



South Staffs Water

Green Lane, Walsall WS2 7PD
www.south-staffs-water.co.uk

Emma Kelso,
Senior Director, Markets and Enforcement,
Ofwat,
Centre City Tower,
7 Hill Street,
Birmingham,
B5 4UA.

By email: incodem@ofwat.gov.uk

31 October 2019.

Dear Emma,

We have pleasure in enclosing our response to your questionnaire on the development of effective markets.

We recognise the importance, to Ofwat's future strategy and for the benefit of customers, of effective development and operation of markets within the water sector.

Where a market already exists it is important that these are managed effectively and that companies strive towards high performance in their interactions and duties. Where a new market is being considered, it is important that both companies and Ofwat give due consideration to the appropriateness and likely effectiveness of that market, as well as supporting the implementation process fully. We will endeavour to continue to support those processes to the best of our ability.

We do not consider anything within this response to be confidential or commercially sensitive, and are happy for it to be published on that basis, at the discretion of Ofwat. Please note we have redacted individuals' names from any extracts quoted in this response in order to ensure compliance with GDPR.

Please see the following pages for our complete response.

Yours sincerely,

Caroline Cooper,
Director of Asset Management and Regulation.

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?

Whilst the Board have no specific designated committee which reviews the development of effective markets, we can evidence that these key areas are discussed frequently by the Board. There are designated sections within the Board pack that covers performance of developer services and key retailer metrics.

We are also a key player in the development of RMEX – the retail experience measure – this initiative was driven through Board level debate when designing our PR19 ODI package.

Perhaps more importantly we can demonstrate that the challenges on performance raised by the Board, especially within the developer services space, have resulted in service levels improving significantly.

We attach some supporting evidence from recent Board meetings in appendix 1.

Annex B: Questions relating to the Business Retail Market

General

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

We undertake direct NHH end customer satisfaction surveys on an ongoing basis.

These are in the form of end customer promises tracker surveys and now comprise 400 NHH telephone surveys within a year. This figure was previously 200 over last 3 years.

Additionally, we have been active with regards to R-Mex concepts associated with understanding service delivery to both Retailers and NHH end Customers.

As included with Business Plan submissions we have committed to an open R-Mex performance indicator. Significant contribution has been made to the RWG industry sub-group that has been developing the approach for the Senior Stakeholder Survey which is now due to launch in April 2020. Initial discussions were supported with the evidence gained from our own initial survey activity that launched in February 2018 and which was delivered by our external research consultants, QA Research.

We continue to pursue development of R-Mex concepts and are now piloting weekly agent level surveys directly in to Retail organisations. These surveys specifically ask desk agent staff within Retailer organisations if our delivery has matched their requirements and expectations – effectively the qualitative assessment that is missing from the aligned OPS quantitative assessment.

To support a balanced and effective R-Mex metric our vision that is due for launch in April 2020 comprises the four elements of R-Mex Senior Stakeholder Surveys, R-Mex Agent Level Surveys, OPS performance and MPS performance.

We support the introduction of any concepts associated with a B-Mex metric as a development of our existing NHH end user tracker survey.

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).

We always aim to actively support industry working groups, calls for information and projects but we do also have to consider resource availability as a smaller Wholesaler and participate selectively. The list of activities we have previously supported or currently participate in, usually via our Wholesale Services Manager, are as follows:

- Disputes Committee - (Previous Finance Director)
- User Forum

- Wholesale Interface Group
- Retail Wholesale Group
 - R-Mex Subgroup
 - Vacants Subgroup
- Codes Changes Response to RFI
- MOSL Comms
- Bi-Laterals Project

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.

In response to industry consultations requests are generally reviewed to confirm if our response is fundamental considering the relative importance of the code change proposal when aligned with internal resource availability.

Where appropriate these consultations will engage at director level to confirm the appropriate response.

In considering responses context is given to business operational performance, capability and alignment with the principles of the codes as opposed commercial interests – noting our response to CPW069: Right of a Retailer to appoint an Accredited Entity.

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).

We consider our approach to be supportive of the market and one which encourages the development of such.

As a smaller wholesale organisation we cannot support all committees and working groups but, as mentioned above, we do believe we deliver a positive contribution including market groups and associated attendance / voting at key meetings.

