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Date
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Contact
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Dear Emma

Thank you for your letter of 16 September 2019 regarding incumbent water companies and the development of effective markets. This letter is Southern Water's response to that letter and the letter previously received from Rachel Fletcher on 28 May 2019 on the same subject.

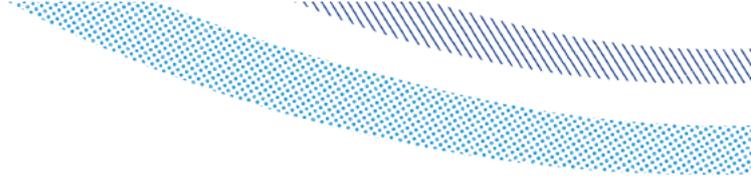
Southern Water fully supports the development of markets for the benefits to customers and recognises the potential for innovation, improved outcomes, and the role it has to play as an incumbent water company.

We have been an active participant in the development of the non-household retail market, with full engagement in the Open Water programme and elected representation onto the Industry Panel and other Panel Committees. Southern Water has continued its support of this market with an iterative programme of continuous improvement initiatives including instigating a collaborative market data improvement programme to resolve long unread meters and the introduction of several alternative credit arrangements to support retailers and promote the development of an effective retail market. Building on the foundations of our Retailer Engagement Commitment, we have developed strong relationships with retailers active in our area.

In the recent R-Mex pilot carried out in August 2019 Southern Water was ranked 2nd of the 11 wholesalers that participated. We were also ranked 2nd in the independent survey of wholesaler performance across the sector carried out by Utility Week in February 2018. Our performance as indicated by the monthly Operational Performance Standards (**OPS**) and Market Performance Standards (**MPS**) scores also tells a positive story. Our MPS performance is upper quartile and whilst overall we finished in a mid-table position we are on an upper quartile trajectory.

Southern Water has also been at the forefront of supporting the development of a vibrant and effective developer services market.

Recognising the importance of good customer service across the developer services function, we are 12 months into an 18 month transformation program aimed at improving the internal and external aspects of our service. We have restructured our teams to create Business Channels which provides a focus on our business to business relationships. A review of our end to end processes within developer services has been supported by an overhaul of our digital offering, including the creation of a new online portal and improved internal workflow solutions. Southern Water has been active participants in various WaterUK working groups: behavioural improvements to reduce market



friction; introducing D-Mex to all developer service customers; standardising services based on our experience of best practice; new water and sewerage codes for adoptions; and playing a leading role in the creation of design and construction specifications for SLPs. We have introduced new processes, standard bulk agreements and service levels to improve the functioning of the NAV market and remove any perceived barriers to entry. Southern Water now has 40 variation of appointments in its region and fully engages with new entrants to support the development of the market and ensure a level playing field.

We are actively engaged in the development of other markets. We are exploring opportunities for water trading within the region and from neighbouring regions and are investigating abstraction licence trading in our Arun and Western catchments. We are also exploring the development of a market in bio-resources and have agreed in principle tactical trading arrangements with neighbouring water companies and are investigating a potential market-wide solution. Finally, we are investing resource into an innovative programme to work collaboratively with full service NAVs and use markets to competitively tender for alternative growth solutions to deliver optimum outcomes for the environment and customers.

For ease of reference we have structured our response using the same numbering as your letter and repeated the questions.

Yours sincerely



Ian McAulay
Chief Executive Officer, Southern Water

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

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

The Board of Southern Water supports the development of markets for the benefits to customers and recognises the role that it has to play as an incumbent water company. As a result, the company has invested significant resources and developed effective team structures and reporting lines to ensure the development and facilitation of effective markets. These reporting lines and processes allow any significant issues to be escalated to the Board who ultimately provide oversight and governance in all key aspects of the operation of Southern Water and are responsible for competition compliance and agreeing market strategy.

Whilst there is no specific agenda item related to the development of markets on our formal Board agenda, there are opportunities to discuss any escalated significant strategic market issues at Board meetings. There have been verbal updates and out of cycle updates regarding competition and markets at executive level, including full involvement during the development of the non-household (NHH) retail market, the strategic decision to exit the retail market and awareness of any significant competition complaints received. Furthermore, the Board has been made aware of this questionnaire and the Board has had the opportunity to review the response.

A whole new team structure, Business Channels, has been created to deal with the development of markets and our interactions with trading parties (see **SD52** Southern Water Business Channels Organogram (Sept 19)). The Business Channels team deals with all processes and business-to-business relationships relating to both the NHH retail market and developer services market participants, such as Self Lay Providers (**SLPs**) and alternative appointees (**NAVs**). Further detail about the structure of Business Channels and the activities it covers is provided in response to Annex C Question 11.

The Business Channels team deals with all requests from these business customers and manages and reports against performance service level agreements (**SLAs**). These SLA's are reported to the senior management team and, where appropriate, escalated to the Director of Customer and Commercial Services and the executive team. The executive team provide awareness and escalate issues as appropriate to the Board.

In addition, within the Strategy and Regulation Directorate, we have a Competition and Markets Manager who has responsibility to oversee compliance with market codes and regulations and competition law. The role supports and oversees development of these markets internally and is

able to escalate any specific market issues to the Director of Corporate Strategy and Regulatory Affairs, and the Company Secretary.

Annex B: Questions relating to the Business Retail Market

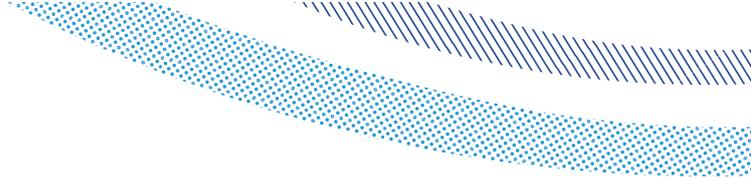
General

- 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).*

As a provider of wholesale services in the business retail market, we understand that we need to be aware of the experience not just of our direct customers, the retailers, but also that of the end customers. We actively consider customer experience from each of these perspectives across the whole value chain. Our team of relationship managers engage with retailers to understand their experience in engaging with Southern Water as a wholesaler, as well as end-customer satisfaction. This includes identifying any issues which negatively impact the services provided to the retailers and the end-customers. We have also engaged with non-household customers directly for PR19, in which we interviewed over 2,000 businesses as part of our customer engagement. This included in-depth face to face research to explore long term priorities, telephone surveys as part of willingness to pay and understanding priorities. We then completed customer acceptability research for our proposed plan, with businesses providing the highest scores across all the types of customers engaged.

Our methods of engagement include:

- Weekly Operations calls with retailers.
- Monthly relationship management meetings with retailers (**Monthly Retailer Account Meetings**).
- Retailer satisfaction score cards assessing our performance. The scorecard is completed quarterly by the retailer and then by Southern Water and is used to both assess performance and stimulate conversation. It assists us in focusing on the areas in need of improvement and allows us to celebrate the areas that are performing well.
- Monthly performance meetings with Clancy Docwra, our third party service provider that has been appointed to carry out non-household meter activities, such as exchanges and installs.
- Weekly performance hubs which cover all parts of the developer life cycle (growth, managing applications, project delivery, financial reconciliation and customer complaints) with colleagues from relevant parts of the business to review complaints from NHH consumers about our service as provided via retailers. Continuous improvement methodologies are used to identify areas for



improvement arising from these meetings. These are captured in an improvement plan and tracked through to delivery.

- Daily operational performance huddles with the relevant teams take place which focus on the days tasks. This includes identifying the tasks that need urgent attention in order to ensure that the relevant SLAs are met.
- Monthly performance hubs with relevant stakeholders across the business are supported by internal reporting, and areas for improvement are highlighted with associated actions put in place to rectify.

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).

Southern Water actively participates and contributes to the market Industry Panel and the associated committees, working sub-groups and consultations. Southern Water seconded an FTE into the Open Water programme to develop the market codes and subsequently was an active member of the Work Plan Review Group and working sub-groups, such as the Credit Arrangements Working Group.

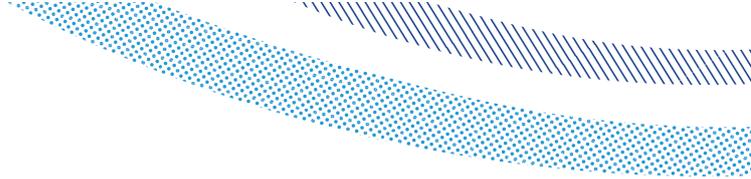
Following market go live, our Market Reform Manager was elected as a Panel member, with Southern Water attending all Panel meetings and actively participating in the Panel for the first two years of the market. Following this two year tenure, Southern Water has continued to attend Panel as an observer to monitor Panel activity and market issues.

Southern Water has also been an active member of the Panel Committees and working groups, with representation and membership of the Credit Committee (Wholesale Credit Risk Manager), Trading Disputes Committee (Markets and Competition Manager) and the Trade Effluent Issues Committee (Trade Effluent Services Manager) and with nominations to others.

We participate, monitor and contribute at other forums including the User Forum, Retailer Wholesale Group (**RWG**), chair of the RWG Policy working group, RWG Vacants working group, RWG R-Mex working group and the Operational Release Working Group. For further details about our participation in these groups, please also refer to our response to Annex B Question 12 below.

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.

