

31 October 2019

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By email: incodem@ofwat.gov.uk

Dear Emma

Incumbent water companies and the development of effective markets

We welcome the opportunity to respond to your letter dated 16 September 2019. We acknowledge our unique role in the provision of an essential public service and understand with that comes an important responsibility in the development of effective markets and delivery of better outcomes for customers and society.

Our responses to your questions are included within the annexes attached to this letter along with additional evidence and supporting information to substantiate our responses.

We believe that we are taking positive and pragmatic action to support the development of markets.

Our Board is engaged with the company's work in supporting the developing markets. The development of and participation in existing and new emerging markets has been part of the South West Water strategy for a number of years. There are various fora in which the Board has the opportunity to discuss and challenge the company's plans in this area.

Your letter asks for information on a range of business retail market areas and we have included the relevant information. Given the importance of the market, we wonder whether a more formal, wider review on how the market is operating is worthwhile. A 'lessons learned' review now the market has been operated for a few years would seem timely and feed into a continuous improvement process on the structure of the market, customer outcomes and its efficiency.

At the national level, housing growth is one of the principal issues facing the sector in the long term. We have provided the information requested on Developers Services but would welcome any wider discussion on the impact of new housing and link with, for example, the response to the Defra consultation on reducing the demand for water.

Finally, we have provided additional information on emerging markets in Annex D.

If you have any queries relating to our response, please do not hesitate to contact me directly.

Yours sincerely



Sally Mills
Regulatory Director



Encls.

Cover letter

Annexes A to D

Appendix 1 – Annex A supporting information

Appendix 2 – Annex B supporting information

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Incumbent water companies and the development of effective markets

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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 development of and participation in existing and new emerging markets has been part of the South West Water strategy for a number of years. There are various fora in which the Board has opportunity to discuss and challenge the company's plans in this area. Examples are detailed below:

Board strategy days

The development of effective markets is discussed annually at the South West Water Strategy Day which comprises of South West Water Board and is attended by members of South West Water's Executive Management. Our supporting information (Appendix 1) provides extracts from the South West Water Strategy Day reports from 2019 and 2016 as examples and demonstrate how discussions and plans have evolved regarding the development of markets. **These extracts have been redacted due to their commercial sensitivity.**

Board subcommittees

Engagement in effective markets was a key theme in our PR14 and PR19 Business Plan. Our PR19 Steering Group, a Board subcommittee, approved our Business Plan submission which comprised of a standalone document 'Targeted Controls, Markets and Innovation' <https://www.southwestwater.co.uk/siteassets/document-repository/business-plan-2020-2025/targeted-controls-markets-and-innovation.pdf>.

The document provides information on the market work across our Business Plan as well as addressing Ofwat's specific Initial Assessment of Plans questions on this area.

Board reports

Reported through South West Water's Executive Management, the Board is provided with regular updates on key aspects on development of markets and our performance within the business retail market as well information on how the developer services markets are progressing within our supply area. Appendix 2 provides examples of South West Water Executive Meeting updates.

Annual Performance Report

We took the opportunity through our Annual Performance Report which is developed and approved by the Board, to provide information on the actions we have undertaken to further increase our engagement in existing and emerging markets. This information is included on pages 54-55 of the report. <https://www.southwestwater.co.uk/siteassets/document-repository/annual-reports/2019-annual-performance-report-and-regulatory-reporting.pdf>

Condition R Compliance Code

South West Water's Condition R Compliance Code has been approved at Board and is published on our website https://www.southwestwater.co.uk/siteassets/document-repository/terms-of-reference/condition-r-compliance-code-website-version_v1.1.pdf

The Code covers not only Condition R but Condition E1 and all level playing field issues for New Appointments and Variations (NAVs), Self-Lay Providers (SLPs), water resources markets, as well as retailers and non-households.

The Board has been made aware through South West Water's Executive Management, the company is in the process of undertaking refresher training based on the Condition R Compliance Code. The training is delivered by Pennon Group Legal Services and tailored to reflect departmental involvement with markets. For example, where there are higher risk staff – such as the Water Resources team – they have strong support both from training, legal and line management perspective on emerging markets and Competition Act compliance. South West Water's Executive Management have also received this training.

Both our Condition R Compliance Code and the refresher training provide details on how staff can raise issues. This is in addition to the Company's Whistle Blowing procedures which is briefed to all staff separately.

With the increasing focus on development of markets, roles and responsibilities have been reviewed to ensure that we have Senior Managers and Directors within designated areas of the business to progress and review work concerning the development of markets.

Annex B: Questions relating to the Business Retail Market

General

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

As the provider of wholesale services, South West Water take a number of actions to understand the experience of end customers. These are summarised below:

Customer set-up at Market Opening

Actions started with the preparation for market opening when South West Water put dedicated systems and structures in place to make sure that we would be able to understand the service experiences being delivered to our end customers. This included:

1. Market Code/Interaction Mapping

South West Water undertook an extensive business process mapping exercise prior to market opening. This enabled the wholesale staff to understand the processes and the service level agreements (SLAs) needed for retailer interactions to ensure seamless transition at market opening of the end to end process.

Appendix 2 provides an extract of the South West Water Non-Household (NHH) Process Library List together with an example of a mapped process.

2. Market Retailer Portal

From the process maps South West Water designed and implemented a Retail Portal which is available to all retailers in our area. The portal systemises Market Processes, providing retailers with on-line forms to log market interactions. Each Market Process is aligned to the SLAs within the Market Code. Systemising Market Processes and SLAs enables us and our retailers to monitor all market interactions and completion deadlines.

Our Retail Portal allows us to understand the level of service being provided to end customers every day. Our dedicated Service Desk monitors and acts to ensure market interactions are delivered quickly and to a high quality, making sure that we maximise service experiences when customers are using our services. Appendix 2 provides an illustration of our Retailer Portal.

3. Dedicated Market Teams

Since market opening, South West Water has had dedicated market teams in place, focusing on the delivery of service to retailers and our joint customers:

- Service Desk - responsible for providing a central point of contact for all incoming interactions, handling information requests, and keeping track of the level of service provided for customers.

- Account Management - responsible for maintaining collaborative relationships with our retailers by working with them to develop services that fulfil their needs.
- Quality & Performance - responsible for systems and processes concerned with ensuring effectiveness and compliance with market codes, ensuring service provision is well run and efficient.
- Financial settlement - responsible for ensuring compliance with market codes for wholesaler invoicing and reviewing the reporting from the CMOS system in relation to financial aspects.

These teams have been trained to be experts in the understanding of Market Processes. Using the systems, we have put in place, their daily actions are focused on monitoring all market interactions to make sure that we understand the level of service and experience being delivered to our end customers.

We can provide organisational structures if helpful.

4. Market Training

Prior to market opening we ran 11 separate training programmes and 2,026 individual training sessions. Details were given in our assurance submissions to MOSL and for brevity are not included here – details can be provided if helpful.

In May 2019 South West Water took action to refresh and extend the market training programme. This training builds on South West Water's Condition R Compliance Code and the new Licence Condition E1. Training has already been delivered to 98 members of staff whose role either involves wholesale services or contact handling, covering NAVs, helping customers jointly served by NAVs and level playing field issues.

On-going customer experience

We have in place processes to capture and continuously improve the experiences of end customers in consuming the wholesale services. This includes:

1. Retailer Advocacy Programme

This is where South West Water meet with retailers operating in our area to discuss our performance. The aim is to build collaborative relationships which focus on understanding how performance is impacting end customers and where performance can be improved.

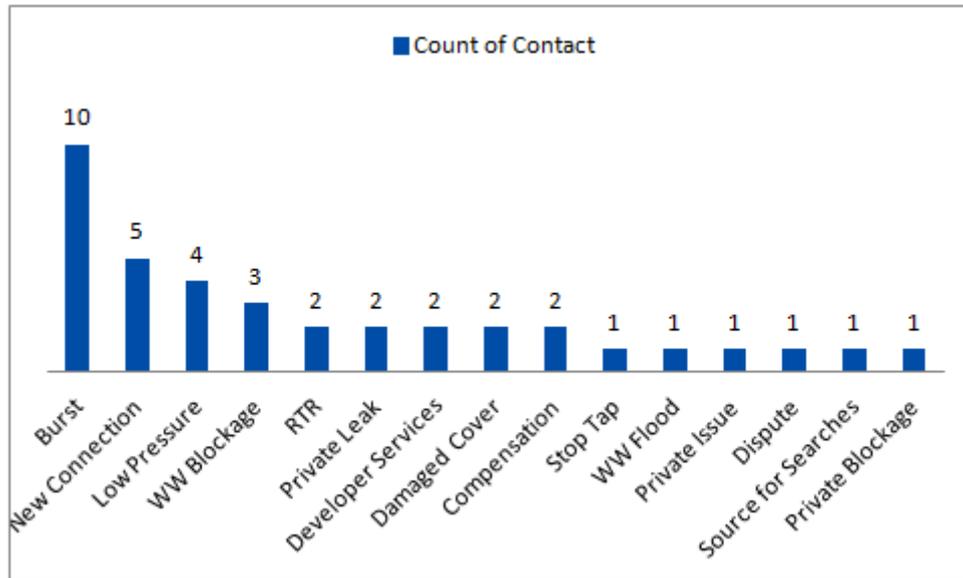
Through these meeting, both parties can agree actions to aid the delivery of positive outcomes for our end customers. Appendix 2 provides an extract from one of our Retail Advocacy meeting minutes.

2. South West Water Contact Analysis to improve service and end customer experiences

In addition to monitoring and safeguarding daily interactions through our Retailer Portal, South West Water also review all interactions to understand the experiences of end customers who contact us directly. This allows us to focus on all areas raised in question 1.

For example, non-household customers may call the South West Water Contact Centre because of a leak, burst water main or another issue. Unless the contact requires urgent

wholesale attention, like a burst, we will always follow the market process and refer end customers to their retailer. However, as we want to create a seamless service within the market and work collaboratively with our retailers, each day we extract contact records, by type (see below), and send these to the relevant retailer through our Retailer Portal.



Acting within GDPR rules, the contacts South West Water receives are also matched against the type of contact a retailer may need to raise on behalf of that customer, giving early sight of what action, the retailer may need to take.

For example, a customer called South West Water to ask for their meter to be re-located. As this is a contact type that must be initiated by the retailer, South West Water advised the relevant retailer of a potential B7 process may be required for this customer. The retailer has subsequently submitted a B7 process to be investigated.

Through this process, we are looking to keep retailers informed of the contacts from their customers and create an improved service for all.

3. Proactive Complaint Analysis

On a daily basis South West Water take action to analyse all complaints received. We use this to understand service received by retailers and end users and improve that service offering. This allows us to focus on all areas raised in question 1.

Within our Service Desk we have dedicated complaints technicians who are responsible for ensuring that wherever possible every complaint is resolved first time and through retailers, end customers are kept informed throughout the complaint process.

All market complaints are received on a F5 form on our Retail Portal so that we can track and report actions. The analysis process begins when the F5 is logged on a tracker by the complaints technician – see example overleaf.

Company	Retailer	High Value	High Profile	Pre-Shadow?	Escalated Contact (CC/MD)	Conference Call	Final Conference Call	Contact passed to us prior	Current Stage	Permission given by Retailer	Customer Name	Company/Property Name	Postcode	Case	Date Passed to us	Date on F05 Form
SWW	Retailer1	No	No	No	Director			No	Stage 1	Yes	Customer1	First Line Address			01/04/2019	01/04/2019

Date on F05 Form	Initial Response Date	Actual date of Initial Response	Substantive Response Date	Actual Date Of Substantive Response	Date of next Retailer Update	Date of final response	States	Process	Area Responsible	Root Cause	Reason for Complaint	Outcome of Investigation
01/04/2019	08/04/2019	08/04/2019	10/04/2019	08/04/2019		01/04/2019	Wholesale Fully Resolved	DWS - Unplanned Work	DWSD	Quality	DWS issue, pipe work burst caused air pressure surge to damage fittings in property - passed to CSR to investigate	MW agreed compensation from DWS, this has been processed for the consumer and consumer happy all resolved.

The teams will discuss how the complaint can be resolved and also what action South West Water can take to stop the same type of complaint happening in the future. The outcome of the complaints investigation is noted, as illustrated above.

Complaints are reported internally by process and business area. This enables us to understand which wholesale processes are affecting the end customer and allows us to track the improvements to processes which will benefit the end customer.

For example, following complaints analysis and feedback from our retailers, we updated our leak allowance policy on 1 April 2019 to extend the timeframe for an end customer to apply for an allowance and the retailer to submit an application to South West Water from six weeks to three months. Tracking complaints at this level allows us to see the positive impact this has had, reducing complaints in this area by 91% in comparison to the same period in the previous year, as illustrated in the table below.

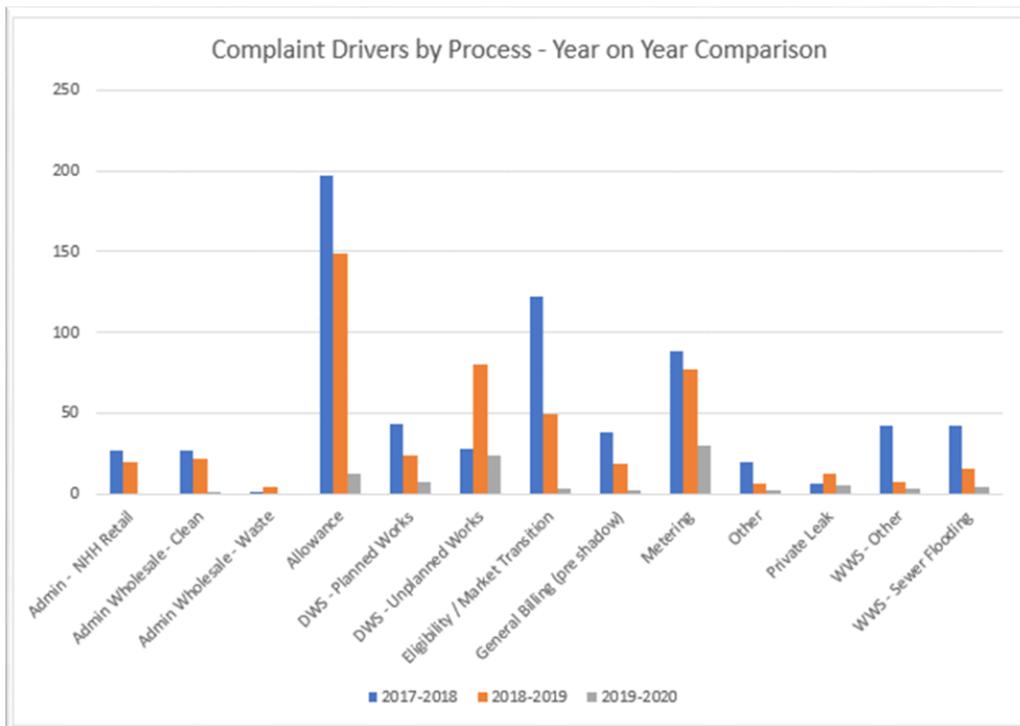
Process	2017/18	2018/19	Volume	Reduction %	2019/20	YTD Volume	YTD Reduction %
Admin - NHH Retail	25	20	-5	-20.00%	0	0	0.00%
Admin Wholesale - Clean	27	22	-5	-18.52%	1	-21	-95.45%
Admin Wholesale - Waste	1	5	4	400.00%	0	-5	-100.00%
Allowance	196	149	-47	-23.98%	13	-136	-91.28%
Clean - Planned Works	43	24	-19	-44.19%	8	-16	-66.67%
DWS - Unplanned Work	66	80	14	21.21%	24	-26	-70.00%
Eligibility / Market Transition	122	50	-72	-59.02%	4	-46	-92.00%
General Billing (pre shadow)	37	19	-18	-48.65%	3	-16	-84.21%
Metering	86	77	-9	-10.47%	30	-47	-61.04%
Other	15	7	-8	-53.33%	2	-5	-71.43%
Private Leak	7	13	6	85.71%	6	-7	-53.85%
WWS - Other	20	8	-12	-60.00%	4	-4	-50.00%
WWS - Sewer Flooding	41	16	-25	-60.98%	5	-11	-68.75%
Grand Total	686	490	-196	-28.57%	100	-390	-79.59%

YTD as of 18 October 2019

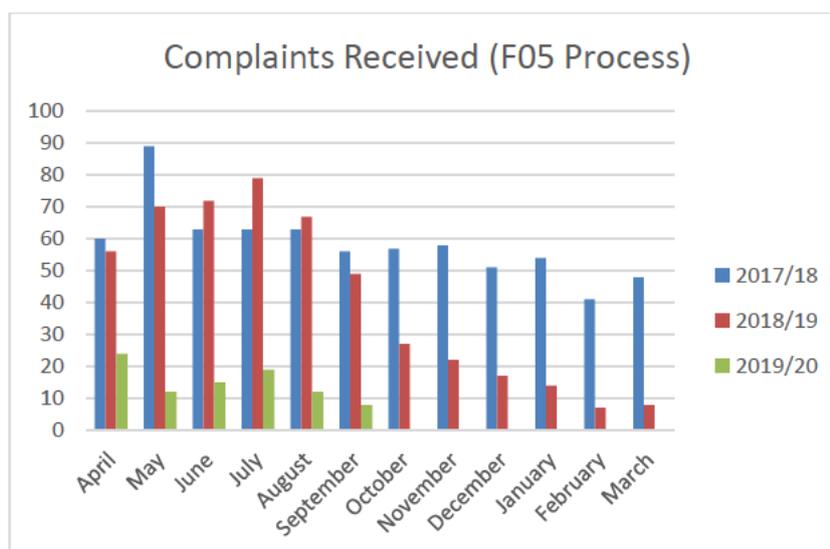
A further example is associated with the C1 process, verification of meter details or meter supply arrangements. Our complaints analysis highlighted a need for increased metering appointment availability, which was delivered through improved work planning. This has realised complaint reductions of 61% year to date and improved our OPS C1a performance as illustrated in the table overleaf.