Monthly Board Report data includes extensive information on our market activities, broken down into sections that include:

- Key Market Activity
- Retailer Activity
- Key Data Initiatives
- Wholesale Performance OPS
- Wholesale Performance MPS

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?

No we have not been subject to this process.

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

Not applicable.

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

Within operational work management systems that cover the clear majority of Retailer requested works there is no differentiation or identification of Retailers. Training has informed all users to manage work requests equally and within the specified Service Level Agreement.

At Market Opening, briefings were delivered across the business highlighting the importance of the 'Level Playing Field' approach.

Performance data is collated weekly and reviewed within a weekly Comm Cell environment that brings together all service delivery stakeholders to support the on target delivery of works. There is no identification of works between Retailers within this Comm Cell environment, all jobs are treated equally and without preference.

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.

Prior to market opening automated reporting was put in place to track all Retail requested works.

These reports link the work requests within the Wholesale Web Portal, where they are date / time stamped on receipt, to Work Management Systems and report on a live basis identifying both 'In-Flight' and 'Complete' works.

Data is circulated to operational teams to enable their appropriate management of the works within SLA, identifying works on a RAG basis against compliance with SLA.

The reports are accessible across the business and form the basis of OPS submissions.

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.

Significant activity has been undertaken on a co-operative basis with Retailers to improve the position in relation to:

- Long Unread Meters
- Faulty Meters
- Vacants
- New and Partial SPIDs
- Yearly Volume Estimation

Long unread meter data, including individual listing by SPID and support trend charts, is shared on a weekly basis with our primary (by SPID volume) Retailer to support data resolution. This data is also shared with other Retailers where significant but on a less frequent basis.

The data shows historic unread meters, i.e. no read prior to 1st April 2016, pre-market unread meters, i.e. last read between 1st April 2016 and 31st March 2017, and current unread meters, i.e. read since go live but no read within last 12 months.

For any C1 Meter Supply Verifications we receive we also include on updates back to the Retailer the meter reading taken at site visit so that Retailers can – if necessary - harvest this data to assist with long unread meter volumes.

For faulty meters we encourage all Retailers to submit the appropriate market request via our Wholesale Web Portal. Previously however we have received requests from our primary Retailer asking if we would accept bulk submissions via spreadsheet further to meter read failure reports where volume meter exchanges are being requested.

Our systems are not designed to accept bulk requests but we believe this is a sensible approach so we have agreed timings and volumes with the Retailer for the retrospective loading to our Wholesale Web Portal by our own service desk team.

With respect to vacant properties we have previously undertaken, at our cost and in support of co-operative data resolution, site based checks and provided data, including images, back to Retailers to enable them to accurately update vacancy status within CMOS. This received a mixed response with some Retailers enthusiastically receiving the updates and using them promptly within CMOS while other Retailers were very passive.

Further to this when one Retailer, [REDACTED], asked us if we could specifically visit around 25 sites to confirm occupancy status and supporting data we did so at our cost to deliver mutually beneficial market data updates.

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 make extensive use of C1 processes, including Wholesaler initiated works, to update data specifically related to meter details, with meter dial digits being the prevailing area of activity.

Since market opening our small Wholesale Service Desk team has included a specific role, 0.75 FTE, which deals solely with data correction activities including supply point data, meter data and deregistration.

The complete Wholesale Service Desk team, an additional 2.5 FTEs, deliver meter details updates into CMOS based on operational activities including metering and verification works.

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.

Our approach to data queries, either through receipt of a verification request from a Retailer or a query that we need to respond to is to undertake a site visit under OPS reportable C1 Meter Supply Verification activities.

For these verifications our site based team are requested to provide digital images within work management systems of the meter, where appropriate, clearly showing meter reading, number of dial digits and serial number. This evidence is most useful in supporting conversations with the Retailer and their subsequent conversations with their Customer.

As a business we have set a 5 business day SLA for these verification works as opposed to the 10 business day market requirement.

Wholesaler retailer interactions

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

We consistently attend the bi-annual core RWG meetings and are supportive of the aims of this group.

While we feel as though we cannot support every RWG working group we have fully participated within both the Vacant and R-Mex working groups and welcome the outputs of such.

Where RWG good practice guides differ from our current approach we are aiming for full alignment by financial year end.

