

---

south east water

Incumbent water companies  
and development of  
effective markets

**South East Water  
response**

**31<sup>st</sup> October 2019**

---

South East Water  
Rocfort Road  
Snodland  
Kent  
ME6 5AH



Pure know<sub>h</sub>ow

## Contents

1.	Introduction	3
2.	Annex A: Questions relating to your Board's support for the development of effective markets	4
3.	Annex B: Questions relating to the business retail market	6
4.	Annex C: Questions relating to the Market for Developer Services	18
5.	Annex D: Question relating to the effective support and development of new markets (optional)	33

# 1. Introduction

South East Water actively supports markets and the benefits they can bring to our end users, retailers and new development customers.

We recognise as a wholesaler we can help facilitate effective and efficient markets and we perform this role for retailers and customers alike in a non-discriminatory way. As new markets emerge we have carried out reviews of how we perform and what issues exist in the market, and have identified areas of performance that require improvement and have developed our plans to achieve an improvement by 2020 and beyond.

Whilst our market processes embed and improve, one thing is clear from our ongoing and business plan-specific engagement with retailers, non-household and new development customers - our flexible and open approach is supported and welcomed. Their feedback has also confirmed what their issues and priorities are and how they see our role in supporting the achievement of not only the market outcomes, but their business-led aspirations.

We are committed to continuing our approach to supporting the facilitation of new emerging markets by using targeted engagement and feedback to shape our processes and guidance documents. With this in mind a new Commercial Director role was established last year to take ownership of these areas and to ensure a level playing field approach across all markets.

South East Water sit on a number of industry Groups such as the Water UK NAV behavioural barriers group chaired by our Commercial Director, D-MeX working group, IPG (Water UK developer services) and Retailer Wholesaler Group. We are passionate about supporting markets and helping to shape how the industry ensures they are effective.

## 2. Annex A: Questions relating to your Board's support for the development of effective markets

**2.1 Please provide 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?**

### **Culture**

The board sets the tone by promoting a culture that encourages cooperation and engagement with all market participants.

### **Reporting and monitoring**

The board receives regular reports on the company's market performance, developments in the markets and initiatives taken to improve performance when needed. The monthly performance report presented to the board includes a review of new connection performance against Water UK levels of services, shadow D-MeX, NAV applications, development performance and developments in non-household retail market. This includes performance against market performance standards (MPS) and operational performance standards (OPS) and provides visibility of the company performance against key metrics as well as the opportunity to discuss any issues arising, risks and mitigations, any steps to improve performance where required. An example of this report is shown in Appendix 2.

The board adopted a performance commitment on compliance with obligations as a water undertaker. There is an annual review of compliance with obligations, including those relating to competition law and markets, for the purpose of the reporting against this performance commitment. This is done following external assurance by our assurance partners whose findings are presented to the audit and risk committee. Our annual reporting is developed and published in line with the company's Company Monitoring Framework (itself approved by the board) and is considered by the audit and risk committee and finally approved by the board following recommendation by the audit and risk committee.

The board also relies on the system of risk management that is described in our annual report and reviews risks at least annually. This includes key risks, changes to the company's risk profile, new issues and arising risks. The audit and risk committee performs regular reviews throughout the year on key areas of risk, fulfilling its role in monitoring the effectiveness of the company's system of risk management and internal controls. Key risks (including those relating



to wholesale services and markets) are also reviewed on a regular basis by the Executive Team.

### **Specific governance structure and allocation of responsibilities**

The board as a whole considers matters relating to the role of the company as a provider of wholesale services to other market participants and how it supports existing markets.

There is no specific board committee but there is a company-wide governance structure in place which includes:

- the Wholesale Markets Steering Group - covering delivery, performance, improvement and developments on the non-household retail market, new connection market including self-lay and NAV, performance against the Water UK levels of service and D-MeX (a copy of the standard steering group agenda is provided in Appendix 1);
- the Regulatory Strategy Group - considering key regulatory developments and submissions;
- Commercial Director - A member of the executive team with direct responsibility for wholesale services including new connections, NAV and the non-household retail market;
- A head of department with responsibility for wholesale services;
- A dedicated manager for NAV applications and a dedicated lead for the delivery of services to NAV organisations, SLPs and Developers.

### **Specific update and discussion on market changes and improvements plans**

In addition to the regular reporting described above, the board considers updates and discusses specific issues as they arise in relation to wholesale services and markets and also key regulatory submissions.

The board discusses the implications of licence conditions changes; this included for example conditions M1 (Information Remedies) and E1 (Prohibition on undue discrimination and undue preference and restriction on use of information in relation to certain services). The board currently monitors the company's preparation for D-MeX as part of PR19. The board also reviews and approves wholesale and new connection charges which are also subject to external assurance in particular economic consultants familiar with new markets and, considers the implication of the changes to new connection charging rules.

Before then the board dedicated substantial time to scrutinise the company's preparedness for the non-household retail market.

### 3. 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).**

South East Water carries out a range of engagement activities, with a stakeholders including non-household customers, to understand end customers' experience and how we can improve services. The link below provides more detail on our engagement and how this information has informed and influenced our plans for 2020-2025.

<http://corporate.southeastwater.co.uk/media/2839/appendix-1-engagement-final-combined-180903.pdf>

#### 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).**

South East Water attends the MOSL User Forum on a monthly basis, along with regularly attending the Retailer Wholesaler Group telephone conferences and also the Wholesaler Interface Group conferences. We also meet monthly with our MOSL representative to ensure we have fully engaged with Market development activity and share our market activity, performance, improvement and engagement plans.

**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.**

South East Water works with Retailers and MOSL to understand the consultations on code changes, we have worked with Retailers and other Wholesalers to develop or support code changes where appropriate. South East Water take a balanced view on the overall market development and the risk to our reputational and commercial position regarding code changes or procedures.

South East Water engage with Retailers to ensure our policies reflect best practice within the industry. For example we supported the code changes relating to complaints and had previously been working with Retailers to enable us to provide a comprehensive response on water supply complaints, including contact details for our service desk for further communication.

