need for national consistency to make it simpler for SLPs working in multiple regions. Although, the consistency is unlikely to happen before the draft codes are approved, there may be an opportunity for the Codes panel to review this going forward.

Annex D – Question relating to the effective support and development of new markets (optional)

What are you doing to effectively support the development of new markets (e.g. bio-resources)?

In addition to the two markets discussed in detail in this response Portsmouth Water is already active in the Water Trading market.

We are in the fortunate supply position to be able to provide bulk supplies to our neighbor, Southern Water. The first trade started in 2004, with the Company providing up to 10 MI/d into the Southern Water Sussex North zone, where population growth, in particular, was significant. This contract was re-negotiated in 2016 and increased to 15MI/d, equivalent to serve a population of 100,000 people each day.

Similarly we have just commenced a bulk supply into Southern Water's Hampshire zone, where their abstraction rights have been reduced for environmental reasons. Again a volume of up to 15MI/d is available to Southern Water.

Both of these trades reallocate water from an area in surplus (Portsmouth) to regions where water is scarce, without increasing the risk of failure to our current and future customer base. Our plans include greater bulk supplies into the Hampshire zone in AMP7 and AMP8 with bulk supplies planned for April 2024 and April 2029 of 9 MI/d and 21 MI/d respectively. Both trades are predicated on the development of two new sources of water in the Portsmouth region, at Worlds End and Havant Thicket. Effectively the cost of these two development / trades are cheaper than the alternatives Southern Water have available to meet its supply deficit in Hampshire.

We very much see our role changing as a result of this market and aim to be a regional player (a supplier of water) in the South East. We will focus on reducing leakage and per capita consumption still further, which together with the development of new sources, will allow us to trade even more water in the future.

The Trading Incentive Mechanism and the acceptance that Economic Profit can be realised on such trades are important considerations in our plans.

We therefore believe we are not only supporting but actively developing the market for water trading.