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.

Efforts at market opening were made to deliver a simple efficient portal solution that automatically populated standing SPID data to reduce Retailer manual input workloads. We do

however recognise the inherent inefficiency of national Retailers having to access multiple Wholesale portal solutions.

The proposed industry bi-lateral solution has been reported within Board Reports and is a concept that we support further to the market principles and objectives of Efficiency, Transparency and Simplicity.

To date we have participated in one start up telephone meeting with the MOSL project team and subsequently issued them with a visualisation of our current portal solution functionality.

We have formed an initial internal team with representation from our IT functions and we await further substantive updates.

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?

Currently our documentation, including Wholesale tariffs and Non-Primary charges is published within both our open access website and within our Retailer specific Wholesale Web Portal.

We strive to remain accessible at all times to discuss any queries or issues with Retailers and most Retailers operating within our area of supply would not hesitate in contacting our Wholesale Services Manager, via either email or phone, directly to discuss queries or provide feedback.

- (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?

At this stage we have not taken any action following market opening to refine existing policies as we believe that they are straightforward in nature. We have however introduced an Accredited Entity scheme for temporary disconnections and reconnection to support Retailer choice appropriately.

- (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?

Since market opening there have been minimal changes to the scope of our wholesale services however we have recently implemented an Accredited Entity scheme, in conjunction with Lloyds Register, that enables Retailers to engage their preferred Accredited Entity organisation to undertake temporary disconnection and reconnection activity. We believe this is a significant first step in relation to the development of any wider Accredited Entity activity.

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.

As a smaller water only company we believe our tariff structures are already relatively straightforward with a standard tariff, medium user tariff and two, low and high, reservation level tariffs.

Since market opening however, we have reduced the number of different standing charges from 9 to 6 in the South Staffs region and from 5 to 4 in the Cambridge region.

- (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?

The position at April 2020 will be that there are no charges for Vacant Properties except where metered consumption is recorded and then volumetric charges only will apply.

This position is consistent with the current and legacy approach to vacancy charging.

An error was identified from Initial Data Upload that meant all vacant properties were being charged but this was corrected within three months of market opening to the accurate position.

16. How do you consult or engage with retailers on the following issues (where appropriate provide relevant supporting evidence):

Our wholesale relationship with most retailers is very good with direct access to staff fulfilling the key roles of Contract Manager, Deputy Contract Manager and Billing & Settlement Manager.

There is a culture within the team of making themselves available to support Retailers however we do recognise that we are a small wholesaler that does not always warrant the regularity of scheduled account meetings.

To illustrate our [REDACTED] Retailer, Water Plus, currently has only [REDACTED] (10th Oct) supply points within our wholesale area.

- (a) Measuring or gauging the quality of service you provide to retailers? What actions have you taken here?

As included with Business Plan submissions we have committed to an open R-Mex performance indicator.

Working within the RWG industry sub-group we have contributed to the development of the approach for the Senior Stakeholder Survey which is now due to launch in April 2020. Initial industry discussions were supported with the evidence gained from our own initial survey activity that launched in February 2018 and which was delivered by our external research consultants, QA Research.

We continue to pursue development of R-Mex concepts and are now piloting weekly agent level surveys directly in to Retail organisations to support a balanced and effective R-Mex metric.

It is worth noting however that further to commercial pressures Retailers do not always find the time available to feedback and identify what works well for them and what less so. In one specific example the prevailing senior level Retail response was that feedback will be given when we are doing something wrong.

- (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.)?

No, we do not currently hold Retailer engagement days, portfolio meetings or onboarding processes for new entrant Retailers.

We have however always driven to support all Retailers in an efficient and timely manner when they have sought wholesale agreements with us.

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

OPS performance is discussed and published widely across our business. We have set an internal objective targeting Upper Quartile service delivery performance considering the performance of the other 14 English Wholesalers, both WOCS and WASCs, which is tracked monthly. Data is published within monthly board reports to inform the Executive Team.

On a weekly basis operational data is collated and discussed within a Comm Cell environment that has been designed to bring all delivery stakeholders together to review challenges, identify solutions and highlight successes.