South East Water has implemented an Accredited Entity scheme to support a business model for a specific Retailer but have procedures in place to prevent an inadvertent disconnection of a critical supply.

South East Water has a non-household customer leak allowance policy which supports the Retailer activity but also supports the utilisation of smart metering technology to enable customer side leaks to be spotted and fixed quickly.

**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 described in Annex A, South East Water has a Wholesale Markets Steering Group which is chaired by our Commercial Director and has further Executive representatives from our Operations Director and Asset and Regulation Director (Board member). The steering group was established after market opening and reviews performance metrics for the non-household market, code changes and wholesale market strategy.

Monthly reports from the group form part of our Board papers to ensure transparency of performance, change control and strategy. The steering group review proposed changes and what role we should take on the development of markets. An example of a meeting agenda is included in Appendix 1.

### **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?**

South East Water has been subject to three IPRPs since they were initiated. As a result, our processes were subject to internal scrutiny by senior members of the Wholesale team in order to identify patterns and areas of failure that could be pragmatically addressed by both ourselves and our sub-contractors, for instance meter reading submission data was raised as an issue, as a consequence we re-briefed our field team regarding the meter exchange process and developed new reports to identify exchanges undertaken without the correct job plan.



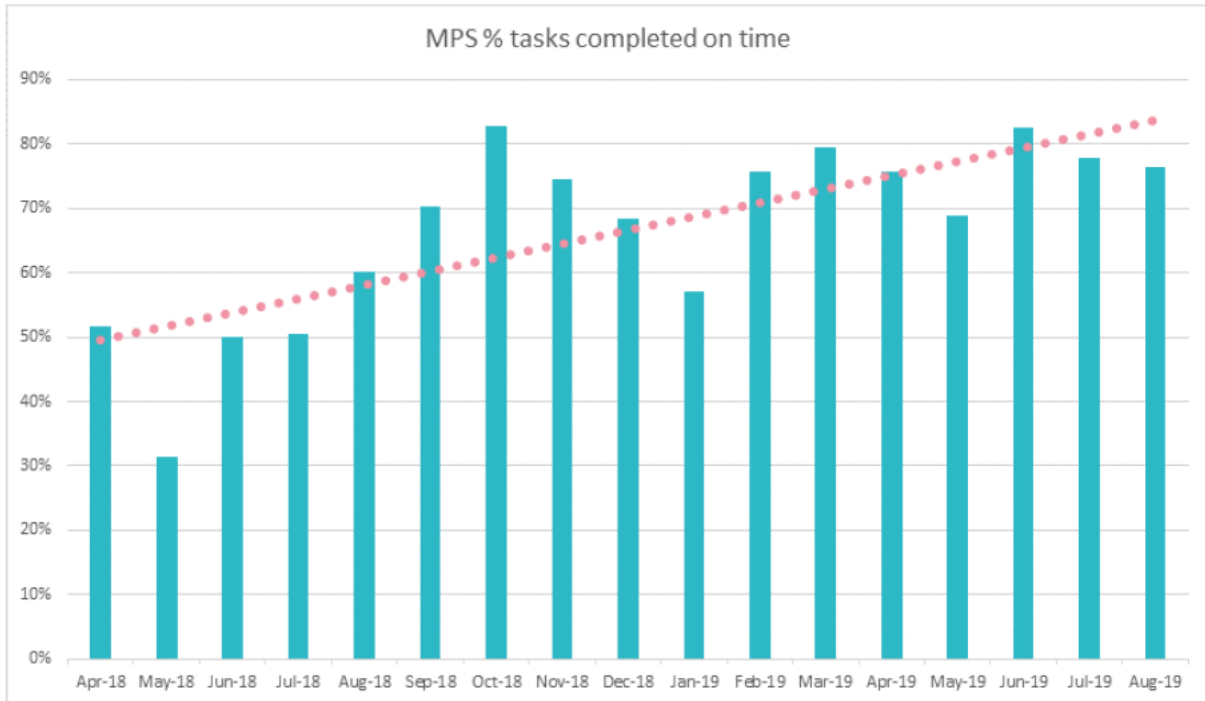
Table shows the IAP plan initiatives.

Activity / Initiative	Is this activity currently in-flight or planned for the future?	Target completion date	Please provide any additional commentary or details that are relevant to this initiative, for example if there are key dependencies on 3rd parties
SPID Pairing review with Southern Water	Complete	01/04/2019	Key dependency with Southern Water
Yearly volume estimates	Ongoing	01/04/2019	Annual review of SPIDs with no / different yearly volume estimate from actual undertaken between Jan and Mar each year
NHH Metering programme	Complete	01/09/2019	We have completed a review of all unmetered NHH properties. To try to ensure that as many properties as possible have a standard volumetric tariff
Meter master data	Complete	01/10/2019	Programme of data cleanse on core Asset system (Maximo)
Meter Networks	Ongoing	01/04/2020	Review of all meter networks to minimise timing issues on NHH reads
HH Property project	Planned	01/04/2021	Project commissioned from lessons learnt exercise on NHH. Project will look to reconcile all HH properties to address base (3rd party data set). This may identify missing NHH properties, but will improve location of HH (non-market meters) and ensure accurate SPID pairing where SPIDs are unpaired due to address errors.

As part of our efforts to improve performance, we have undertaken a significant amount of data cleansing which has occasionally resulted in low MPS temporarily but which we believe will be beneficial to all parties in the long-term. Since the implementation of the IPRPs, we have seen improvements which, while not always consistent for reasons already mentioned, show a positive trend overall and we feel confident that we have identified steps that will help continue this positive trend going forward.



Table below show improvement in MPS over the last year.



**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.**

As previously detailed our Wholesale Markets Steering Group provides overall governance for the non-household market and our monthly performance report is submitted to the Executive team and a summary included within the Board report as appropriate.

Our Commercial Director met with MOSL and participated in the development of our improvement plan which is monitored at our Wholesale Markets Steering Group.

An extract from monthly Board performance report and monthly Executive team update is provided in Appendix 2.

**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?**

Our associated retailer exited the market in July 2018.