Southern Water is committed to contributing to industry consultations, including in relation to code change proposals. In considering the changes proposed and developing our response we consider the impact on our organisation, whilst balancing the potential impact on the end customer and that



of the whole market. This can include a review of the principles and objectives of the WRC as set out in the change proposal. One example of a scenario in which we have balanced the interests of the market, and retailers in particular, against our commercial interests relates to change proposal CPW021. For CPW021 we supported the introduction of a new obligation on wholesalers to negotiate reasonably, in a timely manner, and in good faith regarding alternative credit support which we agreed was consistent with the Code principles of Non Discrimination and No Barriers to Entry (see our response to Annex B Question 17 below for further details).

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).

Southern Water's approach to participation in market development recognises the need to be part of the industry-wide discussion. We have aimed to have representatives from Southern Water contribute and participate in as many forums and industry groups as possible to provide expertise in order to play our part in helping to deliver an effective and fully functioning retail market. This approach has resulted in our extensive participation of the Industry Panel, Committees and working groups as described above in our response to Annex B Question 2.

Our Executive Leadership Team supported the nomination and subsequent election of a Southern Water employee as a member of the Panel representing the Wholesale community. This required sign-off by the Strategy and Regulation Director, and a signed declaration to MOSL confirming that duties arising from the Panel would prevail over duties as an employee of Southern Water during the period of Panel membership (see **SD53**: Southern Water declaration to MOSL).

Similar declarations have been provided by Southern Water with respect to other nominations to the various Panel Committees that our employees have been elected to (see response to Annex B Question 2 for further details).

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?*

Southern Water has been subject to two Initial Performance Rectification Plans (**IPRPs**) - MPS12 on Late Non Market Meter Reads and MPS7 on Late Meter Reads. Our meter read performance and the requirement to undertake rectification plans should be considered in the context of the extensive data improvement programme that we initiated. This data cleansing exercise, which is seen as market leading best practice, required rectification of meter details. This had a direct impact on our performance of late meter reads (MPS7) and resulted in a downturn in performance, which gave rise to the subsequent requirement for the IPRP. This root cause was accepted by MOSL as a major contributing factor and Southern Water considered the short-term performance impact necessary in order to achieve the broader aim of improving the underlying market data.

MPS12 - Late Non Market Meter Reads: This IPRP improved internal processes to capture the reads from within the Household portfolio and transfer the data to CMOS ahead of Market Performance Standard (**MPS**) fail dates. This IPRP was put in place in January 2019 and was removed in August 2019. MOSL process is to monitor the MPS for a further three months before officially removing any focus on the particular plans.

MPS7 _ Late Meter Reads: This IPRP interrogated the root cause of failures relating to late meter reads and amended our internal processes to ensure SLA timelines would be met following the data cleansing exercise. This involved system changes as well as additional training for personnel. The IPRP was introduced in December 2018 and was removed in September 2019. We are currently within the three month watch period.

- 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.*

Market performance is reported to the senior management team for review and, where appropriate, escalated to the Director of Customer and Commercial Services. The performance issues relating to the IPRPs were escalated to executive level via this internal reporting process. As the root cause of the performance concerns was understood and in the case of MPS7 could be linked to our proactive data rectification program, the imposition of the IPRPs was not escalated beyond the executive leadership team.

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?

Southern Water exited the NHH Retail Market on market opening to a third party retailer (Business Stream) and therefore does not have an associated retailer. Whilst Business Stream remains the largest retailer in our region, we include all retailers within our OPS considerations. Our relationship managers liaise directly with each trading party to encourage a collaborative approach to the submission of forms and data requests. This ensures that we are equipped to handle any peaks that may be planned/envisaged and allows us to predict the impact on throughput and help with capacity planning.

In terms of safeguards to ensure equivalency of treatment across retailers, each of the requests from retailers is received into our system on an anonymous basis - i.e. it is not attributed to a particular retailer. The tasks received are typically dealt with on a first come first served basis, subject to ensuring that all tasks are performed within the appropriate SLA period. As such, our system is geared to ensure equality of treatment, regardless of the identity of the retailer in question. Each retailer receives a monthly OPS report which can be discussed and we track our performance overall through our monthly submissions to MOSL.

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 worked closely with MOSL to ensure that our OPS submissions, since the introduction of the revised measurements, adhere to MOSL requirements. We have been audited twice in relation to the submission of our OPS performance data, externally in 2017 and internally in 2019. We have another external audit taking place in December 2019 which will focus purely on our OPS performance data. We are confident that our submissions since April 2019 (when penalties were introduced) accurately reflect our performance, which allows us to focus on areas of failure with a view to improving our scores.

To achieve this, every month before the data is sent to MOSL for publication it is checked by the Market Performance team against the defined market methodology and then signed off by the Head of Business Channels. Our processes for checking the OPS data include the manual review of data and reconciliation checks, prior to completion of the MOSL submission template.

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.*

Long unread/faulty meters: Recently MOSL has launched an initiative that sees each wholesaler paired with the retailer most active in its area to tackle the issue of long unread and faulty meters. This is an approach that Southern Water has already been taking for some time. We are just coming to the end of our second six month phase of investigations into this subject. A project to identify or locate meters at premises that have historically not been read was commissioned and allowed a more in-depth investigation to take place (as opposed to a normal meter read visit timeline). This has involved the collaboration of the largest retailer in our region (Business Stream), an asset monitoring service provider (Siemen's) and our own resources. The results of this exercise are still ongoing, but we are seeing a fair proportion of these visits either result in a meter being found and read, or identifying issues with the meter or supply point (which Southern Water inherit to resolve). The meter information generated by this project (which includes meter location data) is shared with the retailer serving the site in question. Also, although this particular project has been a collaboration with Business Stream, similar processes are available for all retailers to submit requests for Southern Water to investigate and resolve supply point meter issues.

Vacants: We have taken a proactive approach to investigating our current vacant portfolio with a view to identifying premises that are in fact occupied or confirm the vacant status. We commissioned an external company in October 2018 to work through that portfolio with the aim of clearing it, but experience across the industry has seen the number of properties identified as vacant increasing, rather than reducing. To tackle this trend, we have commissioned the same company to carry out another review of vacant properties identified across the whole of our region. This review started in September 2019.

Where this process results in premises with a high probability of occupancy being identified, that information is then shared with the appropriate retailers with a request that they amend CMOS to reflect the occupancy accordingly.

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?*

We have had data improvement initiatives in place since before market opening, and we maintain a log of areas where we feel further improvement can be made. As an example, see the response to Annex B Question 9 above for details of the processes we have in place which are helping to improve meter location data. We follow the Market Performance Operating Plans (**MPOP**) guidelines to align our initiatives from a priority perspective, although when opportunity permits we will address some of the "*lesser important*" issues. The Southern Water Market Performance team, which consists of



one manager and four performance specialists, is tasked with continuous improvement of all aspects surrounding the market, incorporating both data and process.

The Market Performance Team's responsibility extends to managing the data improvement programme, supporting the Wholesale Service Desk with associated market issues and ensuring processes are robust and meet MPS/OPS compliance. There is a Task Matrix that outlines the main areas of focus for 'business as usual' activities (see **SD60** Extract from Market Performance Team Task Matrix as at 30.9.19). This is supplemented by and ultimately prioritised in accordance with MOSL's MPOP guidelines that reflect the current market focus on items of "high risk" to market performance.

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.

Where a retailer has identified incomplete or inaccurate data we ask that the retailer completes our Retrospective Amendment Request (**RAR**) form. The retailer sends the form to our Market Performance Team by email. The RAR has been designed to include the questions to which we require an answer in most circumstances in order to investigate and process any resulting amendments.

Retailers can also advise us of incomplete or inaccurate data via the F01 MOSL form which is directed to our Wholesale Service Desk. MOSL forms are set up to take a variety of queries which includes the identification of incorrect data in the market. The Wholesale Service Desk pass on relevant details to the Market Performance Team. We also advertise methods of contact clearly on our website to allow anyone who does not have access to MOSL forms, or is not aware of our processes (end-customers for example), to advise us of inaccurate data or submit queries on our data. Again, all such requests/queries are passed on to the Market Performance Team.

Following receipt of the inaccurate data amendment request, or other type of notification, our Market Performance Team investigates the issue in accordance with our internal processes. Our processes include analysing the request, investigating the data anomaly, identifying the issue, discussing this with the retailer where appropriate, and finally resolving the data inaccuracy. This may include a data amendment on CMOS by Southern Water, the retailer, or a third party. The SLA for dealing with these requests is eight business days.

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.

Participation in groups: As noted above in the responses to Annex B Questions 2 and 4, Southern Water is fully engaged with, and actively contributes to, the work of the RWG and associated action groups. Our Wholesale Relationship Managers attend the RWG meetings or, when attendance is not possible, review RWG meeting notes. They also respond to industry-wide requests for information (**RFIs**). To date Southern Water has been or are currently involved in the following RWG action groups:

- R-Mex
- Accredited Entities
- Complaints
- Vacants and Gap Site Incentive Scheme
- Leak Allowance
- Meter Reading Service
- Loggers

Prior to leaving Southern Water for a role at MOSL, our Wholesale Services Manager was Chair of the Policies Group. Our Head of Business Channels and/or our Wholesale Services Manager are regular attendees at the Water Industry Group (WIG), and either attend or dial into the User Forum meetings.