Previously MOSL have observed Comm Cell processes where charts capture:

- overall volume of work
- jobs in flight including SLA risk
- jobs complete including SLA compliance
- OPS performance
- MPS performance

To additionally support on target OPS delivery, jeopardy reports are automatically produced and circulated twice a day to all operational delivery stakeholders that individually identify all in-flight jobs and which colour code them on a RAG basis with regard to SLA compliance.

- (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 previous, since market opening there have been minimal changes to the scope of our wholesale services however we have recently implemented an Accredited Entity scheme, in conjunction with Lloyds Register, that enables Retailers to engage their preferred Accredited Entity organisation to undertake temporary disconnection and reconnection activity. We believe this is a significant first step in relation to the development of any wider Accredited Entity activity.

17. Concerning credit and payment terms, do you offer:

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

We implemented our approved Schedule 3 Alternative Credit Arrangement in April 2019, which allows a fixed discount to the Required Credit Support according to the retailer credit score where the score is 7 or above. The discount is:

- £40,000 if the contracting retailer's credit Assessment Score is 7 or 8; or
- £65,000 if the contracting retailers credit Assessment Score is 9 or 10

In addition, we have also adopted the principals of CPW060. This makes provision for new entrants or those with a low credit score where they may be entitled to obtain additional Unsecured Credit Allowance based on Payment Performance. Where payment is maintained for 6 months an allowance of 10% shall be applied and where payment is maintained for 12 months an allowance of 20% shall be applied.

To date, we have one Retailer, [REDACTED], with a Schedule 3 Arrangement and another self-supply retailer, [REDACTED], are progressing toward this. As a non self supply unassociated Retailer we have also discussed the scheme in detail with [REDACTED].

It is worth noting that in relation to the implementation of our Alternative Credit Arrangement [REDACTED] stated 'I can confirm the agreement with South Staffs was featured prominently at our recent [REDACTED] forum held on [REDACTED], not only that we have also taken the liberty of inviting all other Wholesalers who are yet to consider the introduction of a credit scheme to review your offering as a modelled benchmark. It has truly helped move the needle forward where previously there was no traction'.

Additionally the following comments were received from The Water Retail Company, 'We really appreciate the fact that South Staffs is seriously considering these types of Schedule 3 arrangements. We recognise that South Staffs is a small water company and that credit allowances pose a more significant risk for you than for some of the larger companies. Your actions in offering this the of arrangement are extremely helpful to us as a small unassociated retailer, we believe this type of arrangement has a significant impact on improving the operation of the market and allowing wider competition, especially for small new entrants'.

- (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?

Should we receive a specific request for Alternative Payment Arrangements from a retailer we would deal with this on a case by case basis and in line with the principles and objectives of the Wholesale Retail Code (WRC). We did concur that where preferential payment terms afforded to the Retailer were passed on to the customer there could be a benefit to customers and the development of the market, but with no certainty this would be the case, the perceived benefits were not guaranteed. In CPW048 it was clearly noted that there was no obligation on trading parties to agree 'complex payment terms' which could result in significant costs but we do acknowledge the overriding obligation that wholesalers must give 'due and proper consideration' to Alternative Payment Terms without discrimination and where it considers that working capital will not be disproportionately affected.

We therefore considered that implementation of our Schedule 3 Alternative Credit Arrangement met the current demands from our Retailers and better facilitated the principles and objectives of the WRC and was an appropriate step to support the development of the market.

- (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.

When we first considered a Schedule 3 arrangement early 2018, prompted by the MOSL consultation in response to the DCP raised by the Water Retail Company we did propose two models; one for self-supply retailers and one for all other retailers. However, legal advice determined that this would be anti-competitive to offer alternatives to specific and pre-determined customer groups.

However we do believe that our Schedule 3 Arrangements provide routes to alternative credit that suit both self-supply retailers, existing retailers and new entrants to the market where it is subject to an external published credit score available to all and not predetermined by a customer classification.

Feedback from a trading party stated our arrangement as 'a very welcome innovation for the market in your region' going on to say 'the scheme has gone to great lengths in its balance view design and tiered eligibility criteria to enable fair accessibility'.

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

We have to date taken no action in this space but would support any industry initiatives to deliver clarity and accuracy within this space. In the meanwhile we will continue to work co-operatively with Retailers to sensibly resolve disputes.