**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.**

South East Water OPS data is generated by a report created between our Wholesale Operations team and our Business Information team. The report links our various reporting and operational systems, including CMOS, and generates the data based on the OPS Reporting Guidance and Methodology documents provided by MOSL. The data is then sampled and checked by a member of the Wholesale team before then being checked against the MOSL validation system and corrected if required as a result of any validation warnings. From April 2020 this will be added to our Company Monitoring Framework.

### 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.**

South East Water has used the long unread meter reports as generated by the MOSL portal dashboards to undertake regular and continuing investigation into long unread meters using our dedicated Wholesale field agent. Any information obtained that can be used to update the market (for example, up-to-date readings or improved location data) is immediately passed over to the relevant retailer in order to make the required changes. If during the course of the same investigations or any other operational jobs, a faulty meter is identified or exchanged, or a change in vacancy status is noted, this information will be passed back to the relevant retailer in order for them to update the market.

South East Water are currently working with Retailers on a new vacancy initiative using shared branding to promote notification of a new occupier.

South East Water recently started a new project with Castle Water to help cleanse their volume of skipped reads. We will have regular updates with Castle Water throughout the project and will work closely with them to improve the data set.

Following the sale of Water Choice's non-household customers to Castle Water, a data cleanse project was completed in mid-2018 and included a range of queries such as outstanding operational jobs, long unread meters and where a market transaction was required.

**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?**

Our technicians, field agents and sub-contractors have all been made aware of our responsibilities as a Wholesaler to update the market and South East Water ask that relevant information relating to market meter performance/functionality, consumption queries, location

data, etc. is recorded as a matter of course to maximise our opportunities to keep the market data as accurate as possible. South East Water has continued with its Data Improvement Project which was commenced ahead of market opening and are currently working on a project to match all properties to a third party address management system 'address base' to identify any potential gap sites in the market data sets.

**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.**

If a customer contacts South East Water by telephone or email with information that can be used to update or complete the market data, this will either be processed immediately if it is wholesaler-owned data, subject to verification or site visit, or if it is retailer-owned data, will be emailed over to the relevant party to make the changes.

If a retailer seeks to inform us about incomplete or inaccurate data in the market, we ask that this information be sent over to us by email and this would be processed according to the relevant OPS process (i.e. 10 working days if it concerned verification of meter details).

#### **Wholesaler retailer interactions**

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

South East Water regularly attend the Retail Wholesaler Group either by teleconference or in person. We are currently carrying out a high level assessment of good practice guides to identify any areas that may impact our policies, the review will be completed by January 2020 and the recommendations will be implemented in April 2020. These will be available on our website and we will notify retailers of any changes.

**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.**

South East Water supports an industry standard Bi-laterals solution and our Head of IT was part of the group looking at the scope and outline design of the system.

At market opening South East Water took the decision to adopt Dig Dat as a best of breed solution for Retailer notification of planned and unplanned works and are currently supporting MOSL with their work to specify and scope a bi-laterals solution. As part of our reporting we keep the Board updated on any significant developments in relation to all aspects of the market including bilaterals as appropriate.



**14. Wholesaler policies: Please set out (and where appropriate provide relevant supporting evidence):**

**(a) what action you take to help ensure your wholesale 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?**

South East Water's non-household policies have been distributed previously by email to all known Retailers and South East Water have sought comments on the draft policies published (as attached). Information relating to our charges/charging structure is also available on our Wholesale website –

<https://wholesale.southeastwater.co.uk/about-us/our-charges/>

**(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?**

South East Water hold an annual open day for Retailers. Where we have discussion about key policies and how we can improve services. South East Water has developed and adapted these policies as a result of interaction with Retailers in some cases extended our policies such as leak allowances to allow for circumstances outside of the customers control to be assessed on a case by case basis.

South East Water has added an accreditation scheme for temporary disconnections for Retailers following our engagement process.

South East Water has undertaken free meter surveys for all non-household premises to enable simplification of Rateable Value charges for non-household premises. We have developed and amended our Assessed Charge to be more flexible for Retailers to assess the consumption volumes used by customers where the Rateable Value charge is not reflective of use.

**(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?**

South East Water has introduced a free water efficiency survey for non-household customers which Retailers can request through our service desk. The surveys encourage customers to save water and reduce overall consumption.

South East Water has introduced a free alternative water plan survey for Tier one sensitive customers. Each of the plans are developed direct with the end customer and shared with the Retailer. These plans are then tested in mock incidents, which the Retailer is invited to participate in.



The changes implemented came as a result of loss of engagement from customers around water efficiency, the surveys have enabled us to reengage with customers and for them to see the benefits of saving water in both the short and long term.

**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.**

Prior to market opening we reviewed our tariffs and introduced a falling block tariff to simplify some of the existing large user discount tariffs. Where possible customers were moved over to the new simplified tariffs.

Since market opening we have made amendments to our Assessed Charge tariff. The vast majority of our properties are metered (more than 95%) the remaining properties are largely on an assessed charge with a few remaining properties on rateable value. We are continuing to offer free meter surveys and installations for standard supply arrangements. If the customer is unable to have a meter fitted we work with the Retailer to apply an appropriate assessed charge for the property based on the estimated usage of the premises. We have tried to simplify our assessed charge to enable as many customers as possible to move away from historical Rateable Value charges. Once this work is complete South East Water will have the majority of customers on three standard tariffs:

1. An assessed charge where we are unable to meter the property,
2. A standard metered tariff for most small to medium consumption businesses
3. A large user tariff where the tariff is discounted based on the volumes the customer uses (falling block tariff).

South East Water consult each year with Retailers to see if there are any alternative tariffs that Retailers would like us to consider.

**(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?**

South East Water are still carrying out work on our charging policy for 2020, however, do not expect to charge for vacant sites from 1<sup>st</sup> April 2020, this is unchanged from charges since 1<sup>st</sup> April 2017.

We have maintained our approach of not charging for vacant properties from pre 2017 and are working closely with Retailers on our voids process to identify when new occupiers move into a property.