South West Water OPS C1a					Wholesaler OPS	
Month	Tasks Completed	Tasks Not Completed Within Time	Tasks Completed Within Time	Percentage Score	Wholesaler Median	Wholesaler Average
April-18	35	22	13	37.1%	78.9%	73.4%
May-18	43	17	26	60.5%	94.1%	87.3%
June-18	45	34	11	24.4%	96.7%	86.1%
July-18	58	47	11	19.0%	92.0%	82.3%
August-18	74	48	26	35.1%	97.4%	85.9%
September-18	60	30	30	50.0%	93.3%	80.9%
October-18	76	41	35	46.1%	94.9%	83.8%
November-18	79	34	45	57.0%	89.0%	81.8%
December-18	59	12	47	79.7%	95.6%	87.7%
January-19	56	11	45	80.4%	95.5%	87.1%
February-19	77	17	60	77.9%	98.8%	88.8%
March-19	85	21	64	75.3%	91.2%	81.2%
April-19	78	16	62	79.5%	99.4%	88.9%
May-19	149	19	130	87.2%	94.2%	83.7%
June-19	118	9	109	92.4%	96.9%	87.8%
July-19	102	17	85	83.3%	97.4%	87.6%
August-19	100	6	94	94.0%	94.0%	89.6%
September-19	98	9	89	90.8%	94.0%	89.5%

In addition to the above, the graph below details the year on year volumes and variances in complaint reductions.



The action we have taken to understand complaint drivers means that we are able to understand the service experiences being provided to our end customers. The improvement actions we have taken as a result of this approach has reduced the volume of complaints year to date by 79% in comparison to the same period last year.



4. Freeze & Thaw

For the South West region, the 2018 'Beast of the East' weather was the first ever red weather warning issued by the Met Office in England. Despite these extreme conditions, supplies to the majority of our customers were maintained throughout the event.

South West Water took action to consult with non-household customers and retailers to understand their experiences during the event and as result drew up a response plan aimed to ensure non-household customers receive a resilient service which met their individual needs. Our responses were included as part of our submission to Ofwat's request for information – review of freeze/thaw incidents'. In line with Ofwat's assessment we have focused on the following specific areas for improvement:

- Identification of vacant non-household sites
- Improved retailer communications
- Enhancing the identification of non-household sensitive customers.

For brevity, details are not given here but are provided in Appendix 2.

5. SWW-Retailer Engagement Days to understand performance

These events concentrate on understanding specific areas of service delivered to retailers and our end customers. The last event we held was in late 2018 and focused on lessons learnt during the Beast from the East. All trading parties were invited together with representatives from MOSL, Water UK and CCWater.

Events such as these provide an opportunity for trading parties to come together to talk about how services are being delivered and identify opportunities and improvements. Feedback headlines, illustrated overleaf, from our event was shared with all trading parties and fed in to the industry working group actions led by Water UK.

General Observations & Summary Feedback



What worked well?

- Wholesalers and Retailers working together to support customers
- Proactive weather watching
- Customer communication across different media; in person, social, digital, SMS & telephone
- Customers informed to check meters & report leaks
- Sensitive customers contacted and offered support
- Turning off water at empty properties
- Timely Retailer briefings by phone & email
- Event progress and close-off

Potential opportunities for improvement?

- Further data cleansing by Wholesalers and Retailers
- Agree process to collect & share emergency contact details
- Increased focus on sensitive customers
- Potential for a central portal with event information to self-serve
- Wholesalers providing updates by SPID, with consistent messaging
- Retailers providing value-add services
- Customer education
- System enhancements for more granular Sensitive Customer data (CMOS or bi-lateral)

What were the challenges?

- Fake News!
- Rapid thaw
- Sharing contact details
- Managing customer expectations

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6. Market Performance Comparison

South West Water compares performance with the wider market through review of our MOSL Portfolio Report. The report provides additional insight of the service levels we are delivering in comparison to the rest of the market, enabling an understanding of where services are performing well or where improvements to service experiences are required.

Our performance is discussed with our MOSL Portfolio Manager at regular meetings. The Portfolio Manager is able to provide market insight from retailers highlighting opportunities for improvement or what is working well. Appendix 2 provides an extract from the South West Water Portfolio Manager Report for September 2019.

7. Non-household customer involvement in PR19 research

Throughout our extensive programme of research undertaken for our 2020-25 business plan, we sought the views of non-household customers (both directly and via retailers) as appropriate through qualitative and quantitative methods, i.e. focus groups, interviews and surveys. Non-household customers were involved at many stages of our research programme from establishing customer priorities, through to performance commitments and acceptability testing. Ensuring that non-household customers were involved in research and engagement throughout the business plan process has meant that we have developed a plan that reflects their priorities and requirements evidenced by the high degree of acceptability from non-household customers with 85% in the South West region and 95% in the Bournemouth region supporting our plans and initiatives in real terms.

The priorities for non-household and household customers were not dissimilar, demonstrating that a plan that met the needs and requirements of households would also meet the needs and requirements of non-household customers. Key differences were that

non-households placed lower importance on increasing renewable energy and reducing carbon emissions and placed a higher value on reducing leakage.

The majority of non-household customers were satisfied with South West Water's overall service. They felt that the objective for South West Water should be to maintain current performance levels, those customers who felt service levels should improve tended to prioritise aspects of service that have a direct impact on their organisation (especially discolouration and leakage) as well as those with a wider impact (in particular, bathing water quality and pollution incidents).

We invited all retailers active in our region to take part in qualitative research to explore the needs and expectations of retailers and non-household customers for South West Water service, their priorities in the wider market and for business planning with regard to 2020 onward. Eight retailers took part in in-depth interviews.

There were common themes across the retailers when it came to their end customer future needs and expectations and this feedback along with the outputs from our other PR19 research has directly impacted actions that South West Water has taken or is taking around the service we deliver to end customers, whether directly or via retailers. Some services were already being offered and in other areas we have made improvements or introduced new services:

- A key issue is water efficiency services and audits – retailers believe that their customers want to have a positive impact on the environment, or at least a neutral impact. Larger businesses are particularly interested in water audits, they want to reduce and monitor their consumption.
- Retailers feel that accurate billing is a big issue with their end customers. Accurate, easy to read billing is fundamental to their business. Across the industry there have been issues with poor data which has a big impact on retailers
- Generally, larger users of water want accurate bills rather than estimated bills. End customers want accurate bill because they want control of their finances.
- High levels of customer service – if there are problems with the supply, end customers want fast response and updates. We are embedding the lessons learned from the Freeze/Thaw event to improve communication with retailer and end customers during supply interruptions.

Non-household customers and retailers were also represented at our stakeholder workshops where we engaged on the Water Resources Management Plan and business plan and sought feedback on whether our business plan proposals met their needs. Feedback was broadly in line with earlier research in that the general feeling was that the company should prioritise leakage reduction, water efficiency, and pollution reduction.

Further information can be found in our 2020-25 Business Plan document 'Engaging Customers'. <https://www.southwestwater.co.uk/siteassets/document-repository/business-plan-2020-2025/engaging-customers.pdf>

Industry Governance

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

Market governance is important for the efficient operation of the market and in improving service delivery. We are an active participant in the market. The following sections set out our interaction with the governance framework.

MOSL Group Areas

There are groups where attendance is limited and places are currently allocated to other trading parties, these are indicated by N/A – for example, Code Governance. Where we do not attend certain groups, we are in dialogue with other company representatives to ensure our views are known and considered if needed.

MOSL GROUP AREA	COMMITTEE OR WORKING GROUP	SWW ATTENDEE	SWW ATTENDANCE 2019
CODE GOVERNANCE GROUPS	Panel	N/A	N/A
	Market Performance Committee	N/A	N/A
	Operational Performance Standards Working Group	N/A	N/A
	Trade Effluent Issue Committee	N/A	N/A
	Credit Committee	N/A	N/A
	Trading Disputes Committee	N/A	N/A
	Market Incident Plan Committee	N/A	N/A
	GDPR Issues Committee	N/A	N/A
CODE ENGAGEMENT GROUPS	User Forum	Customer Performance Manager	5 out of 5
ENGAGEMENT GROUPS	Digital Strategy Committee	N/A	N/A
	Operations Release Working Group	User Experience Manager	4 out of 4
INDUSTRY LED GROUPS	Retail Policy Group	N/A	N/A
	Retailer Wholesaler Group (RWG)	Head of Service Delivery	3 out of 3
	Wholesaler Interface Group	Head of Service Delivery	1 out of 1

Industry Sub Groups

There are also many Sub Groups within the industry in which South West Water are active participants. These are noted below.

INDUSTRY SUB GROUPS	SWW ATTENDEE	SWW ATTENDANCE 2019
MOSL Bilateral	Wholesale Delivery Manager	New awaiting dates
RWG Complaints	Wholesale Delivery Manager	0 out of 2
RWG Eligibility	Customer Performance Manager	1 out of 1
RWG Meter Reading Standards	Meter Reading Manager	3 out of 3
RWG Policies	Wholesale Account Manager	4 out of 5
RWG R-MeX	Customer Performance Manager	N/A
RWG Vacants	Wholesale Account Manger	2 out of 2
RWG Disconnections	N/A	N/A
RWG Unplanned (& Planned) Activities	N/A	N/A
MOSL Long Unread Meters Workshop	N/A	N/A
MOSL Meter Read Rejections	N/A	N/A

South West Water's contribution to industry committees and working groups can be evidenced by our proactive stance on review and replying to market consultations – see Appendix 2. Such contribution is important to deliver an effective market.

A specific example of our contribution to an industry working group relates to the RWG Policies Group. The Group have been working on producing an industry wide Good Practice Guide (GPG) for Leak Allowances. South West Water has shared an example of our own Leak Allowance Self-help Guide which has been incorporated into the RWG GPG, which we have illustrated in Appendix 2.

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.

Our approach in responding to industry consultations and change proposals is from a neutral perspective of improving the effective market operation, examining the proposals from all aspects with an overarching aim to ensure the best outcomes for end customers.

Specific examples of market code/changes, where we have looked to balance or reconcile potential competing interests include:

- **Bi-laterals Solution RFI**

Despite South West Water introducing its own portal for Retailer communications, incorporating standard market forms, process management, and reporting, we recognised the benefit for all retailers operating across multiple wholesaler regions, or those without mature market interface solutions currently in place, to have a consistent bilateral platform to improve transparency in the market.

Because of this South West Water supported the delivery of an industry level bi-laterals solution as a positive move for the industry despite the additional resources South West Water would need to deliver this solution.

- **Return to Sewer RFI**

This RFI sought to understand wholesalers default rates, whether calculation as a discount or a reduced tariff, and whether for the retail market non-default allowances should return to default either after a set duration or upon change of occupation. South West Water confirmed its current charging arrangements and responded in favour of an allowance returning to default on a change of occupation to avoid unnecessary administration for retailers

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).

Our Board is engaged with the company's work in supporting the development of effective markets which includes our approach to participation at working groups.

Our approach to participation at the Industry Panel, Committees and working groups has been to focus on where we believe we can add most value and influence the design of an effective market. As an efficient company our strategy for participation input is based on balancing the needs of all our customers.

Discussions from industry groups and consultations are tabled and discussed at the South West Water Executive meeting or South West Water Board depending on their materiality. Appendix 2 illustrates examples from South West Water Executive meetings which illustrate market discussions being held at this level.

Wholesaler performance

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

South West Water has not been subject to an Initial Performance Rectification Plan.

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?

South West Water uses work management systems to safeguard and monitor the delivery of all proactive and reactive customer work. Our systems and processes have been in place for many years to ensure all work is completed as promised. At market opening these systems were enhanced to ensure market processes could also be monitored and safeguarded in a consistent way and to ensure all retailers were treated fairly.

1. Systematic OPS Performance

Our retailers use our Portal to log all reactive OPS requests, selecting the appropriate OPS process from the on-line listing, for example requesting a meter exchange. Retailers will complete the on-line templates, which are designed to capture all relevant data for each interaction and submit the request for action.

Our Service Desk, who continually monitor all market interactions via the Portal will validate received requests ensuring necessary data is captured and that we fully understand the request being made. As our Portal is also aligned to market SLAs, we are able to visualise and track OPS completion deadlines. All market request and South West Water field activities have assigned SLAs which match market process SLAs, this means that the completion of any activity is based on the SLA for the individual request and not by retailer, ensuring a level playing field approach.

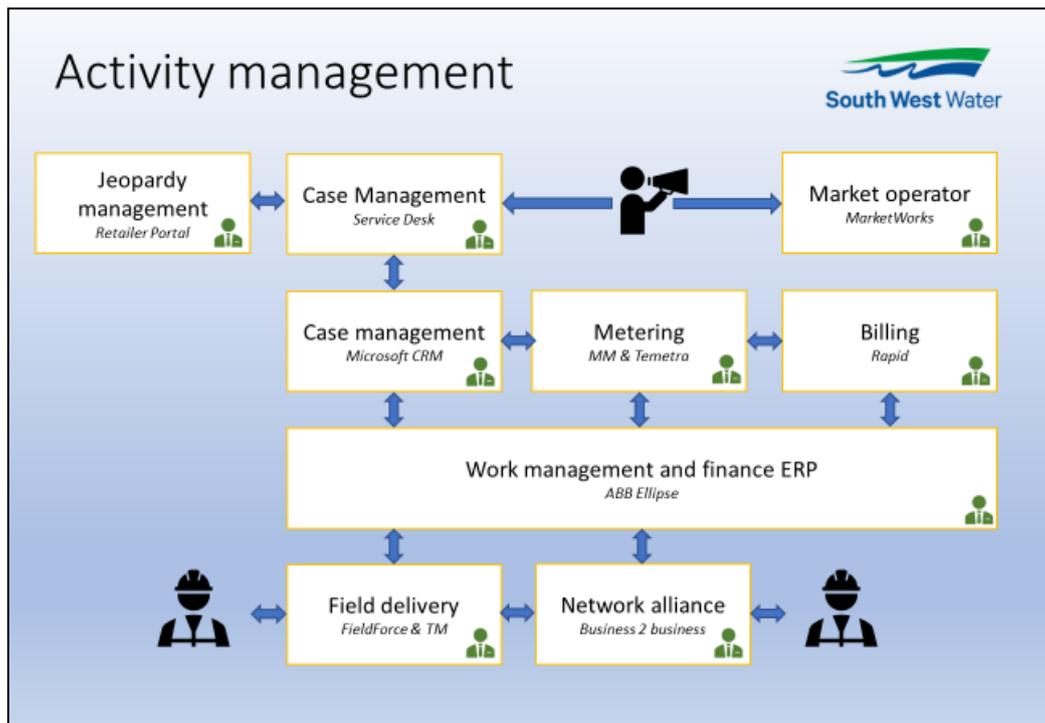
Following validation, our Service Desk will use our Customer Relationship Management System (CRM) to log all the tasks needed to complete the OPS process, dates for the completion of each task will be entered into the system and used to create jeopardy reports so that we are able to monitor and safeguard performance.

Our CRM system interfaces with our company wide Work Management System - Ellipse. Our Service Desk will use the interface between CRM and Ellipse to create jobs for our field staff to complete OPS processes within the required completion deadlines.

All activities are prioritised according to start date, not by retailer. This safeguards performance ensuring there is no prioritisation or special treatment of one retailer over

another. Our Service Desk is responsible for monitoring all OPS processes within our system to ensure completion dates are safeguarded for the benefit of our end customers,

South West Water also monitors all company driven OPS processes. This is also done using our Ellipse work management system. Each job within the system is assigned an individual job code, all OPS job codes have system notifications which we use to monitor activity and completion dates, which are captured within the system. On receipt of an OPS job code notification our Service Desk will update CMOS that an action has taken place. The diagram below illustrates our work management integration.



