

Response to Ofwat letter: Incumbent water companies and the development of effective markets

Wessex Water

October 2019

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Introduction

This document sets-out the company's approach to the promotion of new markets in the water sector. It (and the documents referenced in this response) evidences how and why Wessex Water considers the development of new markets to be core to its long-term strategy rather than simply an issue of compliance risk. This has led to a pragmatic approach when considering how to balance stakeholder interests as new markets develop and a recognition that the end-customer experience is paramount.

Many of the questions that Ofwat has asked us to address as part of this document are quite specific and related to some narrowly defined markets. We have aimed to respond concisely to these and with relevant and most recent evidence where appropriate. We have not responded exhaustively but are happy to provide additional detail and evidence if requested to do so.

We also aim to provide evidence of how our wider approach to promoting markets and market-based approaches in the sector is currently influencing our strategy and activity in preparation for the delivery of PR19.

As part of this response we have provided web-links to published information wherever possible through the document rather than repeat it in this document. Where additional information that is relevant is not published we have provided this as separate electronic files. The following table lists these documents.

Table of additional documents provided

Document prefix	Document title	Description	Related to question
Annex B Q7	Retailer performance	A sample extract of wholesaler OPS performance by retailer served	B7
Annex B Q12	RWG good practice guide	A guide published and co-authored by Wessex Water for unplanned events and incidents	B12
Annex B Q14	Wholesale policy email example	An example of how we engage with retailers on our wholesaler policies	B14
Annex B Q14	Wholesale services operations manual and policies	Our published manual of policies and procedures	B14
Annex B Q16b	Retailer account meeting agenda – August	An example agenda for a recent retailer account meeting	B16b
Annex B Q16b	Retailer account meeting agenda – March	An example agenda for a recent retailer account meeting	B16b
Annex C	Developer day flyer	Invite to our recent developer engagement day	C12d
Annex C	Developer day slide pack	The slide pack we used at our recent developer day	C12d

Annex C	Developer forum 28.03.18	A slide pack we used at our developer forum in 2018	C12d
Annex C	Changes to the 2019-20 charges arrangements	This engagement document details our approach to reviewing and setting the charges in our Developer Charges Arrangements and any significant changes to these charges for 2019/20. This is also now published on our website.	C12d

1. Questions relating to the Board's support for the development of effective markets

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

The Board is clear in its view that the development of effective markets will deliver better outcomes for all of its stakeholders. In 2018 the Board updated its vision and articulated this through its published business plan for the period to 2025. Embracing change and promoting new markets is demonstrably front and centre of the Board's vision, strategy and plan. The summary of our plan can be read here:

<http://www.wessexwaterebooks.co.uk/BusinessPlan-2020-2025/>

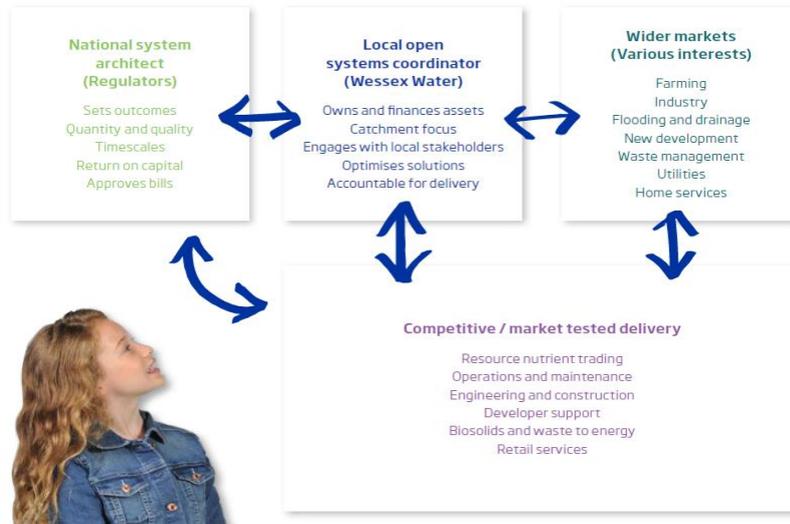
Excerpts from the plan include:

This business plan describes how we will deliver by implementing a new business model that embraces our public service ethos while capitalising on the ambition and innovation that markets empower.