**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?**

We continue to undertake regular engagement with Retailers this largely falls under three categories:

1. Ongoing communications: South East Water continue to hold regular complex case surgeries to enable Retailers to resolve or seek guidance on complex customer cases. Data workshops are held where we have specific queries enabling us to discuss data issues on a spread sheet basis.
2. Retailer surveys: We made a commitment in our business plan to provide an industry leading wholesale service for Retailers, specifically to implement a new Retailer Experience survey (R-MeX). South East Water has undertaken an 'R-Mex' type survey asking our Retailers to score our services and communication approach out of 5. In our first survey we scored 4.6 out of 5 overall. All of our performance measures OPS, MPS and R-MeX are shared with Retailers at our Open days along with actions we are taking to improve performance.
3. Retailer Engagement: We hold an annual themed Retailer open day where we consult on tariffs, charges and policies. We also try to provide Retailers with an overview of Wholesale activity and our themes, for the first three open days, have covered:
  - o Drought and drought management plans
  - o Freeze /Thaw and our emergency arrangements
  - o Environment and the support we provide rural businesses as part of our catchment management programme.

The Retailer open days are supported by seasonal monthly campaigns such as: Wrap up for winter and our 'Brown Lawns are cool' campaign.

**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.)?**

South East Water continue to work closely with our Retailers and have an open policy for Retailers visiting our Service Desk team.

South East Water offer free water supply training for all Retailers at their own offices or within South East Water's.

South East Water continue to regularly engage with Retailers and in addition to our complex case surgeries and data workshops our teams have visited Retailer offices to meet face to face and develop improved understanding of working practices. We have visited Castle Water, [REDACTED], at their head office in Perth twice to continue to build on the existing strong relationship we have built.

As well as South East Water’s ongoing engagement with Retailers, we regularly engage with the market operator MOSL to ensure their understanding of all aspects of wholesale service is at a good level, contributing to the markets effectiveness. As part of this engagement we held an educational visit for a team from MOSL in May 2019, showing them around our state of the art water testing laboratory and around one of our largest water treatment works.

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

South East Water liaise with Retailers by email to explain the reasons why we may be regularly rejecting OPS requests. We will also liaise regarding regular updates or queries relating to individual deferred or late OPS tasks. In addition to this, we also generate a monthly report that highlights all failed SLA’s. This report is uploaded to the MOSL website and can be accessed and reviewed by Retailers.

**(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?**

Any policy and charges changes are communicated to Retailers at our annual Retailer open day to ensure all Retailers are able to receive the information at the same time. Following the open day, all of our presentations are circulated to all contracted Retailers, as well as the open day attendees.

**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?**

**Alternative credit arrangement request - refused**

We had a request from a Retailer to act as their own guarantor for the full amount that had to be secured. They wanted to guarantee themselves. On legal review we had to turn this proposal down as it was contrary to specific requirements in the codes around the provision of guarantees and post payment secured amounts.

**Development of alternative credit arrangements**

Initially we had a few enquiries regarding alternative credit agreements, following this we reviewed what was being offered in the market and feedback from Retailers and developed our own alternative credit proposal.

The larger or more established Retailers were keen to have easier access to better post payment terms. Our intention is to promote competition through providing easier access to post payment terms with increased unsecured credit amounts for smaller and or newer Retailers. We circulated our alternative credit agreement proposal to Retailers that had expressed an interest and presented it at our Retailer open day. The feedback we received was positive but we were asked to broaden the access to Retailers with lower credit scores.



After review, we amended our scheme to include Retailers with credit scores of just 5 or 6, this was then communicated to Retailers. Despite this change, we have not had any Retailers taking up our alternative credit proposals.

In mid-2019 we again reviewed our alternative credit agreement offer to encourage uptake. We amended our proposals to increase the eligibility threshold allowing more Retailers to qualify and have added in a bonus (increased unsecured amount) linked to good payment history. Acknowledging good payment history especially for Retailers with limited credit history and therefore low credit scores is something Retailers have been asking us to recognise as part of our alternative credit agreements. We are looking to consult with Retailers in autumn 2019 on the revised scheme before implementation.

**(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 are open to agreeing alternate payment terms for Retailers. Once we have some examples of requested arrangements we will use this data to put together a profile of arrangements for Retailers to use.

**(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.**

1. We have been working with self-supply Retailers regarding rewarding good payment history within alternative credit agreements.
2. New Retailers at our open days and through direct contact requested we recognise the limited credit history and therefore lower credit scores of new Retailers. As described above, we amended our alternative credit proposals to allow Retailers with credit scores of 5 to 6 to get an unsecured amount where they could not before under the codes. Our proposal to reward good payment history will also benefit this group.

**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?**

As part of our ongoing consultation work with the RWG, we have agreed that where issues are mainly related to either wholesale policy or wholesaler behaviour, South East Water will help to formally support retailers with relevant complaints. The support would be both practical in terms of data collection and defence but would also include support with remuneration where applicable. The RWG is still gathering responses from companies, however, we fully support their approach and will continue to work with them to put a robust and fair agreement in place.

**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)?**



The table below details the number of request received and the payments made through out Guaranteed Standards Scheme for the 2018/19 period. None of the payments made relate to a dispute between South East Water and a retailer.

NHH	2018/19
Number of requests received	0
Number of payments made	96

## 4. 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 (NAV) and self-lay providers (SLPs) and in-house operations?**

Self-lay and NAV applications have been a relatively recent addition to the delivery options for South East Water. We promote all options on a level playing field. All our estimates provide costings for us to complete the work as well as the costing, and explanation, of the self-lay option. We feel that this provides developers with the information they need even if they have not initially considered self-lay as an option.

Our approach to all options is the same, we provide the same service levels on every aspect of the process and our team works well with both NAV and SLP contacts.

In August this year we restructured our Developer Services team to provide designated Leads for each of the delivery options. We are a small Developer Services team but we feel that this will provide a single point of contact for guidance and support for NAV's, SLP's and developers.

South East Water has an internal guidance policy in place for staff on dealing with inset appointment requests. This document explains what steps should be taken by all persons dealing with an inset appointment application to ensure that commercially sensitive information communicated to us is kept confidential and the applicant is treated fairly and without discrimination.

