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31 October 2019

**Name** Nick Fincham  
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Dear Rachel

### **Wholesale water companies and the development of effective markets**

Thank you for your letter dated 28 May 2019 which raised the question of what wholesale companies can do to support the development of effective markets in the water industry. This letter responds to that important question, and – in doing so – addresses the questions raised in the associated letters from Emma Kelso, dated 29 April and 16 September.

We very much share Ofwat's vision that well-functioning markets can deliver better outcomes for both customers and society. Opening markets can bring different perspectives and stimulate different approaches to help the sector respond to strategic challenges such as a growing population, changing climate, affordability and rising customer expectations.

Compared to other wholesalers, the evidence shows that Thames Water has a very good track record in supporting competition. This is reflected in the degree of competition that exists in our geographic area compared to elsewhere. For example:

- at 131 switches per 1,000 supply point identifiers, the rate of switching amongst Non-Household customers in Thames Water's area is higher than in any other WASC area;
- there has been substantial activity in the new connections market in Thames Water's area, with 56% of new mains built by self-lay providers during 2018/19; and
- we continue to support the highest number of properties supplied through New Appointments and Variations, with over 36,000 properties served by insets in Thames' area, amounting to over a third of the total number of customers supplied through this route in the UK.

In this submission, we have assembled a substantial body of evidence to show how hard we work to support competition, particularly in the NHH retail and developer services markets. And we continue to be fully committed to playing our part, both directly and in collaboration with other companies, to ensure that markets operate efficiently and effectively to provide best value overall to customers.



To this end – and partly prompted by the questions you have asked us – we are:

- committed to tackling legacy data issues in the NHH market which may serve as an example of best practice for the rest of the industry;
- redoubling our efforts to enhance our engagement with retailers, for example through leading the implementation of a standard Retailer Measure of Experience (R-MeX), to ensure our improvement activities are appropriately prioritised and focussed; and
- seeking further standardisation that better supports growth within the NAV market, including giving our support for establishing a NAV market code.

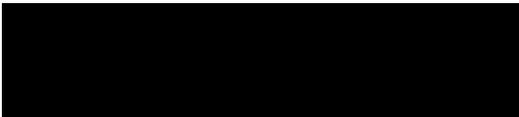
We recognise that we are submitting a lot of information. In view of this, we would be happy to come in – at any time – to talk through the content of this submission, and to discuss precisely what we can do to continue to support competition. Do please let us know if that would be useful. In the meantime, I attach a mapping document<sup>1</sup> which links the content from each of the three letters you sent to the relevant parts of our response.

Finally, please note that alongside our response we are making a number of representations on confidentiality which we wish you to consider. These have been made on the basis of one of three tests:

1. Commercial information, whose disclosure we believe will cause harm to our legitimate business interests;
2. Information relating to the private affairs of an individual, whose disclosure we believe might cause harm to the individual's interests; and/or
3. Public interest information, whose disclosure we think is contrary to the public interest.

If you have any questions on our response or would like to discuss anything further on the question of supporting effective markets, then please do get in touch.

Yours sincerely



**Nick Fincham**  
**Strategy & Regulation Director**

Cc: Emma Kelso, Ofwat

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<sup>1</sup> Appendix 1 – Effective markets response mapping



## Appendix 1 – Effective markets response mapping

The following table shows how we have covered the information requests from each of the three letters from Ofwat in our response.

- Letter 1 - Compliance with competition law and charging rules obligations (self-lay market) (Emma Kelso letter dated 29 Apr 19)
- Letter 2 - Incumbent water companies and the development of effective markets (Rachel Fletcher letter dated 28 May 19)
- Letter 3 - Incumbent water companies and the development of effective markets (Emma Kelso letter dated 16 Sep 19)

Response reference	Letter 1	Letter 2	Letter 3	Content covered
Executive Summary		✓		Development effective markets (incumbent water companies general comments)
Annex A		✓	✓	Development effective markets (Board support and supporting vibrant markets)
Annex B Q1			✓	Customer experience
Annex B Q2		✓	✓	Industry governance, engagement and initiatives
Annex B Q3		✓	✓	Industry governance, engagement and initiatives
Annex B Q4		✓	✓	Industry governance, engagement and initiatives
Annex B Q5		✓	✓	Wholesale performance, engagement and initiatives
Annex B Q6		✓	✓	Wholesale performance, engagement and initiatives
Annex B Q7		✓	✓	Wholesale performance, engagement and initiatives
Annex B Q8		✓	✓	Wholesale performance, engagement and initiatives
██████████	█	████	████	██
Annex B Q10		✓	✓	Data quality, engagement and initiatives
Annex B Q11		✓	✓	Data quality, engagement and initiatives
Annex B Q12		✓	✓	Wholesaler retailer interactions, engagement and initiatives
Annex B Q13		✓	✓	Wholesaler retailer interactions, engagement and initiatives
Annex B Q14		✓	✓	Wholesaler retailer interactions, engagement and initiatives
Annex B Q15		✓	✓	Wholesaler retailer interactions, engagement and initiatives



Response reference	Letter 1	Letter 2	Letter 3	Content covered
Annex B Q16		✓	✓	Wholesaler retailer interactions, engagement and initiatives
Annex B Q17			✓	Wholesaler retailer interactions
Annex B Q18			✓	Wholesaler retailer interactions
Annex B Q19			✓	Wholesaler retailer interactions
Annex C Q1			✓	Developer services and new connections overview, competition compliance (self-lay)
Annex C Q2			✓	Developer services and new connections overview
Annex C Q3			✓	Developer services and new connections overview
Annex C Q4			✓	Developer services and new connections overview
Annex C Q5			✓	Developer services and new connections overview
Annex C Q6	✓	✓	✓	New connections, supporting vibrant competitive market, competitions compliance (self-lay)
Annex C Q7	✓	✓	✓	New connections, supporting vibrant competitive market, competitions compliance (self-lay)
Annex C Q8		✓	✓	New connections, supporting vibrant competitive market
Annex C Q9	✓	✓	✓	New connections, supporting vibrant competitive market, competitions compliance (self-lay)
Annex C Q10		✓	✓	New connections, supporting vibrant competitive market
Annex C Q11			✓	Developer services, culture, customer experience and quality of service
Annex C Q12	✓	✓	✓	Developer services, culture, customer experience and quality of service, development effective markets, competitions compliance (self-lay)
Annex C Q13			✓	Culture, customer experience and quality of service
Annex C Q14		✓	✓	Culture, customer experience and quality of service, supporting vibrant competitive market
Annex D		✓	✓	Effective support and development of new markets (Optional)