Following market opening Southern Water formed an internal Retail Market Governance Group (**RMGG**), chaired by our member of the Industry Panel, to share and disseminate information from each of the market and industry groups attended and to discuss market issues across functions, including Wholesale Services, Trade Effluent, Finance, Data, IT and Regulation.

RWG Guidance: - Southern Water has fully implemented relevant published RWG guidance including:

- **Unplanned Events** – implemented (see **SD54**: example retailer communication used in the event of an unplanned event). The RWG guidelines were also used as the basis for changes to our Event Manager tool (which sends out retailer notifications) to further enhance our service (see **SD55**: New Initiative identified Event Manager Update). See also **SD56** Incident Management Good Practice Guide Integration.
- **Leak Allowance** – implemented and incorporated into our leak allowance policy as published on our website.
- **Disconnection for Non-Payment** – implemented. We note that these guidelines are very similar to the process that we have had in place since market opening.



The RWG guidance on Meter Reading Services has not been implemented as it is not applicable to Southern Water given that we do not currently offer meter reading services.

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.

Southern Water took a proactive approach to the development and implementation of a bi-laterals solution. Our IT and change teams began work on the unilateral design of a B2B interface system that would enable a simple transition to align with the original proposal from MOSL. Following amendments to the MOSL design our IT architects met with their MOSL counterparts to ensure alignment of the two systems would still be achievable without any significant reworking.

A business case for the development and implementation of the solution has been submitted to our transformation committee which oversees the approval of spend against change initiatives. Funding has been secured based on the current understanding of the scope of the bi-laterals solution. We have engaged with MOSL's CIO and are now awaiting further detail from MOSL on the time frame for delivery, which is currently May 2021.

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?

All of our wholesaler policies relating to our activities in the NHH Retail Market have been published on our website since market opening <https://www.southernwater.co.uk/retailer>.

Our Wholesale Charges and supporting policy statements are also published on our website and have been since market opening: <https://www.southernwater.co.uk/retail/wholesale-charges>.

SLAs & KPIs associated with the provision of our wholesaler services are documented in the Market Codes and trading parties are bound to these as they underpin the MPS and OPS metrics. We provide a summary of the reporting metrics that we use in managing retail accounts on our website: <https://www.southernwater.co.uk/retail/our-retailer-engagement-commitment>.

In terms of making sure that these policies are understood by retailers, as well as being accessible, we make use of all of our engagement opportunities (as outlined in response to other questions in this document) to seek feedback and make improvements as required.

(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?

All of our wholesaler policies for the NHH Retail Market are reviewed annually and updated where necessary. We also make use of our Monthly Retailer Account Meetings, and other ad hoc engagement, to ask for feedback on our policies and suggested improvements. A survey sent to all retailers by Utility Week in March 2018 identified concerns about the complexity of wholesaler tariff documents. We followed this up with our own survey with retailers which gave rise to some suggestions for simplification. As a result of this feedback we changed the layout of the charges document to make it clearer. We also included worked examples of our Large User Tariff as these had changed in 2019-20. The updated wholesale charging document was published in February 2019 for the charging year 2019-20.

As noted above in response to Annex B Question 12 we updated our Leak Allowance policy in light of the work of the RWG.

Another example of an area where we have made improvements to our policies to the benefit of retailers is in relation to our logger policy. Our original approach for all applicants prior to market opening was to issue an invoice upon receipt of the logger request and not to carry out the site survey until the invoice was paid. Although this policy sits outside the scope of the Market Code, following discussion with retailers post-market opening we changed both the payment method and the timing of the site survey to make it simpler and more convenient for retailers. The survey is now conducted as soon as the application is made and we do not wait for payment of the invoice. Instead, the retailers are invoiced for this service within their normal monthly invoice as a non-primary charge.

(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?

Southern Water has not made any changes to the wholesale services that we provide in the NHH Retail Market since 1 April 2017. We have, however, made some improvements around the way in which policies are communicated, and how we approach accredited entities to improve understanding and operational flexibility for retailers:

- **Tariffs and Charges:** After consultation with retailers we made changes to our wholesale charging document as detailed above in response to Annex B Question 14(b).
- **Trade Effluent:** Southern Water introduced a new Trade Effluent (TE) Low Risk Tariff in April 2019 following feedback from retailers. Although the tariff does not change the charges for the associated accounts, it makes it easier for retailers to identify a certain type of account that only has a TE standing charge (i.e. no TE volumetric charge). This in turn makes it easier for the retailers to answer questions from NHH customers without needing to seek clarification from Southern Water.

- **Accredited Entities:** Southern Water has accepted the Memorandum of Understanding for Accredited Entities (AE), which was signed by Southern Water and Lloyds Register (LR) on 02/07/2018, as a way of voluntarily supporting the NHH market by allowing retailers to choose a company that is accredited under the Water Industry Registry Scheme Accredited Entities (WIRSAE) administered by LR. Southern Water has signed up to allow the following processes: (i) Disconnection for non-payment; and (ii) Meter exchange. This allows the retailer to manage their own SLAs and their customer journeys by 'owning' the work to completion on our network. We have one AE looking to sign up under this scheme. Our Addendum (listing what we allow and details on how the work should be performed/qualifications required by those doing the work) and further details are published on the LR WIRSAE site at <https://www.lr.org/en-gb/utilities/wirs-wirsae/wirs-accreditation/> and on our website at <https://www.southernwater.co.uk/accredited-entities>.

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.

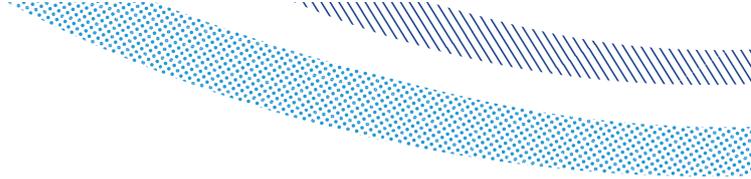
Following the transfer of our NHH retail business to Business Stream in 2017, we were asked by Business Stream to introduce a fixed element to our wholesale charges to avoid the risk of significant bill changes for customers post-market opening. Following consultation with other retailers and with Ofwat we introduced new fixed wholesale charges in April 2017, but clearly signaled that we would phase them out as soon as practicable.

From 2020-21 we propose to remove this charge (see our preliminary statement of significant changes <https://www.southernwater.co.uk/media/2622/prelim-statemt-of-sig-changes-to-wholesale-chgs-20-21.pdf>, p.2). This means that, with the exception of our highway/surface water drainage and large user charges, our wholesale charges will be wholly volumetric. This is the simplest tariff structure, and enables maximum freedom for retailers to make price and service offers to end customers.

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

We will not levy any charges in relation to vacant sites from 1 April 2020. This is consistent with our approach not to charge for vacant sites both since 1 April 2017 and prior to 1 April 2017.

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?



Southern Water has taken an agile approach to our engagement with retailers. The essence of this approach is that we aim to make use of all our customary and proactive engagements with retailers as opportunities for continuous feedback and improvement. Accordingly we discuss our service and performance in the Monthly Retailer Account Meetings, as well as taking account of any feedback gained during the more frequent operational contacts. We have also carried out multiple surveys with retailers:

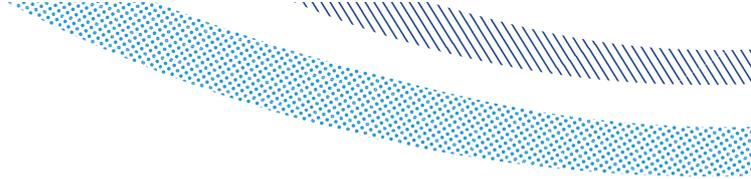
- June/July 2017
- October/November 2017
- Tariff Doc survey May/June 2018
- Meter reading services survey July/August 2018
- February/March 2019 2019
- R-MeX pilot August 2019

We also participated in an independent survey conducted by Utility Week in February 2018. In those surveys we sought feedback on service relating to the performance of the Wholesale Service Desk and Retailer Relationship Management teams and asked the retailers to score us. Sample questions taken from the surveys in 2017 and 2019 included:

- Have you had contact with a Southern Water Relationship Manager?
- How satisfied were you with your contact with the Relationship Manager? (Scored)
- Have you had any contact with the Wholesale Service Desk, if so how satisfied were you with the service you received? (Scored)
- Overall how satisfied were you with the service you received from Southern Water's Wholesale Services Team? (Scored)
- Have you used our Retailer Portal, if so how would you rate your experience of using this? (Scored)
- Have you used our Incident Mapping System (IPAM), if so how would you rate your experience of using this? (Scored)
- Have you had any recent contact with the Trade Effluent Desk? If so how satisfied were you with the service you received? (Scored)
- Can you suggest any areas for improvement based upon your interaction with us?
- Any further comments you would like to make?

The 'scored' questions in the 2017 surveys used a sliding scale: very satisfied; satisfied; dissatisfied; very dissatisfied; N/A. In the 2019 survey this has been replaced by a score of 1-5 (5 being most satisfied, 1 being least satisfied).