Specific steps we have taken to ensure we comply with competition law include:

- A ring fenced group of authorised employees to deal with NAV applications.
- Dedicated communication channels are in place for NAV applications with restricted access
- A dedicated document management system for NAV applications with restricted access
- The same technical models used for calculating income offset payments to SLP's are used for NAV asset payments. This is to insure a level playing field between the offer that the SLP and the NAV receive.

- Access to information on South East Water's policy and processes relating to NAVs, SLPs and requisition is available via links off a single developers services page on the SEW web site. This ensures a central location for all parties to have access to the information and documents they would require. <https://wholesale.southeastwater.co.uk/help-advice/developer-services/>
- We have used external consultants to review and check competition compliance regarding our bulk supply pricing models whenever we make any significant changes.

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

To encourage competition within the Developers Services market, South East Water has, over the last three years offered a self-lay option on all new mains requisition estimates.

South East Water also provide a link via our website to the Lloyd's register – detailing which self-lay companies are active within our water supply area as well as contact details for these companies.

Our Developer Services team has regular catch up meetings with our developers and SLP's. We have a "drop in" culture and all of our customers are welcome to come in and discuss any element of their scheme or proposed scheme.

Our estimate letter provides developers with our options clearly laid out. Detailing which elements of the work are contestable and non-contestable, an example of the letter can be found in Appendix 3. We are currently looking at ways we can incorporate a NAV option up front, although this may prove difficult, we will at least provide developers an overview of their NAV option in our letter.

Our Lead roles also set out that the market has changed and that we expect to see developers to choose different options when delivering a new housing development. The restructure of the Developer Services Team was set around the emerging market and putting these leads in place ensured we were able to support this further.

To gain feedback on these estimates, and to ascertain the clarity of them, we discuss them during our annual Developer Day. Our main goals during these presentations and discussions is to create a feeling of trust between us and developers, SLPs and NAVs. We do this first by presenting our goals and outlining our strategies, most recently with a particular emphasis on the new charging rules.

Following feedback received from last year's Developer Day, where one of the main requirements from our customers was better communication throughout the life time of a scheme. We created our Lead Roles to help enable contact. These leads will be aware of and have been working on their schemes ensuring the process is as efficient as possible.

We also noted both CC Water and Ofwat comments following the publication of our 2018/19 charging Document and created a user friendly guide to be used in conjunction with the full charging document. A copy of the guidance document can be found in in the link in section 6 (a). This document will form the building blocks of our charging arrangement document for 2020.

South East Water has been working with NAV companies on an ongoing basis to ensure processes are efficient and effective and allow them to compete on a level playing field with

other providers of mains infrastructure to developers. Quarterly meetings with NAV companies including senior managers from both companies were introduced in summer 2019, to review strategic issues and monitor performance. This ensures ongoing improvement in services offered and full transparency of performance in the market.

We have been an active participant in water industry working groups including leading the Water UK NAV Markets behavioural improvements project group. We are fully committed to the adoption of all recommendations made by the group, including the adoption of an industry standard bulk supply agreement.

All the relevant information that a NAV would require to initially assess a site and make an application is available in a single location on our web site. This includes our NAV policy document, a template bulk supply agreement, an application form for the bulk supply/ POC request and our bulk supply charges document.

**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)?**

Table shows size of sites being delivered by SLP's, NAV and requisition

Size of scheme	Percentage of work		
<b>SLP</b>	2016/2017	2017/2018	2018/2019
Single properties	14%	11%	9%
<20 properties	8%	6%	3%
>20 - <100 properties	29%	25%	17%
>100 properties	49%	58%	7%
<b>NAV</b>			
Single properties	0%	0%	0%
<20 properties	0%	0%	0%
>20 - <100 properties	0%	0%	0%
>100 properties	0%	100%	100%
<b>Requisition</b>			
Single properties	13%	11%	12%
<20- properties	8%	6%	0%
>20 – 100 properties	29%	24%	12%
>100 properties	50%	59%	76%

The above table indicates that South East Water has seen an increase in the number of schemes with 100+ plots since 2017, when all estimates provided include a self-lay option. Many of these are self-lay schemes as these seemed to be the most preferred size for 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?**

The breakdown table below shows the percentage growth amongst self-lay schemes. Our forecasted figure for 2019/20 predicts a further 8% increase on last year.

Connections requested	Percentage of connections		
	2017/18	2018/19	2019/20 *
SEW option	80%	75%	65%
NAV	0	2%	2%
Self-lay	20%	23%	33%

\* forecast YTD

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

Unfortunately we do not currently record this data in any detail. With the limited data we have it would appear that the majority of larger sites in our area are carried out on Greenfield land, where smaller schemes are likely to be brownfield.

**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)?**

We currently have 18 SLP's active in our area, however, a large proportion of the work is carried out by 3 or 4 companies, particularly on the larger sites.

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

When an SLP takes on a site they tend to carry out the majority of the activity (onsite mains and connections meter fits). The design of the network is approximately 80% carried out by self-lay providers and 20% by South East Water, the level of designs we complete for self-lay companies has declined over the years and we expect to see this trend continue.

A significant proportion of companies will carry out multi-utility for developers, generally these are the larger companies and larger sites.

Self-lay companies that have partnerships with developers seem to do particularly well and the relationships seem to work well.

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

Generally speaking SLP's will compete for larger developments, we have seen an increase in the number of sites that are being delivered by self-lay providers that are over 100 properties.

Table below gives a general overview of the number of schemes and size that are currently being delivered by self-lay providers this financial year:

Size of scheme	Percentage of Schemes
Single	0
<20 properties	11
>20 - <100 properties	37
>100 properties	52

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

No comment

**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.**

In response to this letter South East Water carried out a detailed review of our charging arrangements. The reviewed highlighted the following issues

- The Document was too complicated
- Inconsistent terminology
- We needed to ensure we stated clearly which costs were fixed
- We needed to provide worked examples for clarity off charging

The further review did however show our charging to be cost reflective and not restricting or distorting competition.

In order to correct this, and ensure our document was user friendly, we created a further new connections and charging guide. This can be seen on our website here

<https://wholesale.southeastwater.co.uk/media/1562/sew-developer-charges-brochure-2019-2020.pdf>

The new document provides much greater clarity on our charges, for example we have clearly laid out which charges are contestable and non-contestable, and addressed the issues around terminology.