More of the same will not deliver this vision. We have to do things differently, promoting competition and encouraging new ideas. If others can deliver a much valued service more effectively than we can, then we will embrace this.

The company strategy is to develop an open systems approach to delivery that is market based, building on pioneering market-based approaches within the company such as GENeco and EnTrade:

Our open systems approach



An open systems steering group, whose members include the managing director and other members of the executive leadership team is responsible for ensuring this part of the strategy is delivered and has met regularly since our plan was published.

The company has recently launched the Wessex Water Marketplace as the hub for our open system approach. This approach has been developed and championed internally by the company “strategy and new markets” team, showing the board’s commitment to resource the development of new markets.

<https://marketplace.wessexwater.co.uk/>

The Board’s involvement in the promotion of markets is not therefore limited to the markets that are covered in this letter.

Our approach is widely publicised; staff understand the company’s commitment to this approach and the development of these markets.

The Managing Director provides regular Board updates on developments in all these markets and specific issues of strategy are discussed and approved by the Board. The company also has a designated Competition Team that meets every two months (or more frequently if required) and keeps a watching brief on policies, plans and business procedures, advising senior management and the Board as necessary.

It is worth noting that whilst the WWSL Board would have no input, the wider group of companies has successful interests in the markets referenced in this letter and therefore as a group, Wessex is committed to seeing these markets develop successfully.

2. Questions relating to the Business Retail Market

2.1 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).

Wessex Water has a strategy of wanting to be the wholesaler of choice if customers had the option to choose. We publish our retailer promise below which explains how we are committed to delivering high levels of service to end customers alongside retailers.

Our promise to retailers

We are committed to delivering a high level of service to all retailers and their customers.

We aim to:

- deliver excellent standards at all times
- put things right as quickly as possible
- compensate you and your customer if we fail to keep our promise
- offer a range of cost reflective and innovative tariffs.

Our promise for retailers is underpinned with a 'no quibble' guarantee and compensation payments that are among the highest in the industry.

We recognise that some of your customers rely heavily on water services. For these customers we offer enhanced services.

Andy Pymmer
Managing director

Source: www.wessexwater.co.uk/services/retailers

Building on our consistently strong customer service performance on SIM, the strategy is supported by an approach that looks at market issues from the outside in rather than inside out – i.e. services are designed from the customer's perspective.

We use data, MPF performance and other tools such as retailer forums, monthly account meetings and any direct communication from end customers to the company Managing director and Chief executive to continue to understand experiences for end customers in the business retail market. This has led to changes in our offering since market opening.

In a number of areas we have gone beyond identified industry best practice with the purpose of benefitting the overall end-customer experience. In advance of retail market opening we identified that leak allowances would be a likely area of market tension could that lead to worse outcomes for consumers and which could reduce confidence in the market itself. We set-out a leak allowance policy at market opening therefore that was generous and flexible to retailers so that they were able to continue to offer good services to their own customers.

We have since understood the financial pressure an internal leak or unexplained high consumption can have on a small business or charity. We have therefore implemented an enhanced policy this year which gives leak allowances where end-customers are in receipt of small business rate relief, hardship relief or are a non-profit organisation. This, in our view, supports SMEs, an underrepresented group in the non-household retail market.

We also recognised that the rejection of a market form or deferral of an activity by a wholesaler only delays the end outcome for a customer. We therefore feedback regularly to retailers on the reasons for a form rejection to improve the quality of future submissions, ensuring what the customer wants is clear. We also collaborate with retailers to fill in missing information rather than rejecting forms outright.