Based on the information and scores received, we have identified areas to target for improvement. As an example, in one of the surveys we received a score of 6/10 for our approach to handling credit. The feedback indicated that retailers wanted to see a more flexible approach and greater appetite for innovative solutions to facilitate entry. Having taken steps to improve our alternative credit



arrangements (see the response below to Annex B Question 17a), we subsequently received an improved score 8/10.

Most recently we have been participating in the RWG R-Mex group (one of our Retailer Relationship Managers participating as the Southern Water representative) and Southern Water was a willing participant in the R-Mex pilot survey in August 2019. As noted above, we were ranked 2nd of the eleven wholesalers participating in the pilot.

(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.)?

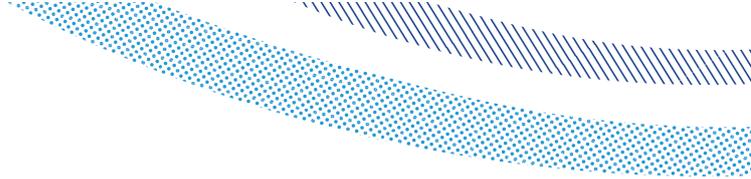
Our approach to maintaining and improving our working relationship with retailers is detailed in our Retailer Engagement Commitment: <https://www.southernwater.co.uk/media/2231/retailer-engagement-commitment-v1.pdf>. We allocate each retailer a dedicated retailer relationship manager that acts as their initial point of contact on the Wholesale Services team and will help to guide them through the onboarding process, as well as providing subsequent bespoke account management.

As noted in response to previous questions, all retailers benefit from Monthly Retailer Account Meetings and regular operational calls. We also use other methods of engagement to encourage dialogue. This includes sending out quarterly newsletters to retailers updating them with any news or business updates and, where appropriate, issuing more ad hoc bulletins (e.g. in relation to policy changes, severe weather events, etc.). From time to time we may call retailers for feedback, ask them to participate in surveys, and invite them to participate in workshops (e.g. on dry weather and drought planning, or on water efficiency) (see Retailer Engagement Commitment, p. 7).

In addition to these regular interactions, we also seek to build our relationships in other ways. We held an engagement day at the Amex Stadium in Brighton on 20/09/17 that was attended by retailers. We co-hosted a Dry Weather and Drought Retailer Workshop at Gatwick on 18/04/18. We also hosted a face to face RWG meeting at Falmer on 21/09/19 for all trading parties involved with the RWG.

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

We have committed to providing all retailers active in our region with monthly evidence of all aspects of our services provided specifically to them (see Retailer Engagement Commitment, p. 3.). In practice, this means that each retailer receives a monthly OPS report detailing how we have performed on their tasks. This is followed up with scheduled Monthly Retailer Account Meetings (face to face and by telephone) and additional information as appropriate. These reports and meetings provide an opportunity for us to engage with retailers with respect to causes for, and improving levels of, rejected, deferred or late OPS tasks.



We actively engage with the retailers to explore the opportunities to reduce the number of rejections and referrals, and we are proactively tackling the issues surrounding our OPS.

(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?

As per the response to Annex B Question 16(c) and other relevant responses above, Southern Water proactively engages with retailers through various mechanisms. As such, retailers are kept informed of any proposals we have for change to charges or services. Our charging proposals, for instance, are published ahead of implementation to give retailers adequate opportunity to provide feedback. We published our Statement of Significant Changes to Wholesale Tariffs on our website in July 2019 for stakeholder feedback and trading party awareness (<https://www.southernwater.co.uk/media/2622/prelim-statement-of-sig-changes-to-wholesale-chgs-20-21.pdf>) and an updated version was published in October 2019 (<https://www.southernwater.co.uk/media/2881/wholesale-updated-statement-significant-changes-primary-non-household-indicative-charges.pdf>).

Our agile approach to dealing with our retailers means that we have not needed to issue a formal consultation regarding service levels since December 2016.

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?

In accordance with Schedule 3 of the Business Terms as set out in the Code our policy is to give all Schedule 3 proposals that we receive due and proper consideration and to enter into discussions with retailers on those proposals. In doing so we have regard to our obligations to act reasonably towards the retailer and without unreasonable delay, and to negotiate in good faith in accordance with the principles of Non-Discrimination and No Barriers to Entry as set out in Schedule 1 to the Wholesale Contract.

In considering those proposals we also take into account the impact of the proposals on the retailers but also on Southern Water, particularly in relation to our general approach to risk based credit mitigation. Ideally, any alternative arrangements that we accept would offer benefits for the retailers whilst not being unduly detrimental to Southern Water, therefore furthering the principle of Proportionality as well as Non Discrimination and No Barriers to Entry.

On that basis we have provided to market three unique arrangements that offer all Retailers an opportunity to either receive a discount against or relaxation of credit support requirements while, at the same time, maintaining adequate credit risk mitigation to Southern Water:

- **Payment Performance:** We wanted to offer an arrangement that would provide a benefit to all retailers but also provide some enhanced risk mitigation to wholesalers. We published the payment performance arrangement in December 2018 which rewarded retailers with unsecured credit allowance (**UCA**) discount for settlement to terms of monthly wholesale charges. This can be utilised in conjunction with the other codified UCA mechanisms.
- **Investment Grade Status:** This arrangement removed credit support requirements for any retailer that is either government backed or has rating agency investment grade status. This was put in place to allow those retailers who hold nominal risk to opt out of credit support requirements which we deemed unnecessary due to their low risk status. This was published in April 2017 and revised April 2019.
- **Credit Worthiness:** This was recently published in September 2019, to allow retailers that sit outside of the eligibility criteria for the investment grade status arrangement to have an avenue to access the same terms and thus give all retailers the ability to achieve the relaxation of credit support. This is achieved by having top tier credit scores for the credit reference agencies referenced in the Code – Experian, Equifax and Dun & Bradstreet.

Details of these arrangements are published on our website:
<https://www.southernwater.co.uk/retail/wholesale-charges>.

In terms of the payment performance arrangement we are offering discounted credit support in return for settlement to terms. In terms of the investment grade and credit worthiness arrangements we are relaxing credit support requirements for those retailers that carry the lowest risk. We have entered into negotiations with various retailers in drawing up and finalising these arrangements. We have had other a small number of other requests for alternative arrangements which have not been accepted.

(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?

In accordance with Schedule 3A of the Business Terms as set out in the Code, our policy is to give all proposals for alternative payment arrangements that we receive due and proper consideration and to enter into discussions with retailers on those proposals. In doing so we have regard to our obligations to act reasonably towards the retail and without unreasonable delay, and to negotiate in good faith in accordance with the principles of Non-Discrimination and No Barriers to Entry as set out in Schedule 1 to the Wholesale Contract.

We have entered into discussions with retailers on alternative payment arrangements. In considering those proposals we also take into account the impact of the proposals on the retailers but also on Southern Water, particularly in relation to our general approach to risk based credit mitigation. This includes the consequential impact to cashflow and credit risk arising from the obligation to make those alternative payment arrangements available to all (similar) retailers. To date, we have been unable to mutually agree any such extended payment terms.

(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.

The principle of Non Discrimination means that any alternative credit or payment arrangements that we enter into must be available to all other retailers with similar characteristics or risk profiles. The alternative credit arrangements we offer under Schedule 3 contain eligibility criteria which reflect specific characteristics of retailers that are linked to the rationale for offering the alternative arrangement. For instance, trading parties with an investment grade status are seen as lower risk and credit support arrangements are waived. Our alternative arrangements are published and available to all retailers who have the relevant characteristics and meet the required criteria.

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 acknowledge that there is a gap under the ADR provisions as referenced in the question. To date, Southern Water has not had any examples of complaints from end customers, relating to Southern Water, reaching ADR. If this were to happen, however, we would work with the retailers to appropriately compensate the end customer for any failures which may have been as a result of Southern Water's performance. We have also signed up to the industry working group to address the ADR gap which is being led by Northumbrian Water and the Complaints Group RWG and fully support the group in addressing this gap.

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)?

We made 179 separate payments for GSS in 2018/19. These are generated by retailers and our internal processes. None of the retailer requests were subject to dispute. However, two requests were rejected following investigation which demonstrated that they did not qualify for a GSS payment.

No GSS payments have been subject to dispute between Southern Water and the relevant retailers.

Annex C: Questions relating to the Market for Developer Services

Please provide a concise commentary and supporting evidence on the market for new connections and developer services in your area of appointment, including the questions in this section.

Developer services and new connections market overview

Aim: To better understand the market context and what actions you are taking to promote an effective market.

- 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?*

Southern Water is committed to compliance with our obligations under the Competition Act 1998 (CA98) and to supporting a level playing field in competitive markets. This includes ensuring that there is no undue discrimination or preference shown to any class of customer or an abuse of a dominant market position.

A key part of ensuring that our staff manage their competition law obligations is taking suitable steps to assist them in understanding those obligations and how they impact on their day to day activities. With that in mind we provide mandatory online competition law training for all staff and in-person training on competition law and its implications for senior managers and other key risk roles. Southern Water also has a comprehensive ethical behaviour change programme which includes a major campaign to raise awareness on "Doing the Right Thing" and ethical values on individuals and Southern Water as an organisation.