Our new guide, highlights all fixed costs, showed examples of a build-up the estimate and added a glossary of terms.

We have been working hard on making our new charging arrangement for 2020 even more transparent, ensuring we are clearer about which elements of the work are contestable and non-contestable and highlighting all fixed costs.

We have asked a third party to carry out a review of our charging arrangements and the examples we are providing. We will also be trialling the newly updated online tool with some of our stakeholders, this will be available at all of our road shows which means we should capture as much feedback as possible.

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

In our last Company Monitoring Framework assessment Ofwat made the following statement in regarding to our New Connections Charging arrangement:

*“However, overall we had minor concerns in relation to the quality of the charging documents. The company used inconsistent terminology and did not mention the income offset at all in its charging rules. In addition, we expected more detail on how charges for developer services are derived. No worked examples were provided to help with understanding. It was not clear whether charges are fixed or estimates in the company’s new connection charging arrangements”*

We had therefore already started to carry out a review in this area, as detailed above we have put in place a user guide to explain our charges in a clearer manner, as our arrangements had already been published the user guide is a separate document alongside the New Connections Charging arrangement and will be used as the model for next years charges. We have also added a quotation tool to our website allowing a basic budget estimate to be built of our charges. A link to our guidance document is provided Section 6 (a). Our charging guidance will form the basis of our charging arrangements document for 2020 and provides a much clearer charging road map than that of our current charges arrangement.

We have also restructured our Developer Services Team to provide better support for the Self-lay and NAV markets with specific leads in their areas, as described above. South East Water felt that this would very beneficial all our customer types and really support the changing landscape, creating a level playing field in and consistent service and commitment to all. We feel these changes address the concerns raised in the initial review.

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



We are currently putting together some easy to access YouTube video guides on our website, they will initially cover:

- Developer options – NAV and Self lay (Complete Nov 2019)
- New charges are coming (Complete Nov 2019)
- New charges explained – 2020 (Complete Jan 2020)
- Tutorial – how to use our online charging tool (Complete Feb 2020), this will be used in conjunction with our updated and improved works calculator.

We are also looking to trial a monthly developer/NAV/SLP drop in afternoon to answer any questions and help with any issues they are experiencing, we feel that by doing this we will also gain vital feedback which will allow us to better understand the different needs of each of these customers.

Our new charging arrangement is being re written with the issues we have highlighted in mind. We will ensure that the document is much clearer and easy to navigate. We will provide developers with the information they require in a simple and transparent way that enables them to choose the option that is best for them.

## **7. Please explain how your charges reflect costs:**

### **(a) How did you calculate the charges? What were your data inputs?**

In order to calculate our charges we took the following approach we Looked at actual cost over of all scenarios over the previous five years and compared these to the contractual rates for the same scenarios and broke them down into:

- Labour
- Materials
- Traffic management
- Third party constraints

These scenarios included the following:

- Length of Main
- Pipe size
- Location of excavation

We then average the costs between the actual and the contractual rates for each element creating a fixed cost.

Our charging arrangements for 2020 will provide the cost build up for the specific examples provided in Information Notice 19/05 October 2019.

### **(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.**

Our relevant drivers are the cost of labour, surface types, materials (barrier pipe or HPPE), third party land access costs and traffic management e.g. Kent Lane Rental (KLR). The cost can be significant if work is carried out on a major road with the need for full closure. Traffic management varies widely between counties and as such we broke these down into basic management, such as two way lights to full road closures requiring major diversion. Where there are fixed costs for these service, they are included within our charging document.

Variable costs for traffic management are also detailed and highlighted in the document with the range of costs provided. These costs are identified at estimate stage in order to give our customer transparency of costs as soon as they are provided by the third party.

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

Our contractual rates do not differ in our regions. There are, however some, third party costs that do, such as traffic management schemes (KLR). We have included these costs which are set out separately in our charging documents and make developers aware at estimate stage whether their scheme is subject to these 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)?**

Costs are structured based on size, length and type of excavation/reinstatement are based on an average costs taken from our schedule of rates and actual costs.

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

Our contractor rates apply to all aspects of the delivery of new water mains and service including the installation of water meters.

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

All work carried out in Developer Services is captured on our work management system, MAXIMO. Once a scheme is complete our contractor will fill out a track sheet and feedback ticket that detail the breakdown of the costs, what work was actually carried out and supporting photographic evidence. Business objects reports are run capturing all cost and this is run through the original tool. Any variance to cost is investigated and a recalculation carried if there is a variation to the original works requested, e.g. we originally estimated for laying pipe in an open trench but once the work is scheduled excavation is required. In most circumstances a variation order would be signed prior to this.

The procurement strategy looks to the optimum bundling of works/services to encourage competition and recognise economies of scale. The Network contract was procured on a 60/40 split with 60% on price and 40% on quality.

Those invited to tender are provided with a full scope of work, a detailed list of service performance measures and KPI's including incentives and pain / gain assessments to drive the right behaviours and recognise good performance.

Within the tender we provide a comprehensive list of schedules of rates covering the range of work activity along with the associated preambles.

Our tendering activity is compliant with the Utilities Contract Regulations 2016. We engage the open market with a call for competition and use Achilles as an initial pre-qualification tool,

where required we add our own specific requirements to assess a potential tenderers capability and capacity to deliver the scope work.

**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, all charges provided are the same for all types of customer. NAV costs are calculated using the same rates as used for SLPs. We also use the same model to calculate the asset payment for NAV that we use for SLP income offset.

**(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.**

All charges are shown within our charging documents. Published fixed rates will not change and where the charges can vary these are also provided up front were possible for all types of customers.

**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 have developed a template bulk supply agreement in conjunction with NAV companies over the last few years. Initially the agreement went through a number of iterations as it was tested on live sites. We now have a standard template agreement that is available to download from our web site or on request. The agreement just requires site specific details to be added before it is ready for signature.

We have designed our template agreement to allow it to cover a number of scenarios so that bespoke agreements are not required.