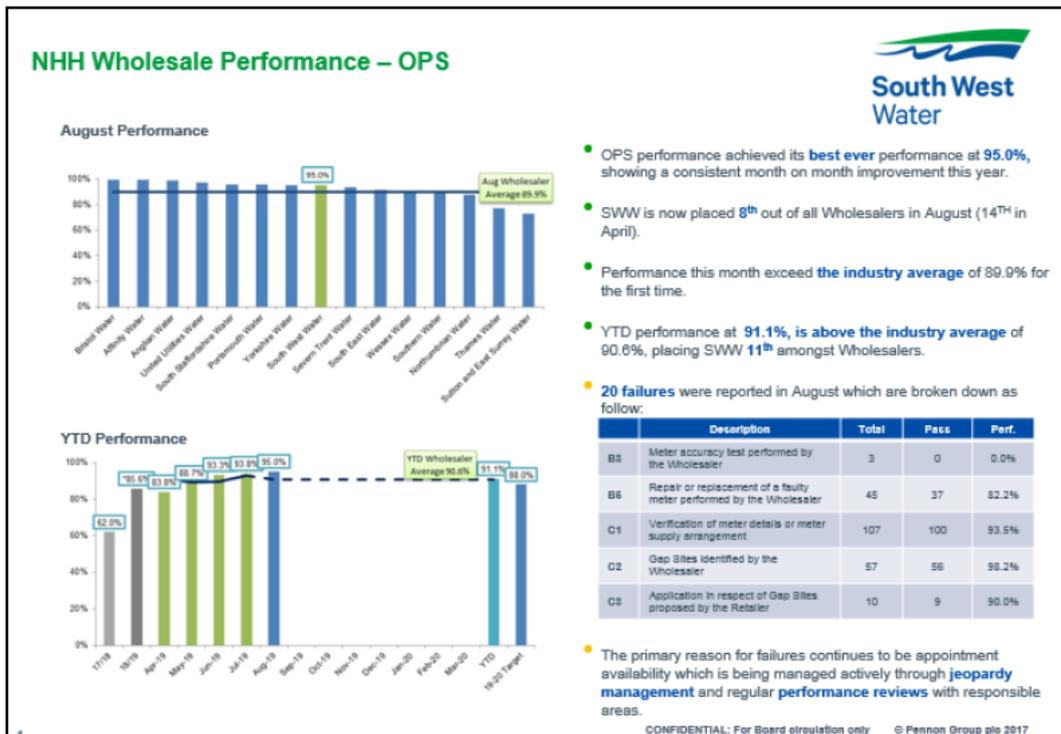
2. Jeopardy Management

Every day our Service Desk monitor OPS performance by running jeopardy reports to ensure tasks are completed on time or take action where completion dates are at risk of failure. Our system will indicate where a task is nearing its due date, as shown in the report extract.

	A	B	C	D	E	F	G
	OPSC Step	Workflow Id	Retailer	OPSC Start Date	OPSC Due Date	OPSC Complete Date	Key Notes
1							
2	OPSC2a	140153		21-Aug-19	23-Sep-19		Due Monday
3	OPSC1a	124787		28-May-19	23-Sep-19		Due Monday
4	OPSC1a	142558		09-Sep-19	23-Sep-19		Due Monday
5	OPSC1a	142588		09-Sep-19	23-Sep-19		Due Monday
6	Ops B5a	138709		13-Aug-19	20-Sep-19		Due Today
7	Ops B5a	139604		19-Aug-19	20-Sep-19		Due Today
8	OPSC2a	139833		20-Aug-19	20-Sep-19		Due Today
9	OPSC3a	139750		20-Aug-19	20-Sep-19		Due Today
10	OPSC2a	140242		22-Aug-19	24-Sep-19		Not yet due
11	OPSC2a	140256		22-Aug-19	24-Sep-19		Not yet due
12	OPSC2a	140262		22-Aug-19	24-Sep-19		Not yet due
13	OPSC2a	140298		22-Aug-19	24-Sep-19		Not yet due
14	OPSC2a	140310		22-Aug-19	24-Sep-19		Not yet due
15	OPSC2a	140322		22-Aug-19	24-Sep-19		Not yet due
16	OPSC2a	140330		22-Aug-19	24-Sep-19		Not yet due
17	OPSC1a	139241		16-Aug-19	24-Sep-19		Not yet due
18	Ops B5a	134590		20-Jul-19	25-Sep-19		Not yet due
19	OPSC2a	140401		23-Aug-19	25-Sep-19		Not yet due
20	OPSC2a	140430		23-Aug-19	25-Sep-19		Not yet due
21	OPSC2a	140497		23-Aug-19	25-Sep-19		Not yet due
22	OPSC2a	140507		23-Aug-19	25-Sep-19		Not yet due
23	OPSC3a	140512		23-Aug-19	25-Sep-19		Not yet due
24	OPSG2A	135136		24-Jul-19	25-Sep-19		Not yet due
25	OPSG2A	135196		24-Jul-19	25-Sep-19		Not yet due
26	Ops B5a	140620		27-Aug-19	26-Sep-19		Not yet due
27	Ops B5a	140700		27-Aug-19	26-Sep-19		Not yet due
28	OPSC2a	140561		27-Aug-19	26-Sep-19		Not yet due
29	OPSC2a	140581		27-Aug-19	26-Sep-19		Not yet due

Our Service Desk will liaise with our field teams to make sure OPS tasks are completed within market SLAs where ever possible.

As illustrated in the graph below, because of our OPS performance monitoring, South West Water's overall OPS performance has seen a month by month improvement this year. The example below is an extract from the South West Water Executive Report submitted by our Customer Service Director in September 2019, illustrating OPS performance.



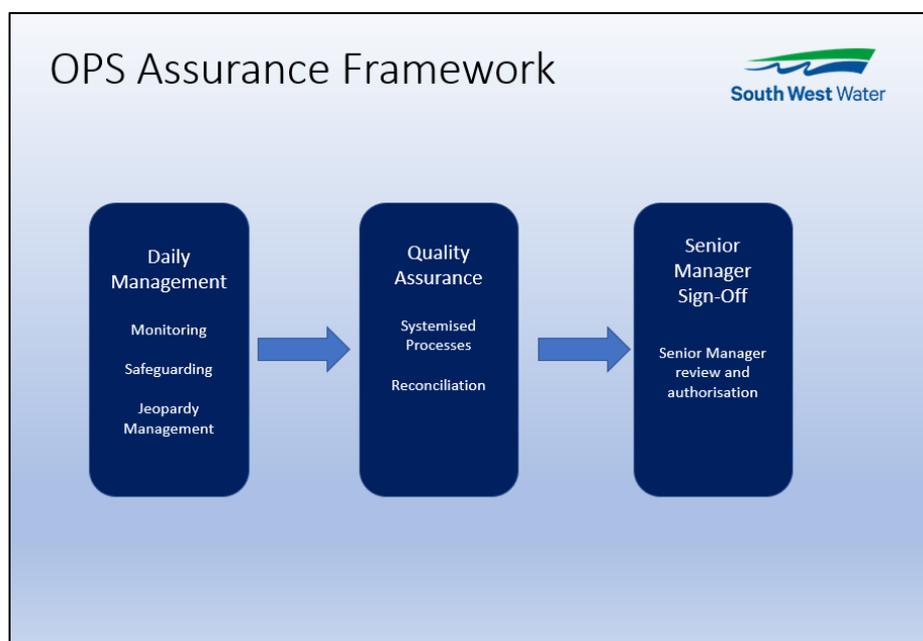
8. Please set out what processes you have in place to assure yourself that OPS performance data is accurate and valid before it is submitted to MOSL.

As described in question 7, South West Water has OPS performance systems so that we can monitor and safeguard performance. Understanding that our performance reflects the expectations of our customers we also have a strong focus on control and governance to ensure our data is accurate and valid before it is submitted to MOSL.

Though our Service Desk will update each OPS activity within CMOS ensuring retailers and end customers know work has been completed and data is accurate, our dedicated Quality and Performance Team undertake a second line of assurance to ensure OPS data submitted to MOSL is accurate and valid.

The Quality and Performance Team sits independently from our Service Desk who case manage and update OPS tasks on a daily basis. To ensure OPS data is accurate our Quality and Performance Team will run reports directly from our work management systems and check these against proposed updates into CMOS to assure performance data is correct.

Our assurance requires Senior Manager sign off of OPS performance data once quality assurance has been completed. This assurance programme aligns with the South West Water integrated assurance approach designed to ensure that any risks, in this case the submission of accurate and valid data, are identified, mitigated and rectified.



1. Internal Audit

Complementing the assurance approach noted above, OPS performance data is subjected to internal audit checks by our Group Audit function. The latest audit took place in September 2019 with the summary of findings illustrated in Appendix 2.

2. PwC NHH Market Audit

In 2017 South West Water was included in the PwC NHH Audit. This was an independent review of companies to understand the risk of non-compliance with the provisions of the WRC and code subsidiary documentation and impacts on settlements.

PwC observed and noted a number of good practices which included data governance and reconciliation as detailed below.

Only one low level finding was identified for South West Water. Low level was classified as not considered to have a significant impact on settlements, data quality or market performance, however considered desirable to improve efficiency of operations within the market. See Appendix 2 for the PwC Company Site Visit Report.

3. PwC Identified Good Practices

- *Data governance and reconciliations*

Prior to market opening, South West Water had proactively communicated with Scottish trading parties to understand and learn from their experiences of the Scottish market. Data quality was the biggest learning point from these discussions and as a result, South West Water have been very proactive to develop strong data governance controls and robust procedures for maintaining data accuracy. These include:

- A daily reconciliation between CMOS and South West Water's systems is performed. This reconciles data such as address, XY co-ordinates, and meter details. Any reconciliation issues identified through the reconciliation are reviewed and actioned by a dedicated data reconciliation team, consisting of four employees and further supported by additional resource offshore. Reconciliation issues are investigated and remediated daily by the team which helps to ensure the accuracy and completeness of data from day to day operations; and
- Data issues are tracked in a data management spreadsheet, along with agreed actions and individuals responsible. Monthly data review meetings are held by the compliance team to discuss any data issues and progress with remediation, with all action owners and other interested parties. This is an effectively designed mechanism to ensure that issues are remediated or escalated in a timely manner.

- *Working with other trading parties*

South West Water have developed policies and procedures for all transactions in the market codes that involve working with other trading parties, and these are publicly available via the South West Water website. This helps to ensure a consistent approach to all trading parties and transparency and clarity on what they can expect when working with South West Water.

- *Level Playing Field controls*

Prior to live market opening, South West Water rolled out Level Playing Field training using "Clever Nelly" software. Rather than a single, forgettable training course, Clever Nelly presents information, scenarios and test questions to staff daily over a period of weeks and months to ensure that knowledge is well embedded.

South West Water separated their wholesale and retail operations well in advance of the live market opening into separate buildings and also with no common systems. South West Water use the RAPID billing system and elected to “clone” this system on separation. This approach resulted in both South West Water (wholesaler) and Pennon (retailer) being able to retain important historic information whilst keeping transactions post-separation completely segregated. This also eliminated any risk of inappropriate access from poorly configured user configuration.

- *SLA Management*

South West Water use the system ‘Sequence’ (Retailer Portal) to receive transactions from other trading parties and to track workflows. The ‘Sequence’ system has been configured with all relevant market code SLA timescales, and sends a notification when anything is due, providing South West Water with an effective way to track and meet their SLAs. As well as the use of the ‘Sequence’ system, South West Water additionally set due dates on their CRM system manually and update this at every step as a backup control.

South West Water has not been selected for a site visit as part of the 2019/20 NHH Audit Programme.

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.

Meter reads and accuracy are important for effective market operation and has wider implications on other aspects of wholesale water service provision. In our opinion, there are both wholesaler/retailer and market aspects to this question.

1. Wholesaler/retailer interaction

South West Water has already initiated analysis to understand the root cause of long unread meters. We have set up a Working Group with relevant parties to review outputs and agree the best way forward to improve performance and data in this area.

The table below illustrates the agreed improvements South West Water has planned to improve performance in these areas.

Market Improvement Focus Area	Improvement Description
Long Unread and Faulty Meters	Appointed a dedicated NHH Meter Reading Performance Manager responsible for leading analysis and resolution measured against the <5% long unread target.
	Installation of AMR on all Meter Exchanges and New Connections from July 2019 improving meter read efficiency and ensuring accurate and timely capture of future meters reads.
	SMS and email customer meter read request process to reduce read skips, the customer is contacted providing opportunity to provide a reading in 5 business days.
	Proactive replacement of faulty meters undertaken efficiently by area in advance of the subsequent reading period to achieve an immediate long unread, Retailer and customer benefit.
	Proactive replacement of all meters in hazardous locations to improve overall NHH read efficiency.
	With retailers design more efficient read scheduling. E.g. Scheduling reads in seaside towns outside of peak tourist where access to the location is difficult and where a customer's time to provide access to internal meters is limited.
Vacant Properties	Review all vacant properties with consumption via desktop & visit where needed to capture property, owner and customer data which is passed directly to retailers.
	Proactive review of all properties which were added to the market as vacant to confirm property status and where this is found to be demolished or redundant action will be taken to remove the property from the market.

	Working with non-incumbent retailers to share local knowledge focusing on areas of hardship (business closures), regeneration and seasonal occupancy.
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2. Industry Working Groups

South West Water is represented on both the Vacant and Meter Reading Standards Working Groups where we will share our own findings and analysis as active participants, working collaboratively with retailers and wholesalers alike to better understand challenges and design solutions which can be implemented in South West Water and across the industry.

This is particularly pertinent in the South West due to its peninsula location and highly rural operating area and the challenges this brings to meter reading.

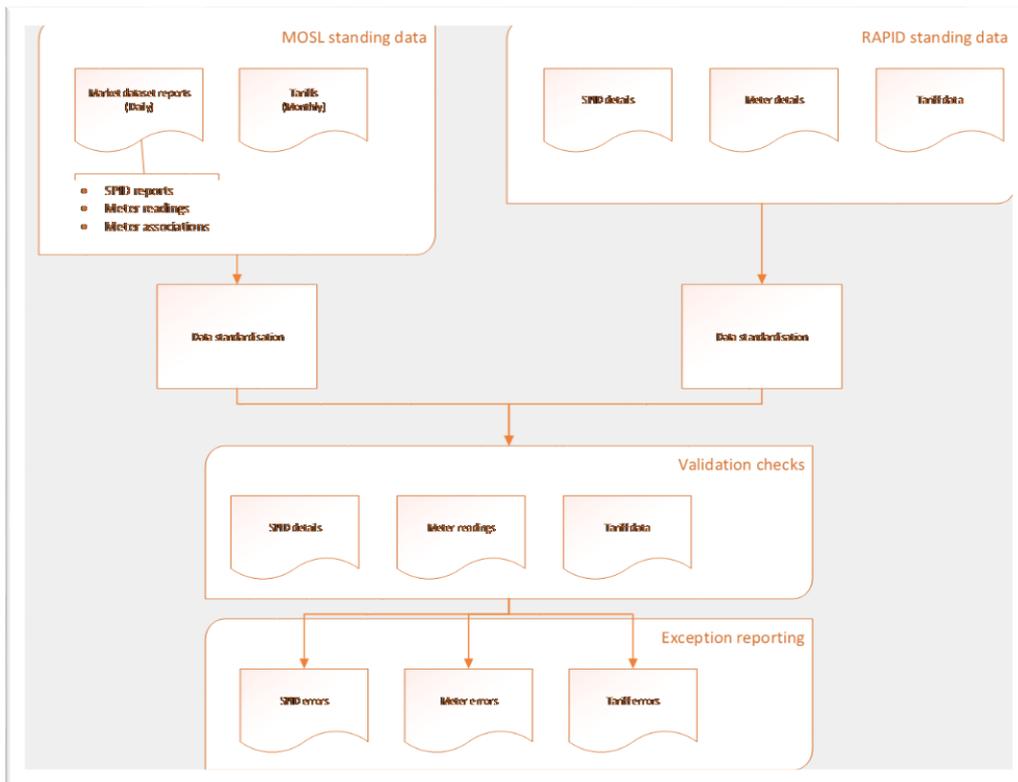
10. Please describe any processes you have in place to improve the quality or coverage of data in CMOS that relates to your activities and responsibilities as a wholesaler (for example, to ensure meter location data is complete and accurate). How long have any such processes been in place?

To allow us to identify market data which is potentially incorrect or missing, at market opening South West Water developed and introduced a Data Validation Tool (DVT). The DVT allows us to compare asset data held in CMOS to the equivalent data stored in our internal wholesale asset registers.

The DVT highlights variances between CMOS and South West Water which are manually reviewed by our Service Desk. Where improvements are required, South West Water will proactively update CMOS to ensure the accuracy of data and that the quality of market data is continually reviewed.