It is worth stating that we have not to date been involved in any complaints or disputes that have moved to ADR.

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 did not receive any requests from Retailers for GSS payments but this is expected. Rather we inform the Retailer of any GSS payments that are due - confirming SPID, customer details, GSS failure category, GSS failure date and payment amounts.

Following confirmation with the Retailer current processes now initiate payment of GSS amounts directly into the appropriate Retailers bank accounts whereas previously we would have adjusted via month end non-primary charges mechanisms.

No GSS payments were subject to dispute.

During 2018/19 105 individual GSS payments were made to Retailers for payment to their customers totalling £7,465.

Annex C: Questions relating to the Market for Developer Services

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

Developer services and new connections market overview

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

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

We are transparent with developers about the choices they have in delivering connections services. Our developer charges scheme clearly sets out the options available.

We also ensure that we do not show undue preference or discrimination against NAVs by:

- Offering the same income offset to NAVs as would be offered to developers and self-lay providers.
- Allowing the income offset to be netted against any payment due for infrastructure charges to ensure that NAVs cash flows are not adversely affected.
- The publication of a bulk charge for NAVs where they require a supply of water from us.

More details on how we ensure that we do not show undue preference or discrimination are set out in our condition R compliance code published on our website at the link below:

<https://www.south-staffs-water.co.uk/media/2621/ssc-compliance-code-final.pdf>

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

Both South Staffs Water & Cambridge Water are actively involved in discussions with all parties within the market with regular meetings with Developers, SLP & NAVs. This includes regular meetings, discussions at industry events to appreciate short/medium/long terms plans.

Within the Developers arena (including discussions with the House Building Federation), we often liaise closely to understand the plans for scale/complexity of projects and timescales to allow capability for supply & define any reinforcement activities; often a key discussion includes potable water optimisation & water efficiency incentives that can be introduced within projects.

The discussions with Self Lay Providers include reviews of quality and project timing but also include innovations and trials to open different activities to the market. Often logistics is key and we work closely with SLPs to improve these actions; this includes proactive discussions with bodies that represent SLPs.

Although we acknowledge there are limited NAVs within our Regions, we actively held local meetings to discuss opportunities to work together that includes defining legal documentation, reviewing water quality protocols as well as considering options to provide emergency support. A recent NAV process is ongoing & has been successfully processed to date to the satisfaction of all parties.

As an organisation, we work closely with various industry bodies and parties to provide an open and transparent arrangements as well promote an active market.

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)?

Category	% split
Single	8.7%
Small	26.1%
Medium	29.7%
Large	35.5%

- (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?

Approximately 28% of our connections are carried out by the five largest developers in each region. In 2018/19 we had 607 distinct applications.

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

The majority of large developments are greenfield sites with brownfield projects associated with smaller developments. In 2018/19, 43% of connections were in unmade ground which can be used as an approximation for greenfield developments.

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)?

There has been a total of 26 individual Self-lay companies since 2012 working across both Regions.

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

As South Staffs Water/Cambridge Water are water only companies, we have no direct involvement in sewerage treatment but recognise there is a wide range of capabilities associated with SFPs that is often related to the organisational size of the Company.

Smaller companies will often request designs to be progressed with our design team especially difficult or complicated connections that involve single/minor connections with road closures, under road developments etc.

Some larger organisations will submit their own design (e.g. [REDACTED]) especially with bigger, simpler projects that are often on a single site.

However, we do note that some organisations receive our design and then submit their own design based on some of the definitions that we have provided.

There is also a number of self-lay providers that apply to Water only while others are multi-utility.

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

We have a mixture of SLP sized developments from single connections in existing highway to large development sites.

Since 2012, there has been 167 applications as defined below:

- Single - 16
- Small - 48
- Medium - 43
- Large – 60

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

As an organisation, we operate into distinct Regions that often have similar patterns/trends and often include the same Companies that allows the adoption of the same standards and protocols. However, particularly within the Cambridge region, we are actively promoting discussions that include water efficiency incentives as this is recognised water stressed area.

This has included recent discussions with Developers like [REDACTED] as well as NAVs including [REDACTED]. Not only do we acknowledge the environmental constraints of this Region but overall we have an obligation to promote water efficiency (across both Regions) and believe this should be a dynamic part of the market.