Looking at the impact of competition law on our developer services activities in particular, we ensure that our policies and procedures are compliant with our CA98 and level playing field obligations. For instance, we ensure that our developer services new connection charges and service levels are transparent and equivalent for any class of customer and that, where applicable, processes are standardised and provide no undue preference or discrimination. This includes our new policies on temporary supply arrangements, alternative discharge arrangements and network capacity modelling policies, which are valid and applicable to all types and class of customer, including both developers and NAVs. Our published New Connection Charges Scheme, which sets out all of our connection and network charges applied to developers, SLPs and NAVs, also ensures that charges are equivalent to all classes of customers where the equivalent service is provided.

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

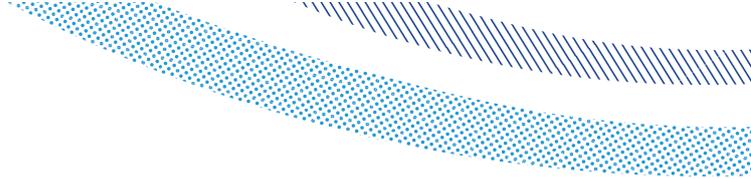
Southern Water is fully committed to developing a vibrant and effective developer services market and has supported the growth of the NAV market over the past two years in particular. Southern Water has received and dealt with over 80 NAV bulk service applications over the last two years and now has 40 NAV sites appointed within our region. To facilitate the growth of this market, we have committed substantial resources, developed new processes, policies and internal service levels and removed many barriers to entry. This has included implementing SLAs for site status reviews, bulk service responses and bulk agreements; implementing new processes to meet the requirements of the market and developing standard bulk agreements. We have actively engaged with new entrants to understand any issues to reduce market friction and provide fast and easy access to bulk services. Methods of engagement include NAV participation in our quarterly Customer Action Group meetings, and the establishment of a NAV Action Group (see response to Annex C Question 12 for further details). Furthermore, where appropriate we have consented to a number of variations of appointment (including to served sites) where this has been to the benefit of the end customer.

Southern Water has been active participants in the WaterUK working group on Behavioural Improvements. We have shared many of our learning and experiences dealing with the NAV market to develop best practice recommendations for the industry, benefiting incumbents who have had little experience of the market and ensuring new entrants receive standardised and effective services across the industry.

As part of our transformation program for the developer services function, we have looked closely at the ways in which we interact with NAVs and have sought to improve our internal processes and our external facing policies and forms, etc.

Similarly, we have engaged with the SLP market. In addition to regular operational and relationship management contact (e.g. meetings, calls, written communications) SLPs have been invited to both attend and exhibit at our Developer Days. SLPs have been offered a place on the Customer Action Group (which includes developers and consultants to bring all customers together) and a quarterly SLP Action Group has also been established (see response to Annex C Question 12 for further details). We also instigated monthly calls with Fair Water Connections to gather feedback and get the perspective of SLPs on our performance and potential improvements. These improvements have included changes to our charging document such as the inclusion of worked examples, changes to our application forms and changes to processes (e.g. enabling SLPs to carry out their own trench inspections). The calls with Fair Water Connections have been reduced to a quarterly frequency in light of the progress that has been made.

We also have an innovative and leading edge programme to work collaboratively with full service NAVS to deliver optimum outcomes for the environment and customers. This involves exploring ways to engage with full service NAVs to understand potential collaborative approaches to service growth demand throughout the South East. This approach recognises that in addition to providing an alternative supply option for developers in direct competition with ourselves as the incumbent in



our region, NAVs (and full service NAVs in particular) can also be an important provider of alternative solutions for sites where Southern Water will remain the water and wastewater supplier.

To engage with the market, we have published an expression of interest and Requests for Information to NAVs who may be able to offer innovative approaches and who wish to work collaboratively to explore alternative solutions to particular growth schemes with specific issues, such as network capacity or resilience, and which have been identified as requiring high cost conventional solutions and where innovative approaches could potentially alleviate these issues at a lower cost. This approach further supports the development of market solutions, using collaboration with full service NAVs, to provide optimum outcomes to customers and society.

As reported in our Annual Report for 2018/19 we have introduced a number of changes throughout the last year designed to give developers, self-lay providers and new appointments and variations an improved customer experience:

“During 2018–19 we measured our customers’ satisfaction using the new developer experience measure (D-MeX) for the first time. Our shadow reporting pilot taught us a lot about how we serve our customers and gave us the opportunity to feedback to our regulators, who responded directly by making changes to how survey scoring is distributed when more than one water company is involved.

Listening to feedback from our development customers, we grew our Key Account team, enabling us to improve the support we offer. This includes more frequent and better segmented communication, new monthly progress meetings, and quarterly customer action groups with local authorities and our customers to encourage continuous improvement.

After carrying out a survey, we also streamlined a number of processes for our customers. All these changes have helped us to keep complaints at the same level as in 2017–18, while our levels of service have remained steady in an industry second-quartile position during 2018–19. We have also started our transformation programme which focuses on improvements to our services across growth planning, managing applications, delivery and customer account management.”

https://annualreport.southernwater.co.uk/media/2634/annualreport_2018_19.pdf(p.47)

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 1: s45 New Connection data since April 2018: Size of development

Total applications: 3,387	Single connections	Small developments <20 plots	Medium developments >20 <100 plots	Large developments >100 plots
Number	1,911	1,226	197	53
Percentage	56%	36%	6%	2%

(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?

Based on our s45 New Connection data, since April 2018 1,277 developers accounted for 65% (2,189) of all such applications. The five largest developers are responsible for 129 (6%) of all applications. If looked at by reference to the number of plots connected, the five largest developers account for 25% of all connections in that period.

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

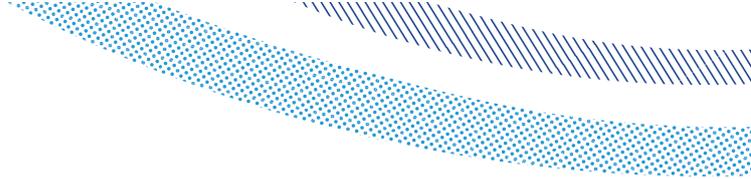
Table 2 s45 New Connection data since April 2018: Brownfield vs greenfield

Total applications: 3,387	Greenfield	Brownfield	Not stated on application form
Number	2,529	364	494
Percentage	75%	10%	15%

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)?

To date there have been 13 different SLP companies who have entered into contract in the Southern Water region.



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

The majority of the SLPs active in the Southern Water region are multi-utility companies. There is currently only one SLP active in our region that lays water mains only. To date all SLP's have required Southern Water to provide the design or are converting a S41 design we have submitted to the developer prior to a S51 application being received. As such the SLP's have taken responsibility for laying of onsite mains, the provision of individual service connections, and the installation of meters.

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

We are not aware of any particular trends with respect to the particular size of development that SLP's in our region tend to compete for, although the sites they work on do tend to be primarily for residential development. We have noticed that SLP's appear to forge relationships with certain developers, whereby we have seen repeat applications from SLP's received for the same end developer.

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

We have observed that the NAV market has developed substantially and is now vibrant and active in our region and the South East in general. This is likely to be due to number of developments in the region, although it could also be partly due to our support of the market, which has included granting consent to a number of NAVs (including served sites) where to do so has been seen to be beneficial to the end customer. This growth in the NAV market has required us to respond rapidly to new entrants, introducing new processes and removing barriers to entry which has facilitated this market (see the response to Annex C Question 2 above). In contrast, we have seen comparatively low levels of SLP activity in our area, despite fully engaging with stakeholders, such as Fair Water Connections, to ensure there are no barriers to entry (perceived or otherwise).

Charges for new connections and developer services

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

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

We undertook a comprehensive review following the receipt of Emma Kelso's letter of 29 April 2019. The new connection charges lead undertook the review with a focus in addressing the points of concern raised in the letter, including inconsistent methodology for calculating asset payments, lack of clarity around charges and when they apply, lack of cost reflectivity and absence of sufficient margin. A copy of our review and the actions identified has been appended (**SD57** New Connections Charging Review Outcome).

The outcome of the review was communicated internally to the appropriate accountable level which included key members of the Developer Services leadership team, our Regulatory and Markets team and Delivery team leadership. We also discussed our findings with appropriate third party stakeholders i.e. Fair Water Connections.

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

We have not made changes to our Charging Arrangements as a result of the review. We have however:

- developed a calculator for use by customers that expresses estimates in both excavation and no-excavation format (<https://www.southernwater.co.uk/developing-building/connection-charging-arrangements>); and
- modified our SLP Application Form to make it clear whether or not the SLP is undertaking excavation activities.

We also engaged with the SLP community and Fair Water Connections to discuss worked examples, design charging approaches and any concerns around the provision of non-contestable items. No specific issues were raised.

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

For our 2020 Charging Update we will:

- further add to the data set for our Water Site-Specific mains charges model to improve cost reflectivity;
- review the activity descriptions within our Charging Arrangements for improved clarity and transparency;
- review the specific charges around design provision, checking and reviewing; and
- review our worked examples to ensure appropriate coverage and alignment with the new standard suite of scenarios (as a minimum).

We are undertaking this work at present and have consulted on our proposed changes with stakeholders, with a view to publish the new charges in January 2020, prior to application in April 2020.