In our view, the market should go further in ensuring experience for end customers is the best possible. This could go as far as redesigning market codes using the outside in approach or, on a smaller scale, redesigning the market performance framework (MPF) so it better measures customer outcomes, fully reflecting their experience of the non-household retail market rather than the quantity of tasks carried out by market participants. This would give a simple, single view of wholesaler and retailer performance for customers, empowering them with knowledge when exercising choice.

Since market-opening we have held onboarding sessions with retailers to introduce the wholesale services team and our way of working. This includes a demonstration of our retailer portal, an overview of policies, charges and processes and any final contract queries. The sessions have proven to be very successful with positive feedback received from each retailer.

Account meetings are offered to all retailers and are tailored to their needs. The frequency of the meetings is often dependant on the retailer's customer base within our area, for example, monthly, bi-monthly, quarterly or annually. We have visited retailers at their offices, offer face-to-face meetings in either location or the opportunity to have a conference/Skype call. Agenda items are requested before each meeting with the aim to focus on market related subjects (bilaterals, long unread meters, vacancy status) as well as individual cases for customer related issues.

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

We regularly attend MOSL's User Forum in person or via Skype, ensuring our business experts are across current market issues. We use our market change and CI forum to monitor future change in the market, including issues being discussed by the Panel. We have always provided comments on MOSL's business plans and Market performance operating plan (MPOP) publications.

We regularly respond to market consultations on change proposals and have recently submitted one ourselves on changes to the C1a process to give a better experience to customers. We are also considering a future proposal on making non-primary charges eligible under the alternative payment arrangements.

We are supportive of MOSL's MPOP but believe that a customer's experience is suffering in the new market and not adequately covered in the proposals. The recent improvements in completeness and quality of self-reporting of OPS data are starting to expose the impact on customer experience but we believe the market needs to go further.

We recently applied (albeit unsuccessfully) to join the market performance committee (MPC) in order to provide a different voice and to bring new perspectives. The membership of the committee has remained unchanged bar one person at a time when a change in approach to the MPF is needed.

We were part of the Operating performance standard (OPS) working group which was a productive customer-centric group that challenged the market performance committee's singular objective of introducing charges. It set out an ambition to build a complete picture of performance, including the introduction of qualitative metrics for future growth. We were disappointed that having created a list of future improvements to customer experience, MPC did not continue the group in 2019/20 and would see benefit in this group being re-established.

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.

Where there are policy decisions or responses to consultations that have an impact on commercial interests of the company, the company head of wholesale services has open access to key people in the business including the director of regulation & reform and the financial controller to ensure that balanced decisions are reached that are consistent with the board's wider long term strategy to support the development of markets and which do not unfairly prejudice the interests of other stakeholders.

The interests of the end-customer remains at the heart of our decision-making process and this approach hasn't changed since market opening. It also ensures we do what is best for the market as a whole, including giving opinions in consultations where we can see gaps in code change proposals. For example, we have invested in our own bilaterals solution over the last three years but recognise that this is now a sunk cost and that the potential benefits of the new market solution to the functioning of the market will likely far outweigh the incremental costs. We believe the maturity of our solution, knowledge of the MPF and customer-focus will put us in a good position to help shape the requirements for the market solution. Further thoughts on this are included in our response to question 13.

We draw on knowledge of business experts and use our internal governance processes when considering code change proposals. We have seen lots of examples of positive code change proposals from market participants and always welcome the opportunity to respond. As one example, CPW067 on bulk submissions by retailers has merit in trying to make the market more efficient. We reviewed the proposal in detail through our internal Market Change and Continuous improvement (CI) forum and identified a number of areas which we felt needed further thought, notably how the submissions would be reported through OPS and whether there would be a standard market form to facilitate the submission. We believe this focus on reporting of customer outcomes and efficiency for retailers shows how we strike the right balance.

We also offer alternative credit arrangements under Schedule 3 of the business terms and aim to have open, honest and fair discussions with any retailer who submits a proposal. We have an internal review process involving teams in finance, legal and regulation to facilitate this. We also support the authority changes earlier in this year on clarifying credit scores for the purpose of unsecured credit allowances, ensuring the allowance reflects payment history and efforts to improve the transparency of credit guarantee arrangements.