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 are currently updating our charges for 2020-21 and in doing so we have considered the above letter to address any possible areas where there could be concern. Please see answers to (c) below.

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

The Developer Services Charging Document for 2019/20 had been published prior to the receipt of the letter but the information will be considered as part of the new Charging Documentation for 2020/21.

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

The Developer Services Charging Documentation content is still being considered & prepared but the following items are currently being reviewed as part of the consultative process:

- Having attended a number of Developers Forums, we are planning to review the charging mechanism based on feedback at these events.
- Planning to include design cost options for the Self-lay (Charging document 1st April)
- Explanation of alteration to income offset arrangements (Charging document 1st April)
- Further explanation of how non-contestable charges are made up will be added.

The Developer Services teams from both Regions have attended a number of Developers Forums including the Water UK Developer Day and we recognise the feedback that requires not just transparency & accountability but also the requirements for predictability for future years. Developers have indicated that they want to define long term budget requirements based on a stable and fair-charging mechanism. This will be included in future Charging Documentation.

7. Please explain how your charges reflect costs:

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

The published Developer Services Charges have been calculated utilising previous historical costs taken from contractors' actual service installation costs and aligning with their rates as detailed in the current contract. This is seen as a fair and accurate method of calculating our charges.

Documentation that is available on our website that details the breakdown of our charges and how they are calculated. Details are available:

<https://www.cambridge-water.co.uk/media/2401/developer-services-charges-2019-to-2020.pdf>

(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.

Requisition charges are reflective of contractual and material costs incurred by the Company. Contractual costs have increased in recent years as a result of changes in policy to eliminate where possible supply interruptions. This has seen the implementation of technologies and techniques such as line stops and under pressure connections to meet the challenge of eliminating all supply interruptions, however the higher cost of undertaking work using these techniques has impacted the Companies contractual spend. This, as a consequence, has resulted in increases in our requisition charges. Whilst we continue to challenge our contractor's delivery costs and efficiencies these techniques, it has been demonstrated, do incur higher costs when compared to the direct contractual costs of undertaking this work with a mains isolation and supply interruption, as would have been the case prior to this change in policy.

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

For Infrastructure charges the cost of reinforcement works required to support proposed development are calculated across both regions (South Staffs Water & Cambridge Water) and that cost is divided by the total number of new connection over the period.

As an organisation, we undertake the same principles across both Regions but we acknowledge there are geographical & other factors that impacts on statements and this will be reviewed as part of the Developer Services Charging Document 20/21.

8. Where you rely on contractor rates to determine cost, please provide more information about those rates:

- (a) How are costs structured or formulated (e.g. are they based on a schedule of rates)?

Costs are currently based on Team Rental for some sections of work within the arena while it more competitive to offer Schedule of Rates with some services.

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

The details are highlighted in the published Charging Documentation.

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

The provision of these services were competitively tendered and so are at market rates. Each month, the contractor's certificate of work is reviewed by our QS team to ensure that all costs are in line with the agreed contract rates before the application for payment is processed.

For assurance, each week a meeting is held between the Contracts Manager and representatives from the contractor, to review any additional costs that have been accrued during the course of the works. These are confirmed and signed off or queried as necessary; this includes the delivery of the work and outcomes of any meetings with the respective Highways Departments of local County Councils.

The payment certificate is produced at the end of each month and again a Payment Review meeting takes place with all stakeholders.

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.

For similar services, we do not levy any charges between different customer types. The costs defined in our Charging Documentation are equally applicable to all customer type.

- (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.

As set out in our charging arrangements there may be circumstances where external factors can affect the costs we incur. These external factors may be outside our immediate knowledge or control. In exceptional cases, they could lead to a significant variance in costs.

It may not be reasonable or practical for us to provide an up-front fixed charge for the work in the following circumstances.

- The work is technically complex, bespoke, or only carried out infrequently.
- Third parties can legitimately recover their costs and there is not a reasonable level of certainty about those costs before the connection work is carried out.
- The requirements of third parties are not known up front – they have rights to protect their assets or interests in a way that could affect the construction method.
- The work is to be carried out on or close to land that has particular environmental, historical or archaeological characteristics. These characteristics mean that specific measures are required during construction or reinstatement. The details of these measures may not be fully defined before the work starts.