7. Please explain how your charges reflect costs:

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

To calculate charges for water connections, we reviewed 12 months of connection data for our approved contractor payments. From this data, we allocated all of the connections costs into our new standard 'connection types' along with the numbers of properties (assessed by meters installed). This allowed us to generate unit costs per meter installed for the different connection types. Our contaminated land and additional pipework extra-over costs are based upon an analysis of the allowance applied through our delivery contract. Traffic management costs are assessed through categorising 'extra-over' invoices from our contractor and creating aggregate charges.

For water site specific charges (requisitions) we analysed historic estimates from our delivery contractor and located the typical rates that were utilised. These were generally pipelaying rates, valve, in-line hydrant, end hydrant and phasing costs. We built a model that allowed us to collate these design parameters for multiple development designs, overlaid with our contractors rates, to build in integrated per metre charge. We apply a small charge for project management, administration and construction risk. Our connection charges include for an under pressure connection, valve and hydrant. These are priced bottom-up from our contractors charges, with the same allowance applied. Pressure monitoring valves, district meters and non-return valves are priced on a bottom-up basis using our contractors rates.

Our wastewater connections charges for pipelaying and manholes are aligned directly with our contractors rates, with a small project management allowance. The additional charges associated with over pumping, specialist dewatering and trench support are based on bottom up estimates.



Our wastewater site specific (requisition) charges are the only charges not rooted in direct contractor rates. These are based upon benchmarked estimated costs for our published activities. Given the significant increase in complexity associated with these activities, we include a charge for project management, design and risk.

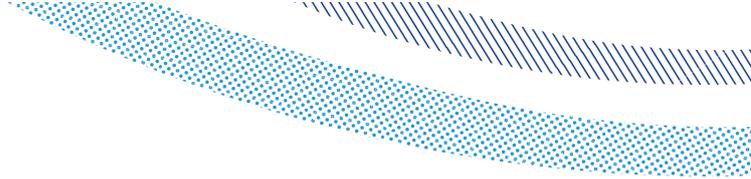
(b) For requisition charges and infrastructure charges (and other charges if applicable), explain what you consider to be relevant drivers of costs and how these have been used to determine relevant charges.

For infrastructure charges, the main drivers are the network reinforcement expenditure over a rolling 5 year period and the need to maintain the balance of charges. The infrastructure charge is primarily assessed within the context of those two main drivers. Network reinforcement expenditure is subject to a huge number of variables across a large number of sites and projects required to mitigate the impact of new development on our existing customers, the environment and levels of network performance.

For water requisitions, the main drivers include pipe sizes installed, numbers of fittings installed, number of connections required, excavation requirements and surface categories, contaminated land, traffic management and the installation of high value installations such as PMV, non-return valves and meters). We factor these into our charges by utilising a relatively discrete charging approach, which balances discrete charges for higher value (but measurable) installations with per metres inclusive rates for pipelaying and specialist barrier pipe. We also offer different charges related to excavation vs no excavation and across a range of surface categories. This provides an appropriate balance between cost reflectivity and simplicity (including the ability for customers to generate a reasonable estimate) within this area.

For water connections there are multiple factors that influence costs. These include surface categories, excavation required, installation techniques, length of communication pipe, size of connection, 'ported' installation approaches, connections to newly laid mains or existing mains, traffic management approaches, contaminated land and other factors. Within our charges we aggregate many factors together as we feel that it is impossible for customers (even technically competent) to be able to fully understand the above factors and generate a reasonable estimate. We have discrete charges for short and long side connections, with and without excavation on new development sites. Our side road, main road and large diameter connections include excavation and apply regardless of the side of the road that the existing main is on (so as not to penalise customers over factors they have no control). For all connections we have additional costs associated with contaminated land and additional pipework for connections needing more than 8m of pipe.

For Wastewater requisitions, the drivers for cost are much more significant due to the complexity of laying sewers. Primary factors include pipe and manhole size, depth, surface categories. Ground conditions, contamination levels and groundwater are also significant factors. Statutory undertakers services, river, rail and highway crossing can influence the cost significantly. When laying sewers there is often a range of construction techniques that can be considered from open cut to auger bore to open face tunnelling, all of which have dramatically different costs. Furthermore, on wastewater



there is the potential for the construction of pumping stations and other complex assets which each have a highly site specific requirement and cost. As a result of this huge opportunity for cost variance, our standard charges cover open cut sewer, manhole and rising main construction in 'normal' ground alone. All other factors are considered complexities, which would attract a bespoke charge.

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

Cost drivers for water requisitions are fairly consistent. We have a standard schedule of rates, and developments have identical design standards and similar on-site contexts. We are subject to a contractual uplift for the services provided by our contractors for work carried out on the Isle of Wight. Given that the uplift is relatively low and could create additional complexity in our Charging Arrangements, we utilise the standard schedule of rates.

Our Water Network Reinforcement activity is very low compared to other water companies. It is therefore highly development and supply area dependent. We feel that standard charges are appropriate for water network reinforcement due to this unpredictability. Our customer engagement consistently feeds back that predictability and transparency is critical for customers and having aggregate charges provides this important customers need.

Cost drivers for wastewater requisition and wastewater network reinforcement are highly site dependent. Customers tend to request wastewater requisitions from us in situations where they might need to cross private land (and therefore require our statutory powers), need to cross major infrastructure or there are significant elements of work in the public realm. Network reinforcement requirements are tied to catchment (and often much more localised) capacity constraints. These are difficult to predict, quantify and communicate in advance of development-specific customer engagement due to the highly context specific nature of issues.

We feel that aggregated, typical charging is appropriate on wastewater. Our customer engagement consistently feeds back that predictability and transparency is critical for customers and having aggregate charges addresses this important customers' need. Our informal customer engagement has also fed back that relatively small levels of tiering would have little impact on the development choices of developers.

For the reasons set out above we do not have any regional variances in charges for either water or wastewater 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)?

All of our water charges are rooted in our contractors rates. The actual charges are structured and formulated in slightly different ways (see the response to Annex C Question 7a), but the underlying costs for each are based upon our contractors charges for particular activities or payments to our contractor that align with the schedule of rates for the activities involved.

Our wastewater connections charges (although rarely used) are also based on contractor rates. Our wastewater site-specific charges are based on benchmarked estimated rates. We hope to align these charges with contractor rates from 2020 onwards following procurement activities that are currently underway ahead of AMP7.

(b) What services do contractor rates apply to?

Please see the response to Annex C Question 8(a) above.

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

The contractor schedule of rates has been obtained through a competitive tender process to appoint a term contractor. This provides a process to derive best value market costs and obtain competitive cost reflective rates. The last tender process was run at the start of AMP6 and covers the AMP6/AMP7 period. The rates were revisited with the term contractor in advance of AMP7 and adjusted accordingly.

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.

Southern Water does not have any situations in which different customer groups are levied a different charge for receiving similar services. We do, however, structure our charges so that customers are only charged for the services that they require/receive. For instance an SLP that is undertaking the design work itself would pay a lower application fee than one which required Southern Water to undertake the design, reflecting the difference in the scope of services provided (see <https://www.southernwater.co.uk/media/2282/ds-charging-arrangements-19-20.pdf> p.19).

(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.

We anticipate that all of our charges levied on developers, SLPs and NAVs will be published in our Charges Scheme, Bulk Charges or charging arrangements for 20/21. In the past build-overs were not included in the published charges scheme as they were not specifically covered by the charging rules. These ancillary charges are available on our website. However, to ensure all charges are transparent and easily available to our customers, we have decided to include all charges within the next version of our published charging document.

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?*

Southern Water has standard Bulk Supply and Bulk Discharge agreements which are published on our website and used for the majority of NAV sites. Southern Water does not provide bespoke agreements for each new site. Copies of each can be accessed from <https://www.southernwater.co.uk/developing-building/new-appointment-variations>.

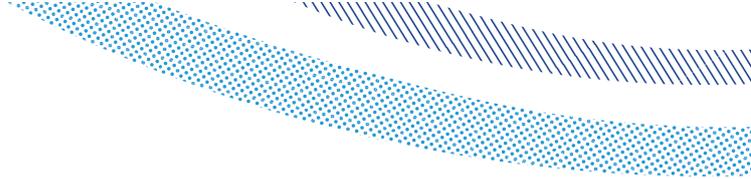
- i. If you publish a standard agreement, please set out in what circumstances it would not apply and you would seek to agree a bespoke agreement.*

Whilst we consider it helpful for all parties to have easy access to and to utilise our standard published bulk service agreements, we also recognise that there are occasions where the particular circumstances of the site in question can mean that the standard agreement requires substantial further negotiation and agreement. This usually concerns larger sites where substantial capital schemes are required and temporary arrangements need to be agreed.

- 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.*

Southern Water has signed 35 bulk agreements with NAVs over the last two years which are predominantly based on the published standard agreements. There have been some minor amendments to the standard agreement itself over this period, based on operational experience of the contracts and in response to feedback and requests from NAVs. These are not substantial and have included changes such as updated contact references, billing changes and changes to the format.

The standard agreement is the basis of all NAV bulk contracts, even where negotiated bespoke conditions have been required. These bespoke conditions would typically relate to site specific



arrangements, often associated with larger sites, such as temporary points of connection, temporary capacity, real time control and tankering.

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.

As described in response to Annex A Question 1, 'Business Channels' has been created to deal with wholesale markets and our business-to-business (B2B) interactions with trading parties. This includes the teams responsible for providing developer services. An organogram detailing the structure of Business Channels and the relevant teams is attached to this submission (see SD52).