The diagram overleaf provides a visualisation of the Data Validation Tool.

As outlined under question 8, in the September 2017 NHH Market Audit, PwC noted South West Water’s approach to data governance and reconciliation as good practice, see Appendix 2 for the full report.



3. South West Water's Data Improvement Plan

The market operates on data. We recognised this prior to market opening and since then monthly meetings have been held with key business leaders and chaired by the Customer Performance Manager to review and track progress of data improvements identified. Business leaders take responsibility for their respective data improvements and will ensure that the work is progressed. An example of the early data improvement plan is illustrated overleaf.

Current ref	Issue Description	Raised Date	Count	Data Location	Affected area	Analysis and Resolution	Owner	Status	Priority	Target Resolution Date	
	Info from MOSL to be considered when making amendments - Non Routine Operation (NRO) is a new process to facilitate data Quality improvements and updates without resorting to Consider impact on W/Sale of changes made by Retail and vice versa. Also consider impact on SourceCM in regards to any HH records. Consider impact on CRM of changes to Market Data										
5	October R2 System Exception report	30/09/2017	349	-	-	error on 349 SPIDS meter elements (a/b/c/d/e) in meter tariffs (MD_Standard, HS1, HTE1, HTE2, HS_Standard, SW_Standard and TE_Standard) with the system exception <ul style="list-style-type: none"> Highway Drainage/Food Source/Meter/Volumetric Highway Drainage/Food Source/Meter/Fixed Highway Drainage/Meter/Volumetric Highway Drainage/Meter/Fixed Surface Water Drainage/Food Source/Meter/Volumetric Surface Water Drainage/Meter/Fixed Trees/Effluent/Availability 		Completed	4	-	
6	RTS Issues showing on System Exceptions	30/09/2017	-	-	-	These arise where a metered sewerage calculation is being carried out, and the system cannot determine the RTS for the meter. This is most likely to have occurred as part of the data load, though it potentially could have occurred because of the RTS defects (ALM Observation Numbers: 3041 and 2535) affecting CMOS in respect of meters which have been loaded by transaction following Go-Active.		Completed	4	-	
7	Issues with T132.M	10/03/2017	-	-	Wholesale	T132.M Error Defect number with Rapid S1134 The T132.M is not being accepted as the SIC codes do not match		Completed	4	End of January 2018	
8	Unclear if TE customers on flat rate are in CMOS	23/03/2017	238	-	Wholesale	238 TE customers who are charged on a flat yearly rate of £107 are not currently being charged. The data is not in BCD, but not clear if it is CMOS		Completed	1	End of January 2018	
9	In some cases GC50 added to Water SPID not as it should be to the Sewerage SPID	02/06/2017	414	-	Wholesale	414 GC50 added incorrectly to the Water SPID not ch sewerage SPID		Completed	1	-	
13	No Assessed Charges Tariff for Bournemouth Water Customers	01/07/2017	-	-	Wholesale	Assessed charges tariff not available in CMOS or Rapid for Bournemouth Water Customers		Completed	1	End of October 2018	
0	Non S/W STW Not available in the Market	18/08/2017	-	-	Wholesale	Decision has been made that these STW should be in the market		Completed	1	End of January 2018	
1	MOSL Identified Outreader default XY coordinates	26/09/2017	2360	-	Wholesale	MOSL have pointed out that some outreaders are on CMOS with the default XY coordinates. These need to be checked and updated as required		In progress	2	End of 2018	
2	MOSL identified invalid postcodes	08/02/2018	-	-	CMOS	MOSL have identified postcodes that do not fit their new format		Completed	3	End of April 2018	
3	Unpaired SPIDs - Water	21/03/2018	1400	-	-	MOSL Data closure priority list - Item 3 as per priority issued March 18		Completed	2	End of 2018	
4	Unpaired SPIDs - Sewerage	21/03/2018	16	-	-	MOSL Data closure priority list - Item 3 as per priority issued March 18		Completed	2	End of 2018 for Review	

The South West Water data improvement plan fed into the MOSL Data Improvement Plan in October 2018 to help form a market wide view of planned improvement activity as well as identifying any specific concerns, for example, where plans have not been provided or where there appear to be clear outliers. Please see Appendix 2.

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.

In our answer to question 10 we outlined how we have developed and implemented a Data Validation Tool (DVT) which allows us to proactively compare selected market data in CMOS to equivalent data in our internal wholesale asset registers. The DVT highlights variances

which are manually reviewed and corrected, this ensures we continually review the quality of market data.

It is important to us that we make it as easy as possible for retailers to engage with us about any query they may have, this includes informing us about incomplete or inaccurate data and understanding our process and timetable for responding to such contacts.

1. Requests from Retailers

Our Service Desk proactively case manage all requests from retailers, this includes contacts concerning incomplete or inaccurate data. Upon receipt our Service Desk will ensure we understand what is being asked, and if needed will contact our retailers to clarify and/or obtain any information.

Once the request is understood our first step is to interrogate our own systems to determine if we hold the relevant information to resolve the query. If unable to resolve with this approach, we will assess if a site visit is required. For example, C1 Verification of supply arrangements, we will contact the end customer to arrange a suitable appointment within the timescales set out in the Market Operational Terms. We use a dedicated appointments line where customers can call us back to confirm, change or cancel their appointment with us.

Should any actions be required on our behalf we will raise the relevant internal processes to correct the data as necessary. Where data corrections on a greater scale are required, we create and agree a data correction plan with the relevant retailer(s). Once we are satisfied that we are providing a substantive response, this is fed back to the retailer through our portal. If at any point in the process we feel the retailer or end customer may benefit from additional contact, we will call the retailer to discuss and offer any further advice. Appendix 2 includes our detailed process map for verification of supply arrangements which illustrate our approach.

We offer a selection of channels to retailers to make it easy for them to contact us or submit any request, for example concerning missing or inaccurate data:

- **Our Retailer Portal**, enabling retailers to submit requests aligned to all the market processes (e.g. C1, B3 etc.), in a standardised way to ensure all relevant information is captured. Therefore, all retailers are encouraged to use our portal and are provided with secure login details. It offers a safe, secure and audited communication channel for retailers to submit any request, including those concerning incomplete or inaccurate data held in our systems or in CMOS. Retailers complete forms on the portal, completing the fields required so that requests can be managed by us quickly and efficiently.
- **Our Retailer Helpline**, On 1 December 2017, we implemented our retailer helpline which operates Monday to Friday from 8am to 6pm to align with the core operating hours of retailers. This allows retailers to contact a member of our Service Desk to discuss any query they may have. We aim to answer all calls within 20 seconds as we understand the need to resolve consumer queries as soon as possible.

- **Wholesale Account Management**, as a central point of contact, retailers may also contact our Account Management Team who will assist with any non-standard queries.

Whatever method is used to contact us, all interactions are logged within our Portal and assigned the relevant SLA which is communicated to our retailers either digitally or verbally.

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.

South West Water actively monitors, contributes and participates in the Retailer Wholesaler Group and other similar discussion and action groups. See also our response to question 2 for attendance records on RWG.

1. Supporting RWG Good Practice Guides

South West Water fully support and contribute to the development of the RWG Good Practice Guides (GPG) and have been represented on each group.

A specific example of our contribution to an industry working group relates to the RWG Policies Group. The Group have been working on producing an industry wide Good Practice Guide (GPG) for Leak Allowances. South West Water has shared an example of our own Leak Allowance Self-help Guide which has been incorporated into the RWG GPG, which we have illustrated in Appendix 2.

South West Water has also been active within the RWG Meter Reading Standards Group, being active in helping produce the Market Guidance Document, see Appendix 2. This group aims to provide market guidance in relation to meter reading services with a view to encouraging a standardised and consistent approach where possible.

Of the six GPG's applicable to wholesalers we have implemented each guide either in full or partially, illustrated in Appendix 2.

South West Water's contribution to the RWG, committees and working groups can also be evidenced by our proactive stance on replying to all consultations and RFIs as illustrated in Appendix 2. As a responsible wholesaler we believe it is essential to actively engage in all consultations to support a successful market which delivers excellent service to its end customers.

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.

In readiness for market opening, South West Water introduced its own Portal for retailer communications, incorporating standard market forms, process management, and reporting. As such when responding to the RFI last year, we expressed that a bi-laterals solution would not improve our own handling of forms and processes or provide efficiencies for us as an organisation.

That said, with delivering the best outcomes for customers in mind, we have supported the introduction of a market solution, recognising the benefit for retailers operating across

multiple wholesaler regions, or those without mature market interface solutions currently in place.

In particular, the need to improve transparency in the market when it comes to the reporting of OPS performance, means that a bi-laterals solution is a positive move for the industry. Appendix 2 illustrates our response to the Market Bi-lateral RFI.

We expressed that a technology enabled solution would deliver the greatest benefit to us as an organisation, although we recognise the impact this will have on our resources and IT systems, to implement. As a result, we have taken the action to include the build of the bi-laterals solution into our IT delivery programme for this year.

At present we are awaiting a detailed solution design and implementation plan from MOSL to progress our internal delivery, however we continue to be involved in discussions with MOSL and market participants (through market working groups, consultations etc.) to understand and influence the design of the bi-laterals solution.

Our approach to the bi-laterals solution is discussed at the South West Water Executive Management Meeting, attended by the SWW Managing Director, and SWW Directors, an extract from the Customer Service Directors report on this topic area is attached below for information.

Under the appropriate South West Water financial delegations, which are consistent with the Group policy framework to ensure that areas that are financially material are appropriately governed, the South West Water Customer Service Director had the authority to approve the support of the development of the market bi-lateral solution.

NHH Market - Consultation Responses

Domestic Customer Service responded to two retail market consultations in the month, summarised below. Numbers denote the internal Consultations and Regulatory Contacts ID.

RFI on Return to Sewer Discounts [3581]

- This request was issued for information in order to understand different wholesalers' approaches to the application of return to sewer allowances.
- It's common for a percentage discount to be applied to an end user's sewerage charges to account for water used which is not returned to our sewer (e.g. watering of garden). For South West Water a 5% allowance is our default, but policy allows for other rates to be applied depending on the customer's circumstances.
- The RFI sought to understand wholesalers' default rates, whether calculated as a discount or a reduced tariff, and whether for the retail market non-default allowances should return to default either after a set duration or upon change of occupation.
- South West Water confirmed it's current charging arrangements and responded in favour of an allowance returning to default on change of occupation only, to avoid unnecessary administration for retailers.

RFI on CMOS Retailer Notifications [3601]

- Under this consultation, MOSL propose changes to their CMOS system to automatically issue progress alerts to retailers whilst wholesalers are in the process of creating a new supply point in the market.
- South West Water responded in support of this change, given it will have no impact on our internal systems or processes but will give increased transparency to the wider market.



OPS Charging - MOSL have previously recommended that changes to OPS reporting, including the introduction of charges, be introduced from April 2019.

- Previously subject to consultation, most recently in November 2018 under DCF009 [3464], South West Water were not in favour of the proposal on the basis there remained ambiguity in the interpretation of reporting standards, and that wholesaler self-assurance may not be robust enough given the potential reputational impact of comparative performance tables.
- On 1 March MOSL confirmed that OPS charges, together with some changes to OPS reporting would be introduced from 1 April 2019. Work is now underway to confirm the impact of these changes, currently our charge liability if forecast to be <£30k per annum.

Upcoming Consultations of Note

- New Connections** - market codes currently provide for New Connections to be managed via the market (processes A1-A5, enquiries or applications for new water and sewerage connections to our mains).
- However, since market opening these processes have been suspended as there has been little appetite amongst wholesalers, retailers and developers to interact via the market processes, given that developers and customers can contact wholesalers direct or use 'self lay' providers.
- Currently suspended until April 2020, a consultation led by Thames Water is expected to propose that these processes are suspended indefinitely and the market codes amended accordingly.
- Bilaterals** - As outlined in MOSL's business plan for 2019/20, further consultations are expected to detail proposals on Bilaterals. Currently it is understood that this may take the form of a central market hub for all trading parties to submit market forms, in a similar vein to South West Water's Sequence retailer portal.



MOSL
MARKET OPERATOR SERVICES LTD

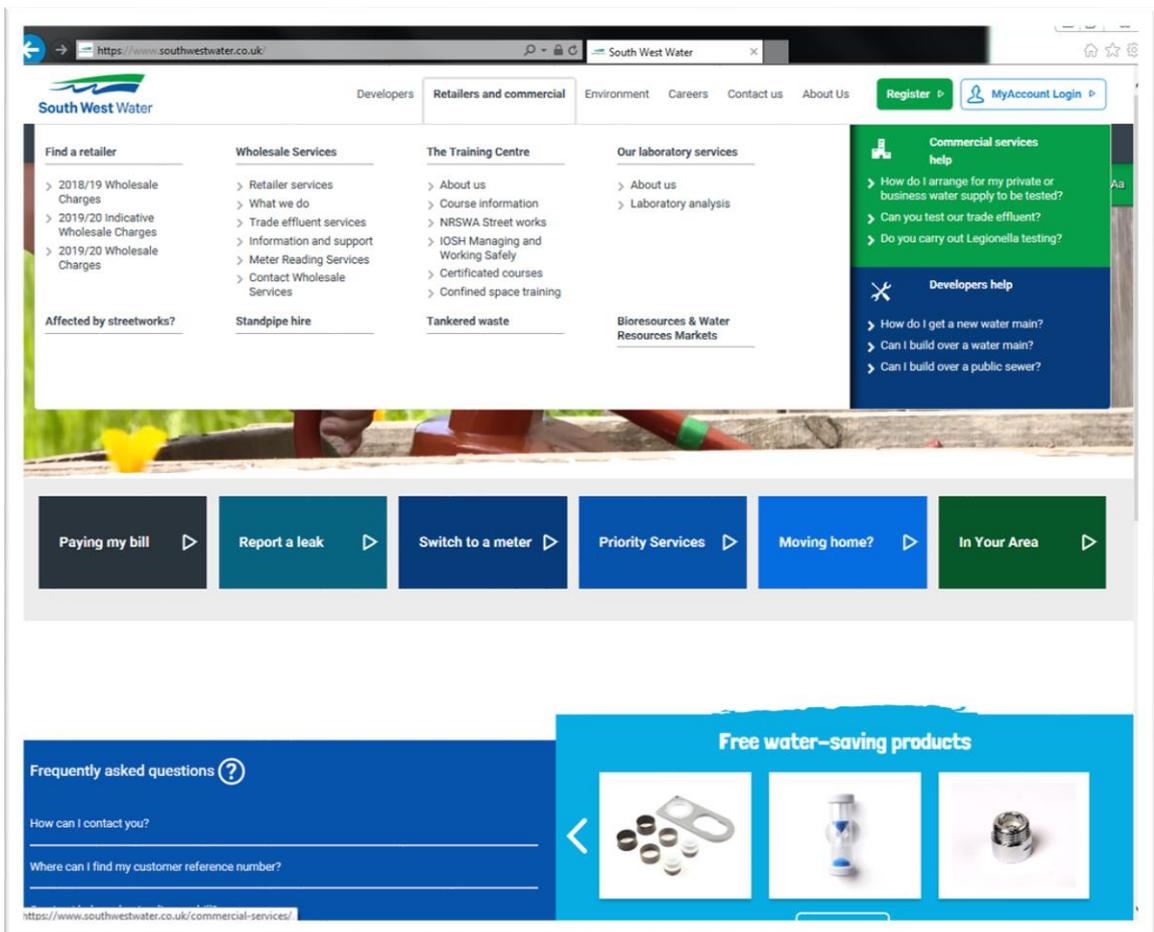


14. Wholesaler policies: Please set out (and where appropriate provide relevant supporting evidence):

(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?

1. Ensuring Accessible Policies

Each year we publish and advise our retailers where our updated Wholesale Charges can be found on our website, both at the point the indicative charges are published and when the final charges, for both South West Water and Bournemouth Water are available, please see this illustrated below. In addition, our Wholesale Service Standards (policies) and ways in which we can be contacted are also published on our website making information clear and accessible to all our retailers.



South West Water Developers Retailers and commercial Environment Careers Contact us About Us Register MyAccount Login

Your account Report a leak Advice and services Save water Need help? Search...

Contact Wholesale Services

If you are a Non-Household Customer
 A new Open Market was launched 1st April 2017, splitting the services provided by the Wholesaler and Retailer. Please contact your Retailer with your enquiry. If you have not switched your account you will still be with Retailer, South West Water Business Services. Contact details can be found on your water bill. You will also find contact details and a list of all the Retailers covering England and Wales [here](#).
 Household customers and non-eligible businesses will continue to be served and billed by your regional water company.