We currently do not foresee a circumstance that requires a bespoke agreement but are open to discussion with any NAV if they have any specific requests for additions or amendments to our template agreement.

Link to our template bulk supply agreement:

<https://wholesale.southeastwater.co.uk/media/1538/20190619-bulk-supply-agreement-template-no2-nt-v04b-web.pdf>



## 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.**

We have attached our Developer Services structure in Appendix 4 Further details of how we interact are provided in section (b) below.

**(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.**

We have a single NAV contact point (Wholesale Revenue Manager) within SEW to receive NAV applications and manage responses. This role is not within the Developer Services team and operates separately from any developer services activity.

NAV quotations are calculated by a ring fenced team within the developer services team and then passed to the NAV contact point to complete and issue the offer letter. The Wholesale Revenue Manager deals with the receipt of the NAV application, any day to day communications, the provision of quotations, reviewing and confirming the served status of the site, issuing the bulk supply price and bulk supply agreement.

We also have a Self-Lay lead who is the main point of contact for Self-lay providers. Our lead will review any estimates provided and ensure that all timescales are met by the team.

### **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;**

We work closely alongside all parties wishing to develop within our supply area regardless of the delivery method. South East Water attends Water UK groups, such as the IPG and D-MeX working groups, we also have a representative on WIRSAP, which is currently hosted by Lloyds.

Our engagement takes on various forms to ensure that we can provide information to the broadest range of persons. Our lead roles will have regular meetings with all of the clients and have worked well to build excellent relationships. We have been pleased with feedback we have received and suggestions on how to make the process easier, such as monthly forecasts being provided by SLP's for asset payments.

We have conducted telephone surveys for feedback to drive excellent customer service from all our teams. This is usually best placed to capture information from smaller developers who we have found more willing to provide feedback over the telephone instead of email or developer days.

All our customers who contact Developer Service by email will be provided with a link to a survey where they can provide their feedback relating to all issues including the new charging scheme to be implemented from the 1<sup>st</sup> April 2020. A copy of our engagement road map is attached in Appendix 5.

Developer Days that we have held have been a way in which we have offered our developer customers, SLP's & NAV's to visit and ask questions in an open forum. We have also invited questions about live projects so that we can rectify any issues or problems our developer customers may be having face to face. This year we will be taking a new approach and carrying out a series of road shows across our region, this should provide developers with a number of opportunities to attend regardless of where they are based.

We have started quarterly management engagement meetings with NAV companies working in our supply area and have been engaging with NAV companies in 2018 regarding the changes to our bulk supply pricing model. We have also reviewed the feedback provided by NAV companies as part of the Water UK NAV Behavioural Improvement project.

The South East Water Developer Services team offer an open door policy to all customers and stakeholders. All of our developer customers are invited either into our offices or for the team to attend site to resolve any queries that they may have.

**(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**

There are two types of engagement, specific and continual, that we participate in with our customers. Specific engagement will be targeted at a specific change or implementation of a new policy that will directly impact developers, SLPs & NAVs.

Appendix 5 details our engagement road map for the new charging arrangements to come into place in April 2020. We have used feedback from our previous discussions with stakeholders to try and provide a variety of options for SLP's, Developers and NAV to engage with us.

Our continual engagement process is where we provide information that will assist a developer, SLP & NAV completing their project. This has included information about the Water Supply (Water Fittings) Regulations 1999 for temporary supplies and new build properties. For this dedicated information booklets have been made which are available to our customers.

All NAV companies operating in our supply area were emailed our Bulk Supply Charges 2019/20 documents effective 1 April 2019. Emails sent on the 16<sup>th</sup> of January 2019.

The Quarterly meeting covered: the performance against SLA's, site specific issues, the provision of additional services, self-serve regarding POC and clarification of policy issues.

Engagement with NAV companies in 2018 regarding the changes to our bulk supply pricing model. This involved a conference call; a face to face meeting and emails.

Recent conference call with a NAV to discuss bulk supply charges, organisational behaviour and performance, the provision of additional services to NAV's, charging policy re connection charges and the proposed new service standards for NAV applications.

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

During our engagement days stakeholders are asked to review our documentation and processes. South East Water always welcomes feedback and ensure that we ask a full range of customers including NAVs and SLPs. Our team will contact these stakeholders and respond to them directly. The team will constantly liaise with customers and stakeholders, often meeting them on site to run through any concerns and maintain contact throughout the scheme. We will also visit smaller sites were the team can offer advice on process and regulation. We have found that this works really well with one-off customers and have received some excellent feedback from them. We believe having lead roles in place will make the process a lot easier or customers and help them to feel that their contributions are valued. We also run surveys through our website to obtain constant feedback on our services.

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

Please see Appendix 5 for a copy of our engagement road map for the next 2 years.

**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, all service levels are the same.

**(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.**

The table below shows our performance for the Water UK levels of service Self-lay metrics – 2019/20 YTD.



Metric	Ref	Type	South East
Self-lay point of connection applications - written acknowledgements within target	W19.1	PERF	100.00%
Self-lay Point of Connection report < 500 plots etc - reports issued within target	W20.1	PERF	100.00%
Self-lay Point of Connection reports >500 plots etc - reports issued within target	W21.1	PERF	-
Self-lay design approval and terms request application - written acknowledgements within target	W22.1	PERF	100.00%
Self-lay design and terms request <500 plots etc - quotations within target	W23.1	PERF	-
Self-lay design and terms request >500 plots etc - quotations within target	W24.1	PERF	-
Self-lay signed agreement - acknowledgements within target	W25.1	PERF	100.00%
Self-lay water for pressure/bacteriological testing - provided within target	W26.1	PERF	100.00%
Self-lay permanent water supply - provided within target	W27.1	PERF	-
Self-lay vesting certificates - issued within target	W28.1	PERF	-

Our performance in this area is good, any blanks indicate that we have no activity in that for that period.

**(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.**

We provide below information regarding our performance against the draft metrics published in the draft recommendation report version 3, dated 31<sup>st</sup> August.