Within the team there are 52 Full Time Equivalent (FTEs). The team structure is divided into six teams: Growth Planning, Technical Delivery, Service Delivery, Customer Relationship, Performance and Product Owner.

- The **Growth Team** maintain the 5 to 25 year view of growth for Southern Water; influencing local plans and responding to planning application consultations.
- The **Technical Delivery Team** manage developer, SLP and homeowner applications, including the sign off of new connections and third party works.
- The **Service Delivery Team** manage inbound and outbound customer contact from retailers, developers and homeowners including case monitoring and management.
- The **Customer Relationship Key Account Managers** act as the 'voice of the customer', developing and maintaining relationships with retailers, key developers, NAVs and SLPs. Different individuals are allocated to look after the different customer groups (i.e. a relationship manager that looks after NAVs or SLPs would not also look after any developers).
- The **Performance Team** manage performance reporting, carry out root cause analysis to identify areas of process redesign and deliver data quality initiatives.
- The **Product Owner** role is part of our Agile IT delivery model, defining features and outcomes of products for customers, users, stakeholders and regulatory changes.

In addition, we have an outsourced Wholesale Network team, which undertakes capacity modelling and technical review of new connection requests to the network from developers, NAVs and SLPs. NAV and SLP applications go direct to Wholesale Network team for processing, with responses being sent directly back to the NAV or SLP. Developer applications are sent to Technical Delivery team which passes them to the Wholesale Network team for processing.

(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.

As noted in the response above, applications for new connections and technical capacity checks made by NAVs and SLPs are received and undertaken by the outsourced Wholesale Network team. The Wholesale Network team also undertakes the equivalent activities when the developer is the customer, but the developer's point of contact is the Technical Delivery team.

Any direct customer contact or queries from SLPs and NAVs relating to those applications are received and managed by specific key account managers within the Customer Relationship team. Whilst the Customer Relationship team is also responsible for managing the relationship with developers, the individuals dealing with SLPs and NAV are distinct from those individuals dealing with developers.

SLPs also deal with the Technical Delivery team who review third party works prior to adoption. The Technical Delivery team is also responsible for reviewing the work carried out for developers by our term contractor in a requisition scenario.

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;

Southern Water is committed to engagement with all customers and stakeholders in the developer services market and to ensure a level playing field for all participants. This is clearly demonstrated by our participation in groups and forums to develop these markets and our interactions with a wide range of stakeholders.

Types of stakeholder Southern Water has engaged with re: developer services			
• SLPs	• NAVs	• Developers	• Consultants
• Industry representatives (e.g. HBF)	• CCWater	• Environment Agency	• Local Councils

As noted in response to previous questions we engage regularly with our customers on an operational and relationship basis. Our dedicated Key Account Management team have regular face to face meetings with their customers including review meetings and site specific meetings, as well as catch up calls.

We communicate in writing with our stakeholder base through a mixture of newsletters, e-communications and information emails that cover both industry-wide and Southern Water specific developments. Technical advisories and news alerts, etc., are also published on our website and we request feedback through surveys. As an example, we are due to undertake a homeowner/small developer feedback survey during November 2019.

We also interact with stakeholders at formal events. This includes workshops, action groups and developer days.

Annual Developer Day: We held Developer Days in February 2018 and April 2019. These include presentations, workshops and feedback stands from all departments within Southern Water involved in the development life cycle. We also offer our attendees the opportunity to exhibit and network with their peers and customers. At the Developer Day in 2019 Southern Water attendees included the CEO and the Customer & Commercial Director as well a broad selection of staff from relevant teams. The workshops and presentations covered: New Connection Charging 2019/2020; the Code for Adoption & SUDs; opportunities for Digital Innovation in Developer Services; planning for Growth – Wastewater; planning for Growth – Water; and Southern Water Delivery – Waste & Water.

Exhibitors at Southern Water Developer Day April 2019

A brief video about the day, including a message from our CEO, can be viewed at <https://vimeo.com/334870360>.

Customer Action Group: We have held two Customer Action Group meetings. Customer Action Group Three has been booked for 19 November at Kempton Park Racecourse, and Customer Action Group Four has been booked for 16 January 2020.

SLP Action Group: this is being set up and invites were sent out in early October 2019. The event will be held in December 2019 and will cover processes, updates and collaborative working. This will include a feedback survey.

NAV Action Group: The first session was held in August 2019 and covered [include summary from attachments].

(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

As the response to the previous question indicates, we have covered a huge range of topics with our stakeholders, including:

- Communicated team changes/ team transformation
- Development process updates
- DigDat
- Growth in our region
- Growth process
- NAV/ Growth policies
- NAV processes
- New Connection Charging
 - 2018/2019
 - 2019/2020
 - Worked examples
 - Feedback via f2f workshop, email – dedicated inbox, online survey
 - Website and Social media
- New Water Connections - Section 45
- Nitrates/ nutrients
- Online Portal
 - We carried out training at customer offices for the online portal.
 - Proactive customer calling sessions - to support all customers with the portal
 - We have had sessions with customers about the future of the portal and created wireframe works – we have received feedback which will shape our future portal.
 - Launch of our online portal video - <https://vimeo.com/256600381>
- Our department transformation plans – change to Business Channels
- Planning
- Section 98 (communication, project assurance, cost and certainty)
- Section 41
- Section 104 - Automating the validation of sewer / drainage design
- Sewers for adoption 8 & SuDs
- SLP processes
- SuDs update
- Trench Inspections – SLPs
- Water efficiency and target 100
 - Face to face meetings to discuss Water Efficiency with our Water Efficiency Manager – this has been with a number of different developers.
 - Worked on co-branded water butts
- Water for Life brand

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

The process for utilising stakeholder contributions and providing progress updates is likely to differ depending on the circumstances in which it was received (e.g. formal consultation compared to informal but regular contact). As a general principle, however, we aim to ensure that all such contributions, however received, are given due consideration by the appropriate teams within the business and that any actions arising from that are duly implemented. We also seek to keep our stakeholders informed as to progress through a variety of channels. As an example, we utilise our Quarterly Customer Action Group as a forum for receiving input and providing feedback to the participants at the subsequent sessions, advising as to changes we have implemented and changes we have stored in our 'hopper' to create our future plans. We also make use of our other regular communication channels to receive contributions and provide feedback on progress, such as operational and relationship management meetings and newsletters, etc. We have set up a dedicated 'Developer Communication' email address for sending out event invites and general developer services communications (e.g. newsletters or e-communications) to differentiate these from the day to day email traffic on site-specific operational matters.

Another example of how this works in practice relates to S104 - Automating the validation of sewer / drainage design. We are now working with a developer who has volunteered to test the automated design approvals as a six month pilot. This also included two 4 hour sessions at customer offices, [REDACTED] along with their consultants to gain their feedback on the product.

In addition to hosting our own events, we also make use of the opportunities provided by our stakeholders themselves. For example, we have been invited to and attended events hosted by developers [REDACTED]. We appreciate the invitations to these events and attend wherever possible as doing so gives us greater insight into the concerns, issues and priorities of our customers and stakeholders. At the [REDACTED] event we received positive feedback from the Technical Director about our working relationship.

Feedback from stakeholders and customers is captured on our continuous improvement action log. These ideas are then fed into our internal performance hubs where the ideas are discussed, grouped and prioritised for action.

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

Reference	Title/Description
New Connection Charging 2020	
SD1	Southern Water – New Connection Charging Consultation to over 150 contacts September 2019

SD2	New Connection Charging workshop – invite to a cross section of Developers, SLPs, NAVs, Consultants, [REDACTED] Ofwat, Fairwater Connections
SD3	Developer Services New Connection Charging 2020 Consultation https://beta.southernwater.co.uk/infrastructure-charges - on our website 'Our 2020-21 charges consultation'
Developer Services Day – 30 April 2019	
SD4	Invitation to our annual developer day
SD5	Thank you for attending Developer Services Day & feedback survey
SD6	Sample invite for potential exhibitors
SD7	Developer Day Proposal - Exhibitor
SD8	Developer Services Feedback form
SD9	Thank you for attending pack, slide deck and feedback survey
SD10	Developer Day slide deck
SD11	Developer Services Day April 2019 – Agenda (handed out on the day)
SD12	Key Account Build rate letter (we had a stand on the day to hand out the forms and capture future sites and build rates.)
SD13	Customer Pack (printed and provided on the day)
SD14	Developer Services Sewer Connection (S106) FAQ
SD15	Developer Services Easements
SD16	Developer Services Health and Safety advisory
SD17	Developer Services Location of rising main
SD18	Developer Services Southern Water supplementary amendments to Part E – Civil Engineering Specification of sewers for Adoption 7 th Edition
SD19	Developer Services Guidance to development in proximity to Southern Water assets
SD20	Developer Services s104 and s104/185 Provisional certificate checklist
SD21	Developer Services Adoptable Pumping Station Guidance
SD22	Developer Services Site Inspection Checklist
SD23	Developer Services Standoff distances to underground apparatus
SD24	Developer Services New Sewer (s106) connection checklist
SD25	New Connection Charging Arrangements 2019-20 (printed out for the new connection charging session)