If you are a Trade Effluent Customer
 You can contact your Retailer (as above) or contact South West Water directly.
 Click [here](#) for Trade Effluent Services:

- Trade effluent application
- Trade effluent consent
- Update private meter
- Obstructed sampling visits
- Frequently asked questions

If you are a Retailer (Providing Water or Sewerage services to Non-Household Customers)
 In the first instance please click [here](#) for further details.
 For all other enquiries outside of the normal form submission our Wholesale Account Management team will be happy to discuss these with you. This includes discussions around our charges scheme, contract management, portal login requests, financial settlement and trade effluent enquiries. Please complete and submit the enquiry form below.
 Normal Working Hours are 09:00 - 17:00 Monday to Friday (excluding Bank Holidays)

Other useful numbers

- Report a leak: 0800 230 0561 (This line is available 24 hours per day)
- Bogus Caller Helpline: 0344 346 2020 (This line is available 24 hours a day)

Out of hours
 Emergencies only, out of hours 17:00 - 09:00, Weekends and Bank Holidays

- South West Water: 0344 346 2020
- Bournemouth Water: 01202 590 059

Quickly jump between tasks

- Retailer Services
 - Wholesale retail portal
 - Work publication tool
- Information and support
- What we do
- Trade Effluent Services

Our Wholesale Service Standards covers not only the basic rights of retailers and non-household customers under the Regulations with enhanced compensation payments in a number of areas but also affords substantial additional guarantees in key areas not covered by the Regulations.

Our Wholesale Service Standards is our guarantee to retailers and non-household customers on a range of measure from non-statutory levels of service to service improvement.

The scheme also references communication with retailers or customers and the timing of payments and service standards.

2. Checking Understanding

Through our Retailer Advocacy Programme, we are also in regular contact with every retailer that has an agreement in our area. These touchpoints are used as an opportunity to ensure retailers have access and understand our charges, policies and services. South West Water believes it is important to be in regular contact with all retailers in our area, whatever their size. Our reviews with retailers are used as an opportunity to share and discuss any areas where retailers require clarification on any subject.

In addition, our internal structures, illustrated in our response to question 1 and the communication channels outlined in question 11 are aimed at making it easy for retailers to raise questions and clarify any point of understanding.

We also offer an “on boarding” meeting to all new retailers in our area. This includes outlining our services, policies and charges in addition to talking about the services and support we offer through our dedicated non-household team structure, including a complete overview of our Retailer Portal.

We have developed a library of Self-help Guides to help our retailers further understand how particular policies, charging or practices work and these are readily available on our website. We have received positive comments from our retailers on the guides referencing how they have helped to simplify processes making market interactions easier, please see Appendix 2.

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?

Using feedback on our performance and wider focus on effective market operation, we have refined a number of policy areas to the benefit of retailers since market opening as follows:

- **Leak Allowance Policy**
South West Water, unlike some wholesalers offer leak allowances to non-household end customers. At market opening our policy required retailers to submit leak allowance applications within six weeks of a repair taking place. Our retailers told us this was not always. In April 2018 we extended the submission time to three months, benefiting both retailers and end customers.
- **Trade Effluent Simplified Charging**
We have changed the way we charge for Trade Effluent to a set average charge which is applied each month and is based on the previous year’s sampling. Rather than making changes after every sample which could be weekly or monthly, previously resulting in increased administration and correction of charges. This is a beneficial change to the way we charge for both the retailer and the end customer.
- **Provision of Meter Reading Services for Retailers**
At market opening South West Water made a conscious decision to offer meter reading services to retailers. We believed the provision of these services would keep costs as low as possible for retailers and end customers by being able to maximise reading productivity with household schedules.

In addition to keeping cost low the provision of services by us as the wholesaler means we can more easily provide good service. This is achieved as we can more speedily identify meters which cannot be read, either because of access issues or asset failure, for example a battery stops working. In these cases, we can quickly work to rectify, either by fixing assets or agreeing directly with our retailers how we can obtain readings from end customers. This has been the principle on which our collaborative approach to improving long unread meters and vacants has been built.

From April 2020 South West Water is also taking action to introduce incentives to benefit retailers by introducing the following:

- **Gap Site incentive for retailers**
Aligned to the RWG consultation South West Water intend to incentivise retailers for the identification of gap sites in 2020. This decision had already been taken prior to the October 2019 market consultation.
- **NHH Void incentive for retailers**
To make sure charges are applied fairly to all customers, South West Water will be introducing a void incentive for Retailers. The incentive will reward retailers for ensuring void SPIDs are managed and accurately reflect occupation so that charges can be applied fairly.
- **Water Efficiency**
We are trialling the application of the Bid Assessment Framework for water efficiency. Specifically, to develop a simple process to allow retailers to 'bid in' simply and with low overhead to funding to undertake water audits and water efficiency interventions with their customers. This removes a potential market barrier for example, due to insufficient retailer cash flow to fund water efficiency activity.

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?

As we have illustrated in earlier questions, in readiness for market opening South West Water set up dedicated structures and systems to ensure the service we provided would support the opening of the market to deliver the best outcomes for our end customers. Our initial structures and systems provided at no additional costs were:

- a Retailer Portal to simplify and systemise Market Processes
- a dedicated Service Desk responsible for the delivery, monitoring and safeguarding of market processes and interactions
- introduction of a Retailer Advocacy Programme supported by our dedicated Account Management Team who are responsible for building collaborative relationships and developing services retailers require
- enhancing our internal work management systems to ensure market processes could be easily identified, monitored and safeguarded to ensure positive service experiences
- introduction of market quality and performance assurance including complaints analysis, jeopardy management and reporting
- design and delivery of a Data Validation Tool to improve the quality of market data
- provision of meter reading services to keep costs as low as possible for retailers and end customers.

Since April 2017 South West Water continues to review and refine services to support an effective market through collaborative interactions which ultimately provide good service for

non-household end customers. Examples of changes to services South West Water introduced since April 2017 are:

- introducing a retailer helpline in December 2017 enabling retailers to speak directly with the Service Desk Team
- updating our Retailer Portal and internal work management systems to match changes to Market Codes or RWG Good Practice Guides
- setting up a collaborative group with our incumbent retailer to co-create solutions to improve data quality concerning long unread meters, faulty meters and vacants following our internal data review to identify performance drivers
- improving the percentage of meter readings (South West Water offers this service to all Retailers in our area)
- extending our Leak Allowance application period from six weeks to three months for the benefit of retailers and end customers
- as outlined in section b, from 2020 South West Water will also be introducing Vacant and Gap Site incentive schemes for retailers.

The above services have been introduced or refined at no additional costs to retailers, reflecting South West Water's commitment to supporting an effective market for the benefit of end customers.

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.

To assist retailers, we currently focus on the actions we can take to standardise how our tariff structure is presented and facilitate understanding of it, for example:

- Each year, when indicative and final charges are published, we advise retailers where they are located on our websites
- In our monthly retailer communications, we continue to promote the location of the charges
- As a result of retailer feedback, we created a spreadsheet listing each non-primary charge and where it can be located in our published schedules, and
- From 2020/21 we will share an extract from the CMOS database that maps our tariffs into the MOSL format.

We are aware that retailers have indicated they want to see standardised tariff structures across the industry and we would welcome the opportunity to be involved in any discussion.

(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?

Pre-market opening the company managed non-household vacant properties through our own programme of issuing notifications of consumption and potential leakage and investigations by our inspectors. Our charges schemes also contained, and still do, provisions for us to levy charges at unoccupied properties. Since market opening we have

chosen not to raise charges against unoccupied properties. However, in this time the number of vacant NHH properties has doubled from 3.5% to 7%, with some retailers holding over 50% vacant properties in our region.

In conjunction with the introduction of our NHH Void Incentive for retailers we will also begin charging for metered consumption at NHH vacant properties. We believe this is a fair approach that will encourage those retailers that have high levels of voids and are not close to reaching the void levels that will be eligible for the incentive to more effectively manage vacant properties. This may also help to identify potential leaks on those properties.

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?

As outlined in response to question 1, there are number of activities that we undertake with our retailers to understand the experience of our end customers. Through these activities, we also understand and monitor the quality of service we provide to our retailers. These include:

- Our Retailer Advocacy Programme
- Our Retailer Engagement Days
- Market Performance Comparisons.

We also detail in response to question 9, an example of how we are working with retailers to improve performance with regards to long unread and faulty meters and vacant properties. This demonstrates that we understand the quality of service and are looking to work collaboratively with our retailers to improve the services we provide.

Additionally, we undertake engagement specifically with our retailers to obtain their feedback. We provide examples of our engagement below:

Retailer Service Satisfaction Surveys

At the end of the first year following market opening South West Water asked retailers to undertake a satisfaction survey to understand retailer opinions on the quality of service provided. Responses were used to make improvements, such as developing self-help guides for retailers relating to their priority market processes.

Appendix 2 provides an example of a survey summary, a self-help guide which was developed following survey feedback and which has been made available on our website, plus examples of feedback from retailers following our self-help guide publications.

Our next retailer annual survey is scheduled to take place in December 2019.

PR19 Retailer Research

We invited all retailers active in our region to take part in qualitative research to explore their views on market opening and the needs and expectations of retailers and non-household customers for South West Water service (please see response to question 1), their priorities in the wider market and for business planning with regard to 2020 onward. Eight retailers took part in in-depth interviews.

In general retailers felt they had developed good working relationships with wholesalers and that they were in a position to have open and honest discussions with them. Retailers told us that they felt the market favoured incumbents who were involved in setting up the market codes and that they want to see high levels of engagement going forward with wholesalers being flexible in their approach and showing willingness to make the market work.

Retailers told us that they value dedicated account managers or specific contacts within wholesalers, they believe that if wholesalers offer excellent customer service it makes their job easier as for customers the reputation of the retailer can become embedded with the wholesaler.

Feedback from retailers relating to market issues and their relationship with South West Water has fed into service improvements in the short and medium term which are picked up through our Retail Advocacy Programme and our wholesale account management team.

Retailers were also represented at our stakeholder workshops where we engaged on the Water Resources Management Plan and business plan where feedback was broadly in line with that received during PR19 research including the in-depth interviews with retailers.

Further information can be found in our 2020-25 Business Plan document 'Engaging Customers'. <https://www.southwestwater.co.uk/siteassets/document-repository/business-plan-2020-2025/engaging-customers.pdf>

(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 is to continually develop our working relationships with our retailers. South West Water takes the following actions to ensure this happens. These are discussed in the answers to questions above so for brevity are listed here for information:

- Retailer Engagement Days
- Portfolio/Retail Advocacy Meetings
- Onboarding Meetings

We offer onboarding meetings to all new retailers in our area. We are happy to meet face to face, or by telephone if preferred, to offer an overview of our charges, policies and Retailer Portal. From the very start onboarding meetings offer an excellent opportunity to build collaborative working relationships which will help both parties deliver great services to end customers.

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

South West Water's systems, processes and structures have been designed to make sure we constantly monitor and improve.

1. Monitoring and Safeguarding OPS Performance

South West Water use our work management systems to safeguard, monitor and measure the delivery of all proactive and reactive customer work, including OPS. Our systems and processes have been in place for many years to ensure all work is completed as promised. At market opening these systems were enhanced to ensure market processes could also be

monitored and safeguarded in a consistent way and to ensure all retailers where treated fairly.

Our retailers use our Portal to log all reactive OPS requests, selecting the appropriate OPS process from the on-line listing, for example requesting a meter exchange. Retailers will complete the on-line templates, which are designed to capture all relevant data for each interaction and submit the request for action.

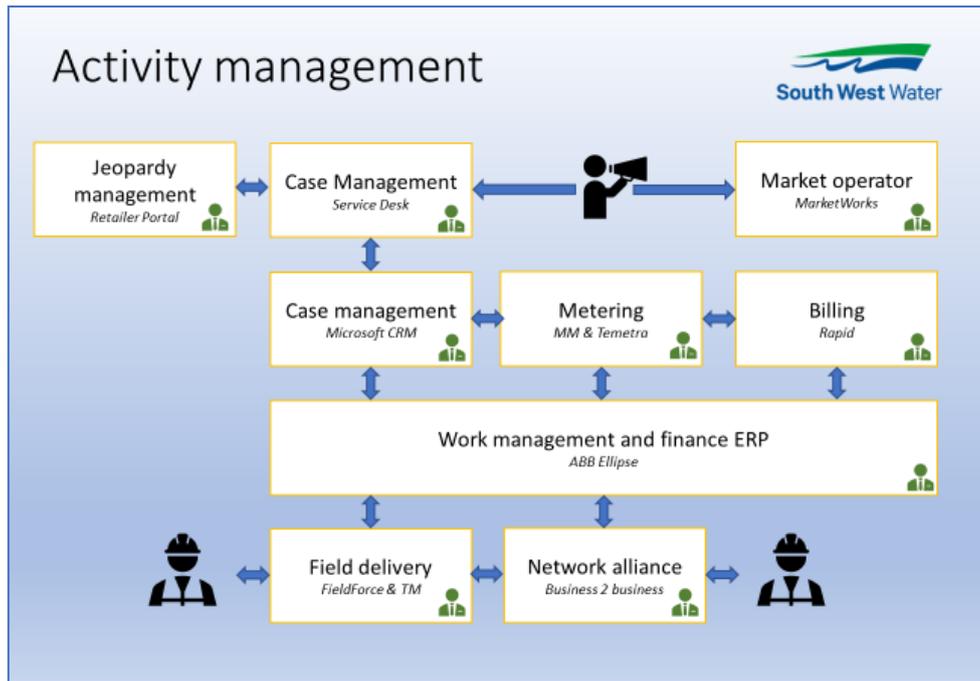
Our Service Desk, who continually monitor all market interactions via the Portal will validate received requests ensuring necessary data is captured and that we fully understand the request being made. All market request and South West Water field activities have assigned SLAs which match market process SLAs, this means that the completion of any activity is based on the SLA for the individual request and not by retailer priority, ensuring a level playing field approach.

Following validation, our Service Desk will use our Customer Relationship Management System (CRM) to log all the tasks needed to complete the OPS process, dates for the completion of each task will be entered into the system and used to create jeopardy reports so that we are able to monitor and safeguard performance.

Our CRM system interfaces with our company wide Work Management System called Ellipse. Our Service Desk will use the interface between CRM and Ellipse to create jobs for our field staff to complete OPS processes within the required completion deadlines.

All activities are prioritised according to start date, not by retailer. This safeguards performance ensuring there is no prioritisation or special treatment of one retailer over another. Our Service Desk is responsible for monitoring all OPS processes within our system to ensure completion dates are safeguarded for the benefit of our end customers.

South West Water also monitors all company driven OPS processes. This is also done using our Ellipse work management system. Each job within the system is assigned an individual job code, all OPS job codes have notifications which we use to monitor activity and completion dates, which are captured within the system. On receipt of an OPS job code notification our Service Desk will update CMOS that an action has taken place. The diagram overleaf illustrates our work management integration.



Every day our Service Desk monitor OPS performance by running jeopardy reports to ensure tasks are completed on time or take action where completion dates are at risk of failure. Our system will indicate where a task is nearing its due date. Our Service Desk will liaise with our field teams to make sure OPS tasks are completed with market SLAs where ever possible

2. Rejected Tasks

The transparency and consistency of our Portal, with forms reflecting the exact requirements and SLAs within the Market Code, means that we experience low levels of rejected tasks.

To aid retailers in understanding and rectifying incorrectly completed forms, our Portal enables information to be retained in rejected forms where the information provided is incomplete or inaccurate, therefore removing the burden on the retailer of resubmitting from scratch. This means delays in processing are minimised and retailers are made aware of the reason for a rejection, to reduce the chance of this happening again.

3. Deferred Tasks

When processing a deferral, South West Water uses recommended market standardised reason codes. Since April 2019, 182 deferrals have been submitted, representing 8% of total submitted processes. A large proportion of these are at the end customer's request, as shown in the table below:

Deferral Reason	Volume	As percentage of submitted processes
Customer Deferral	137	6%
Retailer Deferral	25	1%
Third Party Agency	12	>1%
Third Party Consent	4	>1%
Water Quality	4	>1%

Throughout the deferral process we liaise with retailers to agree revised SLAs which meet the needs of end customers.

4. Understanding the cause

To understand the causes of all these issues we have designed a weekly Jeopardy management overview report, see Appendix 2 for an example. Each week this report will identify and analyse all OPS tasks that have failed. Each item is reviewed with an explanation of what has been the cause of failure and the opportunity for improvement. Since its introduction South West Water has seen an improving OPS performance within the market, as illustrated in our response to question 7.

(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?

In our answer to question 14 c) South West Water outlined that since April 2017 we have continued to update the scope of our wholesaler services. Examples of changes to services South West Water introduced since April 2017 are:

- Introducing a retailer helpline in December 2017 enabling retailers to speak directly with our Service Desk
- Updating our Retailer Portal and internal work management systems to match changes to Market Codes or RWG Good Practice Guides
- Setting up a collaborative group with our incumbent retailer to co-create solutions to improve data quality concerning long unread meters, faulty meters and vacants. This following our internal data review to identify performance drivers
- Improving the percentage of meter readings (South West Water offer this service to all retailers in our area)
- Extending our leak allowance application period from six weeks to three months for the benefit of retailers and end customers
- As outlined in section b, from 2020 South West Water will also be introducing vacant and gap site incentive schemes for retailers.