1. Incumbent provides confirmation of served/unserved status or identifies served properties – 21 calendar days

Over the last 12 months we received most site status requests with the POC request pack and they were returned with the POC response. As our SLA for the POC response was 20 working days and the behavioural improvements proposed target is 21 calendar days for the site status report, we have missed the proposed new target 80% of the time in the last year. Our average response time was 26.65 days with 30% of responses on or better than the proposed target of 21 days.

We are committed to ensuring that moving forward all responses are within the 21 day SLA.

2. NAV submits application form to incumbent, who checks it and confirms receipts - 5 business days

Until mid-August 2019 we did not have a receipt confirmation step as part of our process. Since mid-August 2019 we have added this step to our process and we have achieved this SLA 100% since then.

3. Incumbent provides a bulk service offer letter to the NAV application – 28 business days for sites with <500 and 42 days for sites with 500 properties or more.

70% of our responses have been on or better than this proposed SLA in the past 12 months

4. Standard bulk service agreement signed – 28 days from confirmation of offer letter.

We have not had a standard bulk supply agreement in place until the middle of 2019. The request for a bulk supply agreement is at different times depending on the NAV and seems to relate to the Ofwat process and not the NAV giving us confirmation of the acceptance of the POC offer letter. So it is not possible to report against the proposed target, historically.

Our process now that we have a template agreement in place is: on request for the bulk supply agreement, we populate our template contract with site specific details and email it to the NAV. The NAV prints 2 copies which are signed and returned to us for signature. We have our own internal SLA of 5 working days to populate and send the agreement to the NAV from date of request. This SLA has been in place since mid-August 2019 and has been achieved 100% of the time to date. We cannot control the length of time the NAV takes to return the contract to us. South East Water currently produce the draft Bulk Supply Agreement within an average turnaround of 25 days.

**(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 have had a number of NAV applications for sites that had previously been requested for requisitions and SLPs. We use the ring fenced team to calculate any costs or contributions for the NAV site and base the calculations on the information provided by NAV.

**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.**

Our Self lay lead, along with our Senior Technical Lead, will ensure that all forms will be available on our website, along with an up to date design and construction guide by the end of December 2019. We will be contacting all SLPs who are active in our area with a link to the website and an overview of the changes. Our Senior Technical Lead oversees all design and policy in this area.

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

We have engaged with two of the largest SLPs operating in the South East Water area, and we intend to contact all SLPs to get their views on the codes, and to see if they would be in agreement for South East Water to implement by the start of 2020. We are currently part of the Water UK Codes for Adoption group and have regularly provided feedback during the process.

Codes for adoption engagement:

- South East Water has engaged by having monthly telephone conversations with the SLP's to obtain as much information from them regarding their views on the codes and proposals. The feedback we were expecting were around anti-competitiveness, construction guides/design guides, timescales, notifications, SEW webpage. After telephone discussions the feedback received were around the above, however, the main focus was drawn to the delivery of source of water.
- South East Water has regular monthly meetings with two of our main SLP's which are held either at South East Water offices, SLP's offices or onsite. Regular face to face interaction is undertaken to discuss the current/new proposals. South East Water discussed a proposal for delivering the source of water at the first point of contact from the SLP, however, terms need to be agreed regarding all associated costs will need to be paid to South East Water for delivering these works, if the scheme does not go ahead. The SLP's engaged were in agreement with this.
- Further telephone conversations with SLP's will be held **w/c 4<sup>th</sup> November 2019**. This will allow South East Water to obtain further information from the SLP's and organise future workshops/meetings to discuss with them.
- Further workshops/meetings will be held **w/c 18<sup>th</sup> November 2019**. This will allow South East Water to capture and organise a response to the points raised and prepare further discussions on our future goals for April 2020.
- We will be carrying out a number of engagement Road shows in December and January.



## 5. Annex D: Question relating to the effective support and development of new markets (optional)

### Question relating to the effective support and development of new markets (optional)

#### 1. What are you doing to effectively support the development of new markets?

We are continuing with a long track record assessing and delivering third party solutions to meet our supply demand balance needs

South East Water currently takes more water from bulk supplies than any other water company in England and Wales<sup>1</sup>, and we are strong advocates for greater collaboration and sharing of water into the future.

Through our work with the Water Resources in the South East (WRSE) Group, during the past 20 years we have collaboratively delivered a number of solutions that involve sharing of water resources with other parties e.g. providing a bulk supply to Folkestone and Dover Water (now Affinity Water) in Kent; taking a bulk supply from Southern Water at Darwell in East Sussex.

In our published WRMP19 we have included preferred options to share water resources into the future including: taking a new bulk supply import from SES Water; and providing a new bulk supply export to Southern Water.

#### **We have taken the lead promoting a marketplace for third party options.**

We believe that there are many opportunities for sharing and co-delivery of supply and demand options with a range of third parties now and in the future.

To support this view, we co-authored a report with Frontier Economics<sup>2</sup> to explore mechanisms for increasing water trading and we were pleased that in their Water 2020 report<sup>3</sup> and the Price Review methodology, Ofwat adopted many aspects of our proposal.

The recommendations adopted in the Water 2020 summarised a number of practical steps for addressing the main barriers to the sharing of water resources. These were changes to regulations and guidelines, as well as the creation of a national-level information exchange/marketplace.

---

<sup>1</sup> As a company 8% of our supply is derived from bulk supplies with neighbouring water companies, compared to industry average of 4%

<sup>2</sup> [corporate.southeastwater.co.uk/media/1880/a-water-resource-discussion-document-thirdparty-options-in-conjunction-with-frontier-economics-july-2015.pdf](https://corporate.southeastwater.co.uk/media/1880/a-water-resource-discussion-document-thirdparty-options-in-conjunction-with-frontier-economics-july-2015.pdf)

<sup>3</sup> Water 2020: our regulatory approach for water and wastewater services in England and Wales. Ofwat 2016

Understanding what the long-term recommendations are likely to be has helped in developing the methods and approach for third party engagement for our WRMP19 to ensure alignment and “future proofing” for Water 2020.

## Contact Us

South East Water  
Rocfort Road  
Snodland  
Kent  
ME6 5AH

[southeastwater.co.uk](http://southeastwater.co.uk)

Follow us