Customer Action Group One – Fontwell Racecourse	
SD26	Sample invite to join our Customer Action Group - April 2019
SD27	Customer Action group Pack (handed out on the day)
SD28	Team photo – Customer Action Group attendees
SD29	Customer Action Group – Feedback pack (emailed to attendees)
	Customer Action Group – session 1 – Testimonials video - https://vimeo.com/333127271/5cf26326c2 (this was showcased at our large Developer Day)
Customer Action Group Two – Epsom Racecourse	
SD30	Southern Water’s Customer Action Group – Session two invite
SD31	Customer Action Group pack (printed/ bound for our customers on the day)
SD32	Customer Action Group – feedback pack (following the event)
SD33	Customer thank you email including feedback pack
New Appointment and Variations	
SD34	E-comm advising the new application form has been published
SD35	Email advising that NAV Bulk charges have been published
SD36	NAV Customer Newsletter April 2019
NAV Action Group August 2019	
SD37	NAV action group invite
SD38	Thank you for attending including slide deck and feedback pack
SD39	NAV Action Group Slide deck
SD40	NAV Action Group Feedback Pack
SD41	NAV Action Group Pack handed out on the day
SD42	Alternative discharge arrangements policy
SD43	Adoption of assets policy
SD44	NAV wastewater connection notification form
SD45	Network capacity modelling policy
SD46	Sample Expression of interest email
Self-Lay Provider communication	

SD47	SLP newsletter April 2019
SD48	Trench inspection communication August 2019
DigDat	
SD49	Our new service launch September 2019
Nitrates	
SD50	Update from Southern Water – Nitrates in the Solent
SD51	Southern Water position statement on nitrates in the Solent

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.

All service levels are generally applied consistently across the differing customer types. There are some specific service levels which only apply to NAVs given the nature of the services they require, such as timescales regarding unserved status information for a site and requests for bulk agreements. There are some service levels for NAVs which we have applied as set out in Ofwat guidance which do not exactly align with those in DMEX. For example, Ofwat guidance for NAVs states the SLA for a network capacity query is 20 business days, whilst DMEX requires a response to developers and SLPs within 28 calendar days. The work we are supporting with WaterUK will align these SLAs and ensure consistency across all customer types.

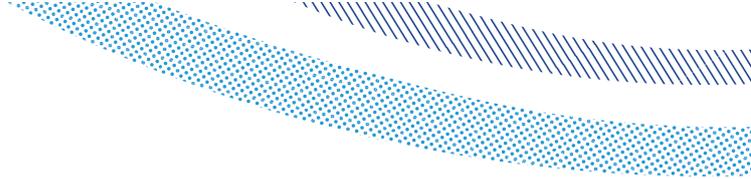
(b) There are a number of published Water UK developer service metrics that relate specifically to SLPs. Please provide commentary on your performance with respect to those metrics, including an explanation if any measures are blank.

Our performance has been one of high compliance to the Water UK metric timelines. We have achieved average scores of 99.66% for water and 99.72% for sewerage in 2018/19 overall.

In relation to SLPs specifically, our metrics are set out in the table below. Year to date we have received 55 service requests, of which 49 were completed on time (89%). We reached 100% performance for three of the 12 specific metrics relating to SLPs. Two other metrics were within the interquartile performance category. Three of the SLP metrics were in the lower quartile performance category, although this included one measure which failed single instances of such requests. The blank metrics represent where we have not received any requests for that service measure. We do experience difficulties when it is a conversion from S41 to S51 and we rarely receive the application form for self lay. Similarly with regards to vesting certificates our reporting is hampered due to the

relevant forms not being submitted by the SLP for the metric stage gating to commence. We are engaging with our SLP customers to address these issues.

Metric	Ref	No.	Within Target	%
Self-lay point of connection applications - written acknowledgements within target	W19.1	6	5	83%
Self-lay Point of Connection report < 500 plots etc - reports issued within target	W20.1	1	0	0%
Self-lay Point of Connection reports >500 plots etc - reports issued within target	W21.1	0	0	
Self-lay design approval and terms request application - written acknowledgements within target	W22.1	4	4	100%
Self-lay design and terms request <500 plots etc - quotations within target	W23.1	14	12	86%
Self-lay design and terms request >500 plots etc - quotations within target	W24.1	0	0	
Self-lay signed agreement - acknowledgements within target	W25.1	6	5	83%
Self-lay water for pressure/bacteriological testing - provided within target	W26.1	0	0	
Self-lay permanent water supply - provided within target	W27.1	2	2	100%
Self-lay vesting certificates - issued within target	W28.1	0	0	
Self-lay Asset Payments - issued within target	W29.1	16	15	94%
Self-lay plot references and costing details - issued within target	W30.1	6	6	100%
Total		55	49	89%



(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.

Southern Water has been an actively engaged member of the WaterUK working group on Behavioural Improvements. We understand that, at this point in time, the SLAs have yet to be agreed, and the finalised recommendations have not been circulated to incumbents. Therefore, we are not able and have not tracked performance against those metrics which are due to be implemented in January 2020.

Southern Water has been delivering against the SLAs proposed in the Ofwat NAV Process document. These include a 20 business days SLA for the provision of point of connection and capacity information. Whilst we do not have audited reporting on these service levels, we have calculated that since January 2019 we have delivered 31 of 36 (86%) of bulk service network information responses within the 20 business day SLA.

(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 aim to respond to all stakeholders within our published service levels/timeframes regardless of the identity of the applicant. As such the provision of information is a function of the timing of the request. If a NAV or SLP submitted a valid application for a quote at the same time as a developer for a particular site, we would respond to each of the requests within the required timeframe. If a NAV or SLP submits a valid application after a quote has already been provided to a developer, we would respond to that application in accordance with the applicable process and timeframe. In our experience, NAVs or SLPs would rarely, if ever, make an independent application on the same date as the developer and therefore the resulting information would not be provided at the same time. For instance, a developer may have requested information on network capacity initially, and then months or even years later, a NAV might ask for similar or slightly different information on capacity for the site which may or may not still be valid. Similarly, a quote for connection may be requested and provided to a NAV or SLP after having been requested by 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.

Southern Water has been actively engaged with Water UK in the development of the new sector guidance and model adoption agreement and will be prepared to publish related documentation as required by the Codes in a timeline appropriate and consistent with such subject and relative to Ofwat's final determination for PR19. We have regularly discussed the water and sewerage codes at our customer action groups and with our support partners and we have been engaged in the industry SUDS training rollout.

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

We circulated an e-comm asking our customers to provide feedback on the codes in September 2018. We have mentioned the Code for Adoption at our regular customer progress meetings and at our Developer Day Event in April 2019.

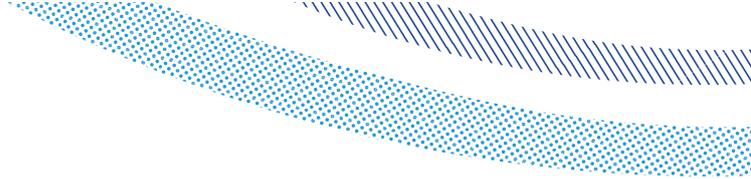
Once the Code for Adoption has been ratified by Ofwat we will engage with our customers in various ways: it will be included as a topic for discussion at our Customer Action Group; we will send an e-comm providing a general update; and we will include this as a topic for discussion within our regular progress meetings with customers. We will also be including information on our website, and social media.

Annex D: 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 (e.g. bio resources)?

Southern Water supports and is actively engaged in the development of other markets, including water trading, water abstraction trading and bioresources, and believes these markets have the potential to bring efficiency gains and improved outcomes for customers and the environment.

We are an active member of the Water Resource South East (**WRSE**) group, which is developing a regional multi-sector resilience plan that considers all options to provide a resilient water supply for the South East. This includes a focus on water trading options and seeking third party ideas from the market for new sources of water and innovative demand management technologies. This has resulted in a number of new bulk supply imports from neighbouring water companies added into our revised draft WRMP19 and we have imports from Bournemouth Water, Portsmouth Water and South



East Water amounting to more than 50MI/d of new resource. Our commitment to the WRSE group and potential market opportunities can be evidenced by our long term secondment of our Water Resource Senior Manager to the role of WRSE Technical Director.

We are continuing to explore additional bulk import opportunities and we are investigating potential new transfers from the West Country Water Resources Group and from Thames Water during AMP7. We are also looking at other market facilitated solutions to improve water resources and have feasible options in our WRMP to supply two large industrial customers with treated effluent.

We are committed to water abstraction reform and potential trading to improve environmental outcomes. The Arun and Western Streams have been made a 'Priority Catchment' under EA/Defra's Abstraction Plan and we are exploring options with other abstractors particularly in the River Rother catchment, with a view to agree water trading arrangements. We plan to look to extend this model to other catchments and explore abstraction licence trading with other abstractors. We are also currently reviewing the opportunity for trading a surface water abstraction licence [REDACTED]

In terms of Bioresources we have:

- engaged with neighbours and agreed in principle tactical trading arrangements based on upcoming planned maintenance programmes;
- installed a new production planning system;
- uploaded logistics data to common data system (used by Yorkshire, Anglian and Thames);
- participated in consultations with technology service providers to explore potential marketwide solution platforms; and
- started preparations to begin submitting IED fixed installation permit applications by March 2020 which could potentially open the door to diversification of waste services provided.