The introduction of these services was directly because of feedback received from our retailers and have been introduced at no additional cost, reflecting South West Water's commitment to supporting an effective market for the benefit of end customers.

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?

South West Water has published one Schedule 3 arrangement. Currently this is in use by one retailer and a second (self-supply) retailer has been accepted, we are awaiting their final signed paperwork. The terms of the South West Water Schedule 3 are:

- For any retailer that can demonstrate that their guarantor can meet the requirements of a credit rating (per Moodys, S&P or Fitch), a guarantee will be accepted under Schedule 3.

South West Water has put this option in place as it felt that at market opening there was a gap in the available credit terms – specifically the restrictions on who can act as a guarantor.

South West Water does not hold a credit rating so would not be eligible to issue a guarantee under the Schedule 2 terms in the market code (if it had a subsidiary that wished to enter the market). As a condition of its licence, South West Water must demonstrate its ability to obtain and hold an investment grade credit rating. Therefore, an option was created to accept a guarantee from any organisation that could make the same confirming statement as South West Water is required to make under its licence. The rating agencies publish their criteria for all business sectors, therefore our Schedule 3 is available to any potential guarantor. South West Water makes no amendments to the agency criteria and adds no other clauses to its Schedule 3 arrangement.

Declined Schedule 3 Proposals

South West Water has received nine proposals from several retailers for Schedule 3 credit terms. In all cases the request has been for additional unsecured credit to be provided to the retailer. In most cases the proposal has been engineered to achieve a 100% unsecured credit arrangement.

The form of the unsecured credit request has varied but options suggested include:

- 100% unsecured credit based on payment on time for prior 12 months (max limit the credit limit recommended by the Retailers preferred credit agency)
- Unsecured credit allowance based on a % of the credit limit recommended by a credit agency, dependent upon maintaining a specific credit score and payment behaviour (designed to achieve 100% unsecured credit for the proposing Retailers)
- Flat discount from the credit support requirement
- Flat unsecured credit allowance
- Flat / percentage unsecured allowance based on payment performance.

These requests have varied in size but have been declined on the following grounds:

- A **level of unsecured credit** was included in the code and the regulator felt it appropriate that companies with a credit rating should be restricted to 40% unsecured credit. To offer more unsecured credit to less creditworthy customers is contrary to the intention and the spirit of the code
- **Materiality of increased risk exposure to South West Water** – due to the number of retailers in South West Water's region the unsecured credit being requested, as a percentage of non-household revenue, would be material. Additionally, there would be a significant number of eligible retailers who would not have to provide any credit security. We have compared the exposed percentage of revenue with the Schedule 3's already in place from other wholesalers. From this it is apparent that the mix of retailers is significantly different in other regions, making unsecured credit less contentious elsewhere
- The **eligibility criteria** are often such that retailers in default would be eligible to use the proposal to switch to post-payment terms and provide zero credit security. This would exacerbate the position evident in the market that some retailers are underfunded and are funding their businesses through the wholesalers. To date the retailers that we know to be struggling financially in the market are small entities, however large companies can fail with little warning

- The **variations between credit agency assessments** (and indeed different reports from the same agency) do not make them a reliable basis for providing unsecured credit. Given the choice of agency is now confirmed at the retailers preference and not the lowest this increases the likelihood that retailers will concentrate effort and money on their scores to obtain the most favourable outcome – we have already seen evidence of this when retailers are borderline under the Schedule 2 unsecured credit
- Several of the requests have been proposed with the justification that a specific sub-set of **retailers should be treated differently**. The market code is clear that any Schedule 3 arrangements must be non-discriminatory, these requests have therefore been evaluated against our entire retailer portfolio and declined on the above grounds.

South West Water believes that the process of entering the market should make it clear that Schedule 3's are supposed to be the exception not the norm for credit arrangements – the options under Schedule 2 were specifically designed to ensure all retailers could enter and operate within the market, anything additional should supplement not override them.

(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?

South West Water has received three applications for alternative payment terms:

- Six month fixed term, post payment terms, with waiver of credit security
- 60 days from invoice date / 90 days from invoice date / mix of 60 and 90 days for specific SPIDS
- Additional six weeks payment terms for one year with option to extend.

The first two options have been declined for the following reasons:

- The waiver of credit security would be an Alternative Credit Agreement. As the proposer of this option was a defaulting party looking to ease their cashflow problems there could be no eligibility criteria attached, making this option available to all market participants. The materiality of this across the entire retailer portfolio, in conjunction with the unlikely event of this resolving the retailers defaulting position made this option unviable
- One application for extended payment terms was received just after Schedule 3A payment terms became available. It was declined because the Government best practice for payment terms is 30 days, a best practice that they are indicating may become mandatory. Further, South West Water has already implemented 30 day payment terms with all of its suppliers, therefore offering extended payment terms would have a materially negative cashflow impact.

The most recent application for extended payment terms (additional six weeks) is still open. Whilst South West Water's view on 30 day terms is unaltered, we are awaiting further information as to how the credit support requirement would be adjusted and met and any other possible eligibility criteria before we can proceed further with our review and reach a decision on the application.

South West Water has always been keen to engage in the market and endeavours to respond to every consultation and request for information issued to the market. We will, of

course, adopt any changes approved from the credit committee however we remain opposed to unsecured allowances in excess of 40% or allowances being stackable.

(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.

South West Water does not have any tailored offerings.

The requirement of Schedule 3 under the Market Code is that any agreements must be in accordance with the principles of non-discrimination and no barriers to entry. South West Water does not believe that an agreement tailored to a specific sub set of retailers meets the non-discrimination clause.

Our own Schedule 3 is tailored to financial resilience and performance – it is available to any retailer on those grounds and therefore is available on a “non-discriminatory and no barriers to entry” basis.

The argument frequently raised in support of tailored agreements for e.g. self-supply retailers is that these are large and well established companies who should, due to their size, be exempt from providing credit security. Size and establishment are not an indicator of financial stability (for example recent high profile cases include BHS, Toys r Us, Carillion, Thomas Cook), therefore all retailers should be subject to the same criteria and a small new entrant should not be penalised by having to provide security where a larger company does not.

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?

1. Preventing Escalations

When we get things wrong we will hold our hands up and do what we can to put things right. We want to fully resolve complaints without the need for escalation or ADR. To achieve this, we analyse our complaints and learn from any trends, feeding this back into our front-line services. In addition, we also have dedicated complaints technicians who will take ownership of the query from start to resolution. We work hard to resolve complaints as quickly as possible and engage with retailers and end customers to reach a fair and reasonable resolution.

Our approach to complaint resolution is benefitting retailers and end consumers evidenced by a 79% reduction in the volume of complaints South West Water has received between this year to date in comparison to last.

2. ADR Process

South West Water is very aware that the industry must work together for the benefit of customers and this includes the alternative disputes process. As a result, we have acted to define a proactive approach when a retailer advises a complaint has reached ADR. Our approach is to work with the retailer, arranging a teleconference to discuss the ADR

received, agree an approach and a timescale for response. We will then keep in regular contact to ensure the retailer has all the relevant information to respond.

As outlined in our wholesale service standards our unilateral action would also be to make discretionary payments where our standards have not been met in appropriate circumstances.

South West Water also considers that unilateral actions are not sufficient to address the gap and that, absent of an industry wide approach, unilateral actions are at risk of creating benefit for some retailers more than others. Because of this South West Water has been part of the Resolving Water Disputes Group advising on the current tender process for the new ADR scheme, contract and changes that could be made to scheme rules to address this issue.

South West Water has also volunteered to take part in the market pilot of an updated ADR scheme with the aim of working with all parties to improve the process for customers.

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

In 2018/19 South West Water received 37 requests from retailers under the Guaranteed Standards Scheme. All 37 were paid and none were subject to dispute.

In addition to the 37 requests received from our retailers, South West Water also made an additional 440 proactive payments under our Guaranteed Standards Scheme payments, including enhanced payments. None of these payments were subject to dispute.

Annex C: Questions relating to the Market for Developer Services

Developer services and new connections market overview

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 undertake a range of activities to manage competition law obligations and risks. The central tenet of the activities is to ensure confidentiality, no undue discrimination and level playing field processes.

Developer Services Compliance Actions

The Developer Services function has put in place arrangements to ensure compliance with competition law and maintain the level playing field for market participants and customers by managing these obligations.

The table below summarises how the Developer Services function manage these obligations. The first column directs readers to where in Annex C further information is provided.

	Further information in response to question number	Contributing to the Level Playing Field	No undue preference or discrimination	Confidentiality of information	Competition Act Prohibitions I and II
Training					
Extensive level playing field training programme, building on the company's Condition R Compliance Code and the new Licence Condition E1 being delivered across the business by the legal team. The detailed training covers NAVs, other market participants and level playing field issues. This is being delivered to the majority of teams in South West Water including Developer Services.	1	✓	✓	✓	✓
New starter inductions emphasise the criticality of: <ul style="list-style-type: none"> The Level Playing Field 	1	✓	✓	✓	✓

	Further information in response to question number	Contributing to the Level Playing Field	No undue preference or discrimination	Confidentiality of information	Competition Act Prohibitions I and II
<ul style="list-style-type: none"> • Equivalence for all developer customers • Protection of developer customer's confidential information. 					
Team structure					
Dedicated team members focusing on the delivery of Self Lay applications. Responses to NAVs managed within the Regulatory Directorate.	11	✓	✓	✓	✓
The current Developer Services structure is being reviewed, to create a team that is more responsive and agile to the needs of the evolving markets.	11	✓	✓	✓	✓
Processes					
Line management review of multiple applications for the same site conducted to confirm equivalence. Second line of assurance is referral to the legal team.	1	✓	✓		✓
Systems					
Access to systems for development sites are restricted to those individuals who are working on that project/team. System access is regularly reviewed and made available / or retracted on a 'need to have' basis.	1	✓		✓	✓

	Further information in response to question number	Contributing to the Level Playing Field	No undue preference or discrimination	Confidentiality of information	Competition Act Prohibitions I and II
Contractors					
Systems access for the Framework Contractor is restricted to the schemes they are working on.	1	✓		✓	✓
Formal written reminders have been sent to the Framework Contractor to remind them of their responsibilities in respect of compliance with legal and regulatory obligations.	1	✓	✓		✓
Where the Framework Contractor is providing services to developer services it is contractually obliged to ensure its staff hold the same qualifications as SLPs in operating in South West Water's area.	1	✓	✓		✓
Charges					
Developer Services charges are cost reflective and calculated on a consistent basis for all developer customers.	6, 7, 8, 9	✓	✓		✓
The same charges are applied to all applicants regardless of whether it is a developer, NAV or SLP requesting the same service.	9	✓	✓		✓
All charges levied to SLPs and NAVs in relation to developer services work are published in our Charging Arrangements. There are no unpublished charges.	9	✓	✓		✓

	Further information in response to question number	Contributing to the Level Playing Field	No undue preference or discrimination	Confidentiality of information	Competition Act Prohibitions I and II
Charges are cost-reflective and have been allocated to contestable and non-contestable work at a granular level.	7, 9	✓			✓

Training

Prior to non-household retail market opening in 2017 all staff participated in online competition law training. To measure the effectiveness of this training all participants' percentage of correct answers to mandatory tracking questions was monitored and where necessary further training was provided. Developer Services staff received this training which was specifically tailored to the needs of the function.

New staff receive Developer Services induction training which includes specific focus on:

- ensuring a level playing field for all market participants
- equivalence for all developer customers, and
- maintaining the confidentiality of developer customers' information.

All training is supported by the contents of the Condition R Compliance Code, which is currently being further reinforced by the Level Playing Field training referred to above, delivered to all staff by the legal function.

Team structure

In order to maintain a level playing field and ensure the separation of activities undertaken by SLPs, NAVs and ourselves, we have dedicated team members focused on the delivery of Self Lay applications. Responses to NAV applications are being managed within the Regulatory function.

The current Developer Services structure is under a review to create a team that is more responsive and agile to the needs of the evolving markets and further information is provided in our response to question 11.

Processes

Sites where more than one developer customer applies to South West Water are subject to a multi-stage assurance process to ensure all customers are treated equally. In order to ensure compliance with our obligations these applications are reviewed by a number of individuals all trained in the requirements of Licence Conditions R & E1.

This review includes the following stages:

Stage 1: Draft offer produced

Stage 2: Line manager review

Stage 2a: Line manager referral to legal team if further advice required

Stage 3: Offer confirmed and despatched OR revised and process repeated.

Systems

Systems access is managed to ensure compliance. Senior Managers regularly review the access to systems of staff, contractors and temporary workers to ensure that access to confidential information is regularly reviewed and made available / or retracted on a 'need to have' basis.

In addition, access to systems for development sites is restricted to those individuals who are working on that project/team.

All NAV and SLP applications and correspondence are held on a discreet Sharepoint site with access restricted to a small number of South West Water employees. None of our contractors have access to information held on these Sharepoint sites.

Framework Contractors

To ensure that SLP and NAV schemes remain commercially confidential, access for our Framework Contractors is restricted to only the schemes that they have been employed to deliver and therefore no access to information and data relating to projects delivered by SLPs and NAVs can be acquired.

Furthermore, we have issued formal written reminders to our Framework Contractors reminding them of their responsibilities in respect of their legal and regulatory obligations. As we are now entering a new AMP period with potentially new providers, we will repeat the awareness training to ensure that our delivery partners fully understand both their own and South West Water's obligations.

Equivalence with SLPs

Recognising that we have an obligation to treat SLPs in exactly the same manner as our own Framework Contractors, we insist that any organisation undertaking activities to provide mains and services to new developments hold the same level of WIRS accreditation. As part of the application process, we audit this requirement.

Charges

The approach taken to develop charges that are compliant with the requirements of the Charging Rules for New Connection Services and the Charges Scheme rules, has ensured that our charges are cost-reflective. For high volume activities, where sufficient data is available, actual costs incurred have been used to set charges. Charges for lower volume activities have been developed using bottom-up assessments of costs.

Contestable and non-contestable cost reflectivity has been ensured by a granular case-by-case allocation of cost.

Rules 18 and 27 of the Charging Rules require undertakers to set charges that reflect fairness and affordability, and are transparent and customer-focused. To support the level playing field and ensure that developer customers are aware of their choices, we publish all developer services charges in a single document.

https://www.southwestwater.co.uk/siteassets/document-repository/charges/new-connections-and-developer-services-charging-arrangement-2019_20.pdf

This ensures that charges are applied consistently to all applicants for the same service, regardless of whether the applicant is a developer, retailer, NAV or SLP. Our website text and page three of the Charging Arrangements reinforce this message:

• [Developer Services Charging Arrangements](#)

This document is applicable to Self-Lay Providers (SLPs), New Appointees (NAVs), Developers/Builders and Water supply and/or Sewerage Licensees (Retailers) applying for new connections services on behalf of non-household customers.

<https://www.southwestwater.co.uk/developer-services/developer-services-charges/>

Overarching Governance and Policies

Compliance Code

Our Condition R Compliance Code incorporates the company's Condition R obligations and has been expanded to incorporate the requirements of Condition E1 and emerging markets.

The Code is clear that each South West Water staff member is responsible for working in line with competition law obligations, and it has been prepared to assist staff in doing so. It is intended to help staff support compliance, understand our obligations and recognise potential problem areas. The Code is published here:

https://www.southwestwater.co.uk/siteassets/document-repository/terms-of-reference/condition-r-compliance-code-website-version_v1.1.pdf

Level Playing Field training

Ensuring that employees and contractors remain up to date with latest legislation is essential, therefore South West Water has been carrying out an extensive level playing field refresher training programme delivered by the legal team.

This detailed training builds on the original market opening training and South West Water's Condition R Compliance Code and the new Licence Condition E1. It covers NAVs, other market participants and level playing field issues and is being delivered to the majority of teams in South West Water including Developer Services and South West Water's alliance partners.

Regulatory Compliance Governance Group

The Regulatory Compliance Governance Group (RCGG) is responsible for the content of the Condition R Compliance Code and overseeing compliance.

The group, comprising the Regulatory Director, Customer Service Director, Legal Advisor, and Senior Managers, meets on a quarterly basis. In addition to matters arising, standing agenda items are discussed at each meeting:

- Review of licence and market code risks
- Review of ad-hoc work and risk of non-compliance
- Review of appropriateness of Condition R Compliance Code and fitness for purpose
- Report on instances of non-compliance (including analysis of any feedback from regulators and complaints from retailers, as a risk-indicators).