We provide an estimate for any non-standard work using the best information available and based on the recovery of reasonable costs. The actual cost of the work may be higher or lower than this and we set out any variances in the final invoice.

10. When agreeing a bulk service agreement with a NAV do you:

- (a) Publish a standard agreement; or
- (b) Provide bespoke agreements for each new site?
- i. If you publish a standard agreement, please set out in what circumstances it would not apply and you would seek to agree a bespoke agreement.
 - ii. Please give supporting evidence of this by providing information on the forms of bulk service agreements proposed and / or prepared for different NAV licences, over the last two years.

We have only recently received a request from a NAV for a bulk supply agreement and we have provided a draft to them for review; comments to date have been positive as we reach a conclusion anticipated in the next few weeks. In the previous two years we have not had to agree any other bulk service agreements.

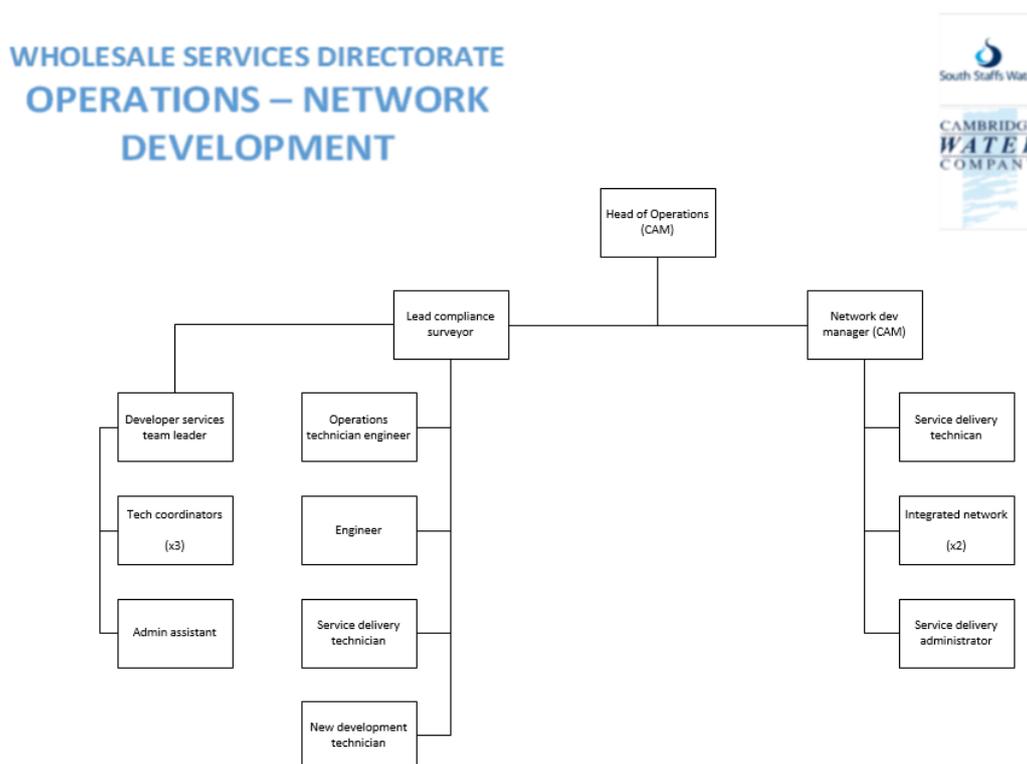
We are working with Water UK on a standard bulk supply agreement. The NAV has also requested companies to commit to implementing this standard agreement for all new developments once it has been finalised.

Culture, customer experience and quality of service

Aim: To understand how each incumbent water company operates to provide high quality services that meet the needs of their customers.

11. Please explain how your developer services teams are organised:

(a) Please provide an organogram, staff numbers and the scope of responsibility for the different teams involved in delivering services for developers/NAV/SLPs.



As with all organisations, there is a dynamic organogram that we are considering altering to reflect changes within the industry, the Regulatory environment but also to align closer to our customers.

We are considering an organisation that is more reflective to the Developers requirements but also to consider the full customer journey from an initial application, quote preparation, project delivery, GIS recording as well as customer billing.

- (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.