2.4 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).

Culturally all senior managers are encouraged to participate in collaborative and cross-industry groups and this was embedded in this context through the process of market opening. This is not a strategy regularly approved by the board but is a business as usual approach.

2.5 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?

We have never been subject to an initial performance rectification plan.

2.6 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.

We have never been subject to an initial performance rectification plan.

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

We handle requests from all retailers in the same way and give no preference to our associated retailer. This approach is reinforced through level playing field training (either e-learning or classroom-based) for all staff who deal with these requests. The company also has a published Level Playing Field Policy that employees are required to comply with as part of their terms and conditions. The wholesale business and associated retailer are located in separate premises in different locations and have no physical access to the same work areas. The businesses are managed and operated as independent businesses.

Once a request is received from a retailer, delivery is always prioritised based on the KPIs within the operational terms, not by retailer.

We manage the governance and performance of OPS through two working groups - the work management group and data management group. The groups, established at market opening, are made up of representatives from wholesale services and delivery teams. They meet once a month to review market performance, data management and improvement, market change and improvements to customer experience.

The reviews of performance are not attributed to individual retailers during discussions nor are any of the meeting slides on OPS performance. The group is also regularly reminded on maintaining level playing field compliance and reminders are delivered to the wider business through the groups.

We have no evidence to suggest that other retailers consider that they have received a worse service than our associated retailer. A sample analysis of our OPS performance by retailer since April shows no evidence of preferential service to an associate.

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

We carry out a transactional-level review of all OPS tasks before submission to MOSL to ensure they are an accurate account of activity and that numbers balance from month to month. This data is reviewed and approved by the head of wholesale services before submission. The holder of the role signs a self-certification statement annually that she or he has complied with the company regulatory assurance manual, <https://www.wessexwater.co.uk/-/media/files/wessexwater/corporate/company/regulatory-assurance-manual.pdf>. The CSD002 metrics of 'started in month', 'deferred' and 'rejected' introduced in April 2019 have been monitored and recorded by our performance and compliance team since market opening.

We use information from tasks not completed to the CSD002 KPIs or feedback from retailers and our delivery teams to drive our continuous improvement activity.

We also assess the risks around provision of information each year as part of our information risks, strengths and weaknesses statement and associated assurance plan. This data forms part of this assessment.

2.9 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.

Our wholesale services team, along with our dedicated asset data team, routinely review MOSL-issued data sets as part of normal business as usual approaches to improvement.

our current low numbers of pre-market long unread meters at <1% and vacant premises at 6% are in part a result of the extensive data improvement work performed by our asset data team in preparation for the start of shadow operations in 2016.

On request, additional GIS meter location data that cannot be entered in CMOS has been provided to retailers to assist in a reduction of long unread meters. To assist retailers further, our latest metering policy has been expanded to offer trials in new metering technology and expanded AMR options. A significant number of unread meter issues have been resolved for retailers through ops terms processes B5 and C1.

We regularly review data on vacant properties with consumption for each retailer operating in our area. We approach retailers through our established communication channels and account management meetings to collaboratively change the occupancy status where needed.

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

Our asset data teams operate a number of long-established quality assurance processes across all asset data attributes as a routine activity. These processes were in place pre-market opening and have been updated and refined to reflect the data required by the market. This includes validation of meter attributes including location information. Our field teams are routinely engaged on the importance of accurate asset information and have mechanisms to notify the asset data team of any corrections that are required. A check of

basic meter information is often performed on field tasks not necessarily related to the meter. We use our internal governance forums (data and work management groups) to ensure key messages on meter location data meets the standards required.

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.

Our asset data team works to the processes and KPIs in part C of the operational terms for retailer-identified issues with data. We promote an open approach to asset data improvements inviting retailers to contact us for any issues not covered within the processes for the operational terms. Customer or internally identified data improvements will follow the wholesaler-initiated operational terms processes. We accept contacts by email or by telephone where required.