The RCGG will also review specific compliance areas to assess the associated risks and mitigations. As an example, in May 2019 the Developer Services function presented on its approach to the 2020/21 Charging Arrangements. This process provides internal challenge to the approach to ensure regulatory compliance and governance. The Terms of Reference for the group are published on the company's website:

https://www.southwestwater.co.uk/siteassets/about-us/governance/rcgg-terms-of-reference-v_0.4.pdf

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

We promote a vibrant and effective developer services market by making sure that developer customers are provided with a menu of options for delivery, ensuring we provide responses in a timely manner¹, and take their feedback into account.

In particular, our options approach enables developer customers to select a solution that is best suited to them. For example:

- Point of connection enquiries are often the first contact that South West Water will have with a developer customer. At this stage the customer receives information about the nearest point of connection alongside clear explanation of the different delivery choices that are available to them so that they can make an informed decision on who they would like to employ to deliver services on their behalf
- Application forms that developer customers complete for the provision of infrastructure (water mains and sewers) offer both options of laid by the company and by a third party. We have ensured the options have equal visibility on the form
- All quotations for infrastructure are split into contestable items and non-contestable items, thus highlighting the customer's choices. This format is provided to all customers, regardless of whether they indicated that they wish South West Water to conduct the work
- All quotations also highlight the opportunity for the customer to undertake the work themselves
- In relation to the provision of clean water, we also offer a hybrid version which allows the developer customer to excavate and backfill the trench on land they own and occupy and for South West Water to lay the apparatus. This option is very popular with our developers as it allows them to undertake the most expensive element of construction

¹ Our performance levels against Water UK Levels of Service

<https://developerservices.water.org.uk/latest-reports>

being excavation and reinstatement thereby remaining in control of the costs of providing infrastructure.

We have ensured that our website presents all options available to a customer, from services provided by us to construction by a third party. These are placed in a prominent position on the first page of our dedicated Developer Services website pages.

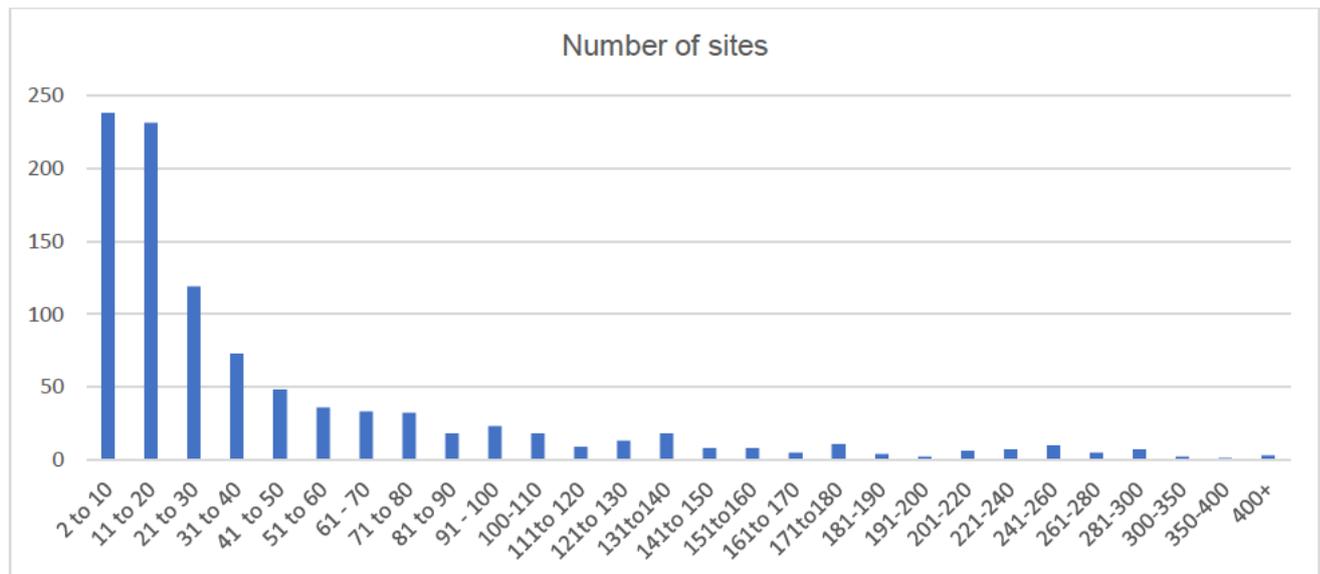
Our website is laid out to provide clarity and transparency of customer choice. To support this, and reflect stakeholder feedback, it is regularly reviewed, and where relevant, updated. Providing effective information for NAVs is currently our area of focus.

We undertake regular customer engagement with our key account customers. These meetings also provide the opportunity for developer customers to provide feedback which allows us to continue to develop our processes and services. We also use these meetings to remind developer customers of the range of options available to them, through both South West Water and other providers.

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)?

The following graph shows the profile of sites over the last five years where developer customers have requested a new main to be laid by South West Water or a SLP. Most developments are between 2 and 30 plots.



This breaks down as:

Site size	% of new connections
Single properties	30
Small developments < 20 properties	35
Medium developments > 20 and < 100 properties	25
Large developments > 100 properties	10

(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?

Currently around 17.5% of new connections are carried out by our five largest developer customers. Overall, around 50% of connections are conducted by 17 developer customers. We deal with around 2,300 different applicants each year in relation to the provision of services to developers.

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

The split between brownfield and greenfield sites is not readily available. However, we are able to distinguish between sites requiring barrier pipes and those laying normal pipes. This provides a fair representation of the split as the majority of brownfield sites will require the use of barrier pipes. Currently 11% of our new connections use barrier pipes and therefore could be assumed as brownfield sites.

4. Please provide information on SLPs in your area:

(a) How many SLPs have carried out new connections in your area (number of SLP companies as opposed to number of SLP connections)?

We currently have four SLPs operating in our area.

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

Of the four existing SLPs operating within the South West we find that two normally offer multi-utility services and two tend to offer water only services.

We also find that the SLPs operating in our area tend to request South West Water to undertake the scheme design.

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

In our experience SLPs will tend to focus on the larger housing sites i.e. greater than 50 properties.

We are also noticing an increase in the SLP market in the Bournemouth area which we believe is due to its location, and easier site access for SLPs.

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

Although there is a relatively small amount of SLP work carried out in our area, a large amount of contestable work is undertaken by developers.

As part of our menu options for developer customers, we offer the opportunity to excavate and backfill on land they own and occupy. We believe this hybrid option offers greater customer choice by allowing developers the alternative of an option between either a SLP or the water company providing the service. The option also reduces our charges to them and gives them control of the most significant cost element of providing a new main as well as the opportunity to manage the programming alongside the installation of all other utilities. 99% of our customers take this option.

Charges for new connections and developer services

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.

South West Water's New Connections and Developer Services Charging Arrangements 2018/19 were the product of an extensive project involving independent third-party expert input and assurance to ensure that the revised charges were compliant with the company's legal and statutory obligations and Ofwat's Charging Rules for New Connections Services.

We have undertaken a thorough review of the charges development process in response to the letter and detail our conclusions below:

Area	How SWW has ensured a level playing field	Conclusion
Inconsistent application of methodology for calculating income offset and asset payments	We use the same methodology to calculate income offsets and assets payments to ensure there is no detriment to the customer.	We are confident our approach provides a level playing field. We do not believe that changes to our processes are necessary.
Lack of clarity around charges and when they apply	The Charging Arrangements document is clear and transparent in its terminology. Feedback from stakeholders to date is positive and where suggestions have been made, wherever possible, we have implemented them.	Due to the positive stakeholder feedback, we do not believe an immediate change is required. In the interests of ongoing improvement, we will continue to review clarity of our 2020/21 document. This will include any further stakeholder feedback
Lack of cost reflectiveness	To ensure that our charges are cost reflective we input actual cost data into our cost models. To provide further transparency we separate	As we are confident that our charges are cost reflective, we do not intend to make any change to our process.

	construction charges from administration charges.	
Absence of sufficient margin	Costs for contestable and non-contestable work are robustly ring-fenced and for 2018/19 were allocated on a scheme by scheme basis to our charges. This process has been embedded within our cost allocation processes for charging arrangement development and is therefore consistently applied.	We do not believe that changes are necessary as we are confident that our robust ring-fencing and allocation of contestable and non-contestable costs results in cost-reflective charges that do not create margin squeeze.
Fair and reasonable contractual terms that are sufficiently clear	All of our draft legal agreements, including terms and conditions, are published on our website to enable developers, SLPs and NAVs to review them before requesting the service. The agreements include terms which reflect the work that South West Water is being requested to undertake.	To ensure that our contractual arrangements are aligned with the forthcoming introduction of Adoption Codes we will review all documentation in readiness for the launch of the new Codes in April 2020. We are also reviewing our website to improve the navigation.
Not clear what services are included in design fees	The information detailing the services within the design fees are specified within our Charges Scheme. For example, section 3c (water requisitions).	As the detail of our design fees is clearly documented within our Charges Scheme, we do not intend any immediate changes.
Failure to transparently demonstrate how CAs satisfy rule 21	With effect from April 2020 Rule 21 will state: <i>Charges (including any Income Offsets), any Asset Payments and arrangements for when they are each payable must be set in accordance</i>	As part of the development of the Charges Scheme for 2020/21 we will consider how Rule 21 might be further addressed in 2020/21 to promote effective competition.

	<p><i>with the principle that they should promote effective competition for Contestable Work.</i></p> <p>To meet this requirement, sections 14 and 15 of our New Connections and Developer Services Charging Arrangements detail the rules to which charges align.</p> <p>The company is satisfied that its charges are cost-reflective, transparent and presented in such a way as to support effective market competition.</p> <p>We will continue to support industry regulators and stakeholders to further develop improvements and greater transparency of these market choices.</p>	
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The outcome of the review was circulated to Developer Services, Regulatory and Finance teams.

Internal governance throughout the development process for 2018/19 charges was strong, with evolving charges subject to three internal levels of scrutiny plus external review. This approach provided assurance that the published charges were cost reflective, transparent and did not prevent, restrict or distort competition. Included in appendix 3 are examples a South West Water Executive Management Board paper and the external assurance from Oxera – overview and assurance of charges.

Our ongoing work to develop the 2020/21 Charges will follow the same level of rigour and assurance.

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

No competition compliance issues were found and as such we have maintained our charging arrangements. Whilst we have not made any changes to our charging arrangements as a result of the letter, we review our charging arrangements each year and respond to any market developments.

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

Whilst we do not anticipate making any significant policy changes for the 2020/21 Charging Arrangements, other than those required by the changes in the Charging Rules, we do intend to re-write some areas of the document to provide further clarity on terminology in respect of adoption codes and to provide further transparency to demonstrate how we are meeting Charging Rule 21 as reflected in the table above. We will be publishing these charges on the 31 January 2020 in readiness for the 1 April 2020.

Additionally, we have a small number of rates that we intend to include in our future charges which will be designed to provide a greater level of fairness to all customers. An example of this is the introduction of a per meterage rate for longer service connections to where the volume is relatively low with significant costs which are not cost reflective against a capped fixed charge. We believe it is fairer for those exceptional costs to be paid by those who benefit from the connection.

7. Please explain how your charges reflect costs:

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

Charges relating to construction costs

For our 2018/19 charges, we considered all costs incurred over the previous five years and used these to baseline our charges going forward.

To provide full visibility of costs and ensure developer services charges that came in to effect on 1 April 2018 were cost reflective, we adopted a process that disaggregated revenues for key charges and rebuilt the charge using data which had been subjected to full review. The analysis work was conducted with an independent third-party expert (see evidence submitted in our response to question 6).

We applied this process to the revenue streams influenced by contractor rates being the:

- Requisition charges
- Infrastructure charges
- All connection charges
- Income offset / Asset Payment.

The following steps detail the process we undertook in calculating the charges:

Step 1: Understand in more detail, the actual cost involved in undertaking those elements

- Collate five years' data of all component charges that contribute to each revenue stream
- Split the items into construction costs, project management, administration and other items including Estates, compensation, traffic management etc.

Step 2: Understand future drivers

- Any changes in legislation which would mean as a company we would expect to see changes to the charges, for example changes to street works legislation.

- Apply inflation
- Consider any changes in the cost of materials and any other predicted or known changes.

To maintain bill stability for customers, in 2019/20 we maintained charges as set for 2018/19 and applied only RPI with no other changes.

For 2020/21 we are in the process of conducting a review which considers both previous years' costs and future spend forecasts as a result of the 2020-25 business planning process. We will continue to review the charges annually.

Other charges

For 2018/19 charges the rates for administering adoptions, sewer connections, build over charges and self-lay charges were all developed from a bottom up assessment of our own costs, providing auditable, cost reflective charges.

As above, for 2020/21 we are in the process of conducting a review which considers both previous years' costs and future spend forecasts as a result of the 2020-25 business planning process. These charges will also be reviewed annually.

(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

Our requisition charges are made up of two elements:

1. Construction – these are either from our Framework contractor for clean water activities or from market rate tenders in respect of our waste water activities.
2. Project Management/Administration – these are made up from bottom up analysis of South West Water manpower costs.

Infrastructure charges

The level of our infrastructure charge is driven by the necessity to provide network reinforcement to support new development growth as specified in the charge scheme rules.

Ultimately there are three factors which influence this charge:

1. Size and timescales for development - accurately predicting the actual timing, location and build out rates for new development can be difficult, therefore we adopt a balanced risk-based approach using customer engagement alongside our experience of the development market to ensure that our network investment is provided at the appropriate time to ensure that no service detriment is experienced by our existing customers

2. Contractors' costs – delivering these network improvement schemes as efficiently as possible will help to ensure that the impact on the infrastructure charge is managed at the optimal level

3. Surface water is an additional driver for wastewater infrastructure charges. In order that they are reflective of the development markets, our charges are driven by a number of key assumptions derived from local planning and the information provided by the developer on their application form. They are subject to review if these drivers significantly change:
 - we would expect as a minimum that there has been a full assessment of the hierarchy of preference for the connection of surface water contained with Part H of the Building Regulations and that requests for the provision of capacity for the connection of surface water into wastewater networks should be in strict accordance with both local and national planning policy
 - Developers will continue to work with planning authorities and lead local flood authorities to “separate, minimise and control” surface water and seek to achieve the most sustainable run-off destination
 - Where brownfield sites are to be redeveloped and there are no separation opportunities surface water, discharge rates are reduced to a minimum of 50% of the run-off in the previously developed state. Where a Lead Local Flood Authority imposes a greater reduction, we will use this figure to increase capacity.

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

We use the same contractor for all work across the regions, and therefore charge rates are standard across the company areas.

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 relevant costs are based on the Framework Contractor's schedule of rates for each activity.

(b) What services do contractor rates apply to?

Clean Water

A Framework Contractor is contracted to conduct work on our behalf including:

- Non-contestable / contestable activity on main laying i.e. those projects that request a water requisition
- Non-contestable / contestable activity on service laying i.e. those projects that request an individual new water connection
- Survey to ascertain the cost of a new connection. The cost of this survey is derived from the rate in our Framework Contractor contract.

Wastewater

Each sewer requisition job is competitively tendered and where the work falls out of scope of the fixed charges, we will reflect the rates provided by the successful tender in the price of our quotation to our developer customer. The tender process is completed in line with our procurement practices and depending on the value, follows EU procurement regulations.

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

Clean Water

Our framework contracts tend to be for at least five years and are market tested through an OJEU procurement process at least every five years.

As part of this market exercise we also engage independent cost managers to consider the rates and challenge them where appropriate. The process involves:

1. Selection of contractors by way of the Achilles portal www.Achilles.com
2. Tender documentation sent out including an NEC Option A Contract (priced contract with activity schedule)
3. Tender submissions
4. Review by technical and commercial representatives. The commercial representative is an external Cost Manager from a third-party organisation
5. Recommendation to accept which, depending on value, will be approved at our Procurement Strategy Group, South West Water Executive Management Meeting and South West Water Board
6. A formal contract offer is issued to the successful contractor.

Within the contracts there is provision for an annual review of rates, which can be requested by either party, to accommodate changes in economic conditions, factors outside either parties' control and any pre-determined efficiency mechanism. Any such adjustments will be supported by evidence which will be subject to client review and challenge.

We are currently undertaking this process with our clean water contractor and have challenged rates as detailed above.

Any justifiable adjustments will be taken in to account in the following year's Charging Arrangements.

Wastewater

As highlighted in our response to question 8b, where we are requested to undertake work as part of a sewer requisition, we will competitively tender the work to at least four contractors to enable the customer to be given a market rate quotation for the work.

Appendix 3 provides supporting evidence for these processes.

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.

So that all developer customers, NAVs and SLPs are treated fairly and consistently, we ensure all of our charges for a stated service are the same regardless of the applicant.

(b) What charges do you levy on SLPs, NAVs (directly, through a developer, or through a third party) or developers, that are not published in your charging arrangements, charges scheme, or bulk charges (for NAVs)? Please explain the activities to which they relate, and the circumstances in which they apply.