Our team is multifunctional and works across all business functions within the department. As an organisation we ensure that all customer types are treated fairly.

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;

Various members of the Team meeting various stakeholders including the following activities:

- Regular meetings with SLP to review performance including a trial to extend new meter installations with SLPs in the South Staffs Region.
- Daily/weekly meetings with Developers on site to discuss plans, installation, programmes etc.
- Developer forum consultation including joint presentations with Severn Trent Water & Anglian Water and support for Water UK Developer's Day.
- Regular attendance at Water UK IPG workshops & meetings.
- Routine attendance at D-MeX meetings with various industry stakeholders including Ofwat.

- (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

The various engagements will vary with the different types of stakeholders but include programming, quality control, industry governance, developing sector policy, budgets, process & procedural changes, discussion on charging mechanisms etc.

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

As indicated, there are various types of stakeholder communications and this are actively promoted with feedback dependent on the nature of the engagement.

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

The following meetings have been held with various parties over the past year. These are primarily regular update meetings to discuss local site issues (such as defects and payments), except where stated below.

28 March 2019	Meeting between SSC and [REDACTED]
26 July 2019	Meeting between SSC and [REDACTED]
21 May 2019	Meeting between SSC and [REDACTED] to discuss sampling
23 May 2019	Meeting between SSC and [REDACTED] to discuss sampling

5 April 2019	Meeting between SSC and [REDACTED] to discuss infrastructure charges
29 January 2019	Meeting between SSC and [REDACTED]
23 January 2019	Meeting between SSC and [REDACTED] to discuss infrastructure charges
3 January 2019	Meeting between SSC and [REDACTED]
29 November 2018	Meeting between SSC and [REDACTED]
25 September 2018	Meeting between SSC and [REDACTED] to discuss WIRS
25 July 2018	Meeting between SSC and [REDACTED] to discuss asset value payments and defects
17 May 2018	Meeting between SSC and [REDACTED]
16 October 2019	Meeting between SSC and [REDACTED]

13. With respect to information and services provided to NAVs, SLPs and developers:

- (a) Do you offer any similar services with operational service levels that differ depending on the customer type (developer, NAV, SLP)? If so, please list the services and explain the reasons for the differences.

All the services that we offer apply across all stakeholder parties; there is no differentiation.

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

The Company provides monthly information on Water UK SLAs and D-Mex that meet the standards and specifications as detailed within the Guidance Documentation. We noted a decline in performance for a short period and introduced a number of changes to the team and updated the protocols with data collation and preparation as part of the publishing procedures.

In addition, we have been actively engaged in the Water UK IPG Sub-Group working with D-Mex as well as attending Ofwat working groups (with BMG representatives) to ensure to ensure compliance and accuracy with documentation guidance.

If there is a requirement for a blank inclusion, we submit a zero as requested.

- (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.

Currently SLAs for NAVs are not utilised for reporting but we endeavour to satisfy the criteria as established in the Behavioural Improvements draft report.

Again, we note that there is a Water UK IPG Sub-Group on NAVs & Barriers to Entry and we have actively been promoted attendance within this Group and wait for guidance to be published.

- (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 sometimes receive enquiries from developer, SLP and possibly NAV for the same project. The developer and SLP responses are identical because the offer paperwork issued details the in-house and SLP installation options. If asked to provide an offer to a NAV the same income offset/discounts would be applied to works required to serve the site and all are checked before issue to ensure equivalence across offers.

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.

Codes for Adoption project has been run by WaterUK on behalf of the industry and we have participated in working groups. We have been actively involved in the recent update and have acknowledged the comments from this working group.

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

WaterUK have issued various consultations during the programme and we have been involved in meeting to discuss feedback. During discussions with Developers/SLPs, we have provided the Code and we are waiting for feedback.

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

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

We engage fully with regulator consultations on these topics and industry working groups, as appropriate, during the implementation stages and throughout ongoing operation, as we have demonstrated particularly with the business retail market which has been the most significant new market to affect our business. We endeavour to complete data requests where these are required and have always done so in an accurate and timely manner.

In addition, we are currently exploring the option of acquiring additional water resources from third parties who have existing abstraction licences, outside of the needs of our supply demand balance, to improve resilience and support wider network trading with third party neighbours.