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

We regularly provide input and review the outputs of the RWG good practice guidance. Each guide is thoroughly reviewed against current policy and any changes are adopted or reviewed further in our monthly continuous improvement and market change forum. We will often prioritise changes from the guides which deliver a better overall customer experience over others which don't.

A decision to fully implement the leak allowance guide was made as we were able to see the clear benefits for the customer. The data logging guide has more complexities between retailers and wholesalers, rather than focussing on providing an overall better customer experience. We are still reviewing this guide with internal teams and looking at alternative options we can use. An example of an area that we have not fully implemented includes individual credit arrangements, although we have considered all the requests we have received.

We were part of the small RWG working group which looked at planned and unplanned events, attending meetings and creating the good practice guide for trading parties to use. All planned and unplanned events are communicated in a timely manner to customers and their retailers. We ensure mailing lists issued to retailers contain detail at SPID level for the supply points affected and messages are clear in detailing the impact. Retailers are only asked for assistance when required.

Having adopted the leakage guide we have gone a step further in offering retailers and their customers a more generous allowance scheme. The policy gives leak allowances to businesses in receipt of small business rate relief, hardship relief or are a non-profit organisation. This, in our view, supports SMEs, an underrepresented group in the non-household retail market. We continue to offer options to retailers to help them offer innovative services to their customers, including smart metering and service pipe replacement.

2.13 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.

We continue to support the development and implementation of a bilaterals solution and the company allocated budgetary funding in October 2018 for the project and this is in line with the Board's overall strategy of participating and contributing to the development of markets. Our commitment continued into 2019 when our head of wholesale services spoke at length to [REDACTED] on potential governance options for the programme of work.

We have also recommended our IT enterprise architect sits on the technology working group to ensure the industry achieves the right technology solution. The architect was involved with the development of CMOS during the Open Water programme and, in January 2019, reviewed tender presentations from potential bilateral solution providers with the chair of MOSL's digital strategy committee.

We are very clear that the bilaterals solution should have a clear customer experience focus and the inclusion of a customer representative on the programme's steering group is encouraging. We have also recommended to MOSL that an additional workstream on reporting is created to ensure that a future MPF reflects the enhanced customer experience we hope to create from the programme.

Our monthly market change and continuous improvement forum regularly discusses the bilaterals solution. Made up of business and IT members, we are confident that we have complete alignment from a customer and technology perspective. This will support the detailed business case for funding once the MOSL programme is fully mobilised.

2.14 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?**

Wessex Water's wholesale policies are considered to be a core part of our continuous improvement culture. All of the policy and charging documents are available within the retailer section of our website. Revisions of documents are communicated to retailers who have contracts in our area in advance of publishing so we can gather valuable feedback on potential changes.

Retailers are encouraged through account meetings to provide comments against any aspect of service provision including policies and charges. For example, the latest edition of our operations manual and policy document was shared with retailers in draft form before publication in September 2019 to allow the opportunity to provide feedback. Comments not addressed in the current edition are recorded for future continuous improvement discussions, prioritised alongside other continuous improvement ideas.

If a retailer request is declined based on our current policy, we will provide an explanation and highlight the relevant areas of our policy which it doesn't meet.

(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?

Retailers are now offered a greater variety of options in areas like metering and leakage so they are not constrained by wholesaler policy when offering services to their customers. Examples include extended AMR options, ability to fit third party data devices to meters and additional support for SME supply points with leakage allowances.

Following retailer feedback and the aims of the RWG to reduce complexity across wholesaler policy, the September 2019 edition of the Wessex operations manual and policies has been redesigned to simplify the structure and content to improve ease of use, understanding and access to information. The document is an amalgamation of policies previously published separately to provide a single source of information for a subject area.

(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?

We undertook a thorough review of all of our charges to ensure compliance in advance of market opening and they have been reviewed and assured annually as a minimum.

We have reviewed and made changes to non-primary charges to check they are competitive and fair.