All charges levied to SLPs, NAVs and developers for developer services work are published within our Charging Arrangements. These charges are included to recover those additional costs that we incur when dealing with an SLP/NAV application.

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?

Clean Water

We have not yet developed a standard bulk supply agreement. This is because to date we have no NAVs requiring a bulk supply in our area of supply.

We are actively supporting the Water UK Behavioural Improvements Project and will implement the industry standard bulk supply agreement once published.

Wastewater

Our standard bulk discharge agreement is published on our website:

<https://www.southwestwater.co.uk/developer-services/water-services-and-connections/using-a-nav/>

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.

We will consider all reasonable requests for bespoke agreements or changes to our standard agreement, provided that any changes are consistent with our obligations under Licence Condition E1 and maintain a level playing field between NAVs and customers.

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 one NAV (a sewerage undertaker only) operating in our supply area, therefore this is our only existing agreement.

We have published a standard bulk services agreement which is based on the draft produced by the WaterUK working group and our only existing agreement. Within our standard bulk services agreement we have built in elements that can be tailored to the particular NAV and their site. For example, we leave the metering arrangements as a matter to be agreed so that we can work with the NAV to determine the best arrangement, such as a bulk meter at the site boundary or using aggregated meter reads from properties.

We have also published a standard meter read information sharing agreement and use this agreement for NAVs and other incumbent undertakers.

Culture, customer experience and quality of service

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.

[Redacted content]

(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.

In order to maintain independence between activities undertaken by South West Water and those undertaken by SLPs and NAVs we have a number of assurance steps in place as detailed in our response to question 1.

For Point of Connection enquiries, we manage these through our pre-development team as the response is a site specific one so will be consistent regardless of the applicant type. This ensures that our site requirements are transparent to all parties.

Our current team arrangement ensures that applications from SLPs are managed by a dedicated individual to ensure that compliance with competition requirements is maintained. NAV applications to the company are managed by the Company's Regulatory team to provide separation from those activities delivered by Developer Service.

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;

Charging Arrangements

Our approach to engagement regarding our Charging Arrangements is tailored to the changes being made.

In 2019/20 we made no changes to our Charging Arrangements other than to apply RPI. Therefore, our engagement was relatively minimal, comprising of discussions with our regular developers to inform them of our approach.

In contrast, our engagement for 2018/19 was more extensive. This included:

1. **Meetings with our larger developers** - We invited our top 17 developers to face to face meetings, and 10 accepted. Key topics for the meetings were:
 - An explanation of the changes
 - Presentation and explanation of worked examples of incidence impacts on notional sites
 - transitional arrangements.
2. **Online survey** - To raise awareness of the process and request their input invitations were emailed to the developer customers that had contacted us in the previous 12 months. Ahead of the survey closing reminders were sent
3. **One to one meetings** were offered to the SLPs working in our area.

In addition, we included a footnote on all Developer Services outgoing emails to raise awareness of the introduction of the Charging Arrangements and advised that further information was available on our website. We also updated our website to keep stakeholders informed as the process evolved.

Our approach for 2020/21 Charging Arrangement will be extensive, recognising the changes resulting from the charging rules and the impact these will have on our customers. Detailed in appendix 3 is our proposed engagement plan and offers ongoing communication through all the stages of the implementation.

Engagement as a day to day activity

1. In addition to formal engagement our relatively small developer customer base allows us to engage on a more personal basis with key developers and SLPs.
2. We offer the option of regular meetings and view them as opportunities to discuss new and upcoming issues, in addition to conducting ongoing scheme reviews.
3. At industry level we have engaged with the Codes Programme and have been an active member in updating the codes. We have taken the lead role in writing the Legal Agreement on the Clean Water Codes Programme.

4. We have also engaged with the Sewers Codes Programme. We have contributed to, and will be participating in, the formal SuDs training that Water UK has developed in association with CIRIA. By engaging in this process and ensuring that our team members have had the industry training this will result in a consistent service to our customers which will be transparent and be aligned with national best practice.
5. Currently our engagement with NAVs is on a one to one transactional basis as we only have a small number active in our area. To maintain an overall view and ensure compliance with legal and regulatory obligations initial NAV contacts are managed via the regulatory team and allocated to the appropriate team within the business. All teams dealing with NAV contacts receive the detailed legal level playing field and competition training referred to in the response to question 1.

(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 topics we have covered previously in our engagement and continue to engage on are:

- Transition arrangements (due to the changes in income offsets which will require further transition arrangements)
- Proposed level of charges for the upcoming charging year
- What challenges developer customers foresee in respect of the proposed charges, and whether there is anything they consider we could do to help smooth out any impacts
- Introduction of the Adoption Codes programme.

Once finalised, we will also be engaging on our own restructuring arrangements. Please see the related note in our response to question 11a.

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

To provide internal governance and assurance over our tariff and policies, the company has established internal steering and working groups; namely the Tariffs Steering Group and Charging Arrangements Working Group.

Where stakeholders have contributed feedback that may impact the proposed charges for the following year, the feedback is included in the discussions at the company's internal working and steering groups.

Where stakeholders have made representation to us, it is essential that a two-way dialogue is maintained to confirm how those comments have influenced our charge and/or our processes and procedures.

Furthermore, we also ensure that ongoing dialogue is maintained with our large customers through a key account approach so that the opportunity for key stakeholders to influence our approach is maintained.

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

Included within appendix 3, we provide evidence of our engagement including:

- 2018/19 Charges Consultation and email to developer customers
- Extract of a presentation of the charges examples which was used in discussion with the developer customer to show the changes apply.

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.

We are committed to treating all our developer customers, NAVs and SLPs equally. We therefore offer them the same level of service to ensure a level playing field across all developer customers.

(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.

Please find below an extract from Water UK developer service Levels of Service reporting from 1 April 2018 to 1 August 2019. Further commentary is provided after the table.

1 April 2018 - 1 August 2019				
Level of Service Performance on Self Lay				
Metric Ref	Description	Bournemouth	South West	Comment
W19.1	Written acknowledgement	100%	100%	
W20.1	PoC under 500 plots		100%	
W21.1	PoC over 500 plots	100%		
W22.1	Design approval and terms request - acknowledgement	100%	100%	
W23.1	Design and terms quotations <500	100%	100%	
W24.1	Design and terms quotations >500		100%	
W25.1	Signed agreement - acknowledgement	100%	100%	
W26.1	Water for testing	-	-	See note 1
W27.1	Permanent supply	100%	100%	
W28.1	Vesting certificate	100%	90.63%	See note 2
W29.1	Asset Payment	50%	100%	See note 3
W30.1	Plot references	100%	100%	

Note 1 – We have not recorded performance against this metric as we will always work with the SLP to provide them the permanent water supply in metric W27.1 instead of them having a temporary installation represented by W26.1.

Note 2 – 90.63% for South West Water on Vesting Certificates represents three instances out of 32 when we did not meet the level of service. In response, we have already implemented additional checks within the Developer Services Team to ensure that in future we consistently meet the level of service.

Note 3 – 50% for Bournemouth on Asset Payments, represents one missed service level out of two. As above, further checks within the Developer Services Team have been implemented that in future we consistently meet the level of service.

Except for the two metrics mentioned above our performance against the Levels of Service for self-lay provisions remains at 100%.

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

The following table shows our performance from September 2018 to September 2019 on the relevant NAV metrics. As explained previously, NAV activity in our area has been relatively low until recently and this is reflected in the number of requests we have received.

Stage	Key Process	Summary Steps	Indicative timings	Performance	
				Volume	Percentage complete in timescale
0	Informal discussion	Initial enquiries and dialogue regarding site		Ongoing	
1	Site Status review	Incumbent provides confirmation of unserved status or identifies served properties	21 days	7	100%
2	Bulk service (water or sewerage) application	Applicant submits application form to incumbent – incumbent acknowledges receipt of application form and confirms completeness	5 business days	0	
		Incumbent provides a bulk service offer letter to the applicant	28 days for sites < 500 properties	0	
			42 days for sites > 500 properties	0	

3	Bulk service (water or sewerage) application	Applicant confirms/or not acceptance of bulk service offer	n/a		
		Standard bulk service agreement signed	28 days	0	
		Acknowledgement of returned signed agreement	5 days	0	
		Negotiation of bespoke terms and conditions if applicable	To be agreed between parties	0	
4	Bulk connection	Bulk connection payment made by applicant	7 days	0	
		Off-site mains construction	90 days	0	
		Off-site sewer construction	180 days	0	
		Provision of connection and supply of water for testing	28 days	0	
		Provision of permanent supply of water	14 days	0	

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

We have had a small number of instances where point of connection requests for the same site were received from a developer, SLP or NAV.

As the process for establishing the point of connection is exactly the same, regardless of the applicant type, we remain confident of our compliance with guidance promoting emerging markets and competition law.

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.

To ensure we are prepared for the implementation of the new sector guidance and model adoption agreements once approved, we currently have two separately managed work programmes running in our Developer Services team; one for waste and one for clean. We felt it was important to split the workstreams as it is likely, implementation will be at the same time, but will affect organisations / developers in different ways depending on the area.

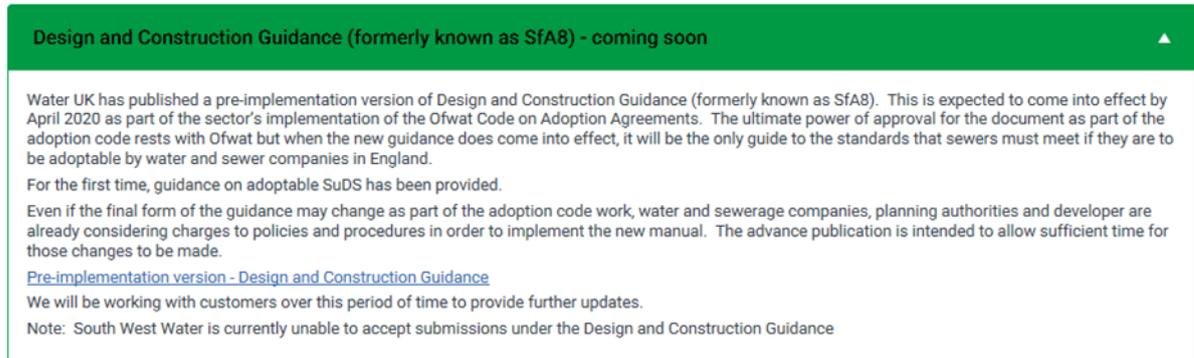
We will continue to participate in the working group at Water UK and review the latest submissions to produce an action plan internally for implementation in line with the 1 April commencement date as recently confirmed by Water UK.

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

To help our customers understand the impact of the codes for adoption, we have engaged with our customers through:

1. Information on our website and correspondence to increase customer awareness of changes and provide links for more information

<https://www.southwestwater.co.uk/developer-services/sewer-services-and-connections/adoption-of-new-sewers-or-pumping-stations/>



Design and Construction Guidance (formerly known as SfA8) - coming soon

Water UK has published a pre-implementation version of Design and Construction Guidance (formerly known as SfA8). This is expected to come into effect by April 2020 as part of the sector's implementation of the Ofwat Code on Adoption Agreements. The ultimate power of approval for the document as part of the adoption code rests with Ofwat but when the new guidance does come into effect, it will be the only guide to the standards that sewers must meet if they are to be adoptable by water and sewer companies in England.

For the first time, guidance on adoptable SuDS has been provided.

Even if the final form of the guidance may change as part of the adoption code work, water and sewerage companies, planning authorities and developer are already considering changes to policies and procedures in order to implement the new manual. The advance publication is intended to allow sufficient time for those changes to be made.

[Pre-implementation version - Design and Construction Guidance](#)

We will be working with customers over this period of time to provide further updates.

Note: South West Water is currently unable to accept submissions under the Design and Construction Guidance

2. Direct interaction/engagement with our key developer customers and consulting engineers to increase awareness and provide guidance and advice
3. Developer workshops to further increase awareness and knowledge
4. Introduction of developer drop in sessions when the codes go live to assist customers with their applications and submissions
5. Updated guidance documents and customer literature
6. Engagement with other key stakeholders such as Local Authorities and Flood Agencies. (example presentation included in appendix 3).

Following implementation of the codes, we will continue to engage to help our developer customers understand the changes. Our plan to do this comprises of the following activities:

- Further developer workshops which will include training presentations, question & answer sessions as well as "ask the expert" forums and drop in sessions
- We will present the prepared material via email to regular customers as well as providing website updates including a FAQ section
- We will also use social media to proactively communicate with linked organisations and individuals.

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)?

Water resources

Non-household Water efficiency – we are currently running our published bid assessment framework ahead of AMP7 to promote the development of water efficiency markets in the non-household market. We are using it to trial a retailer to ‘bid in’ to funds for water efficiency that they can then use to deliver water efficiency savings – essentially a reverse auction. Through providing a fund in this way, our approach removes any barrier to entry in the water efficiency non-household market brought about by a lack of cash flow or margin to allow investment in capital solutions for their customers. Thereby ensuring all retailers can compete on a level playing field irrespective of their size.

Our approach is also testing a transparent bid assessment scoring framework that acts not only to ensure all retailers are treated equally but to drive innovation and cost reduction to the benefit of customers.

We have written to all retailers in our region over summer 2019 on our work in this area.

New development – regionally and nationally almost half the future growth in demand for water is coming from population growth. Water efficient new development we believe will be a key part of the action needed to ensure supplies are sufficient in the future. We are working with developers to create a new incentive scheme for developing ultra-water efficient homes in the region with a view to having a similar process we are already using for the non-household market.

Water resources opportunities – we have a dedicated website with up to date information on our water resources opportunities. This includes:

- Details of our water resource operations
- Our water resource strategy and areas for market involvement
- Our up-to-date water resource market data.

Importantly, in our view, we also set out our market engagement process. This includes a dedicated market enquiries email and the process by which all market enquiries are dealt with. This not only makes it simple for third parties to offer market solutions but also ensures that all enquiries are dealt with on a level playing field.

We use the same process for all market enquires – from water resources through to bioresources parts of the value chain. This also ensure that all markets are operated on an equal and consistent footing.

Abstraction licence trading platform – as part of the West Country Water Resources Group we are working with the Environment Agency to deliver an abstraction licence trading platform akin to that used in East Anglia for agriculture.

Environment

Market based solutions for catchment management – we are using the Wessex Water EnTrade platform in the Axe catchment to reduce phosphate levels. This is using a market-

based solution not just for the physical delivery of benefits but using a third party – not the incumbent – to deliver catchment based solutions.

Bioresources

Market share

We believe market solutions offer good potential to improve our bioresources services into the future. There are uncertainties and regional differences in how the bioresources market will evolve and we have reflected that in a phased approach – first extending our use of markets for existing assets and operations, followed by strategic market approaches to inform options beyond 2025.

We envisage that cross-border trading will be part of that market evolution but, due to our peninsular location (we have only one relatively narrow land-border with Wessex Water) it is unlikely to be the major activity. Rather, potential market solutions for enhancements in service are likely to be regionally based third party offerings. However, we do envisage trading around and across the border as a good mechanism to improve efficiency in those areas (hence our trials with Wessex Water).

Engagement activities/initiatives

We are committed to actively participating in the new Bioresources market which is opening in 2020. Over the last year as part of our preparation we have:

- Undertaken an incineration trial with MVV Devonport, so the Environment Agency can consider permit implications and MVV can understand the operational aspects
- Undertaken cross border trading trials with Wessex Water
- Updated our Bioresources Market Information on our dedicated web pages
- Delivered improved bioresources measurements to facilitate market approaches
- Provided access via our webpages to a Bioresources mailbox to enable interested parties to contact us about opportunities
- Responded to contacts using our internal contact tracking system, which have included the following topics:
 - farmers interested in bioresources use on land and in vermicomposting
 - requests for data from university MA students
 - commercial companies offering services – mostly for existing contracted services so these have informed our contract renewal bidders list
 - commercial requests for information to support market surveys and understanding of the opportunities.

As highlighted in our Business Plan we will be approaching the bioresources market to seek participants to support delivery of (or provide) solutions and to identify business opportunities and guide our AMP8 approach and investment. In response to Ofwat comments on our bioresources business plan submission we are accelerating our proposals and making initial approaches to the market in the 2019/20 period.

Bidding activity

There was no bidding activity during the 2018/19 period, so there has been no bid assessment.

As we have no internal business for transport and recycling in 2019, we have started our new tender process for biosolids haulage and recycling operations, which we contract out and which expires in March 2020.

Risks, issues and barriers

Our peninsular location limits cross border trading opportunities due to economic transport distances, but we continue to explore these as two-way trading opportunities alongside any other in-region offerings.

Potential barriers/disincentives for potential service providers remain around the waste status of sludge and the impact on co-treatment opportunities.

We have webpages dedicated to bio-resources and water resources market information <https://www.southwestwater.co.uk/commercial-services/bioresources/>