Following feedback from retailers we have made changes to the application of leakage allowances discussed further in question 12.

We have provided an example of our engagement with retailers on our policy and the policy document itself as part of this response.

2.15 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.

Our charging structures have not changed since market opening. We give retailers support on interpreting charges. We are open to further discussion on simplifying charges but consider that to be most effective simplification will need to occur on a cross-industry basis.

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

We expect to maintain our charging policy in respect to vacant premises, whereby charges will be payable by the Retailer save where the Non-Household Premises are identified as Vacant Premises (as defined in the Market Codes).

2.16 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?

Retailers are provided with the opportunity to comment on any aspect of service through account meetings or direct to the Wholesale Services team at any time. Market change is a regular agenda item at account meetings with recent examples including the bilaterals project, bulk submissions and long unread meters.

In addition to retailer feedback, we regularly champion the addition of qualitative metrics into the market performance framework during industry meetings, forums and consultations. This included being an active lead in the OPS working group in late 2018/19.

Retail service provision and customer experience are regularly discussed and reviewed as part of continuous improvement, with a high priority weighting applied to improvements that benefit customers.

If a customer complaint refers to our levels of service, we often discuss the best possible outcome collaboratively with the retailer to ensure the customer's experience is the focus in our substantive response.

(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.)?

Since market opening we have held a number of onboarding sessions with retailers to introduce the wholesale services team and our way of working. This includes a demonstration of our retailer portal, an overview of policies, charges and processes and any final contract queries. The sessions have proven to be very successful with positive feedback received from each retailer.

Account meetings are offered to all retailers and are tailored to their needs. The frequency of the meetings is often dependant on the retailer's customer base within our area, for example, monthly, bi-monthly, quarterly or annually. We have visited retailers at their offices, offer face-to-face meetings in either location or the opportunity to have a conference/Skype call. Agenda items are requested before each meeting with the aim to focus on market related subjects (bilaterals, long unread meters, vacancy status) as well as individual cases for customer related issues.

We provide as separate documents example agendas for recent account meetings with retailers.

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

Late tasks (complete or outstanding), deferred and rejected tasks are reviewed and discussed further at the monthly work management group for continuous improvement. We have set stretch targets internally for deferred task reasons to minimise their impact on the customer. Tasks falling outside of these timescales are reported as late in OPS submissions.

We do think further work is needed on improving the number of tasks deferred or rejected. Industry levels for 2019/20 as of the end of August are at 20% for rejections and 6% for

deferrals, excluding G4a and G4b on trade effluent sampling. Our rejection and deferral percentages are 11% and 4% respectively.

Rejection codes have been tracked and made available to retailers in our retailer portal since May 2018 to help reduce impacts on customer experience and efficiency. Areas of high volume are discussed with retailers at account meetings to work collaboratively to reduce volumes.

(d) changes or updates to the form or scope of your wholesaler services, the charges or charging structure for these, and/or any associated SLAs or KPIs associated with the provision of these services? How formal is this consultation?

Any changes made to our levels of service or charging arrangements are discussed at account meetings before being implemented. Charging schemes are published in line with wholesale charging rules. Retailers are given the opportunity to provide their comments and feedback on all aspects of our services which are then considered when publishing new documents. Requested changes to services become part of our routine continuous improvement activity.

2.17 Concerning credit and payment terms, do you offer:

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

We offer alternative credit arrangements under Schedule 3 of the business terms and aim always to have an open, honest and fair discussion with any retailer who submits a proposal. We have an internal review process involving teams in finance, legal and regulation to ensure appropriate internal governance. We also support the authority changes earlier in this year on clarifying credit scores for the purpose of unsecured credit allowances, ensuring the allowance reflects payment history and efforts to improve the transparency of credit guarantee arrangements.

We have received two requests for an alternative arrangements since the market opened. One request has been agreed and is currently with our legal department. The other one will be reviewed once they have agreed the wholesale-retail contract.

(b) alternative payment arrangements, under Section 9.2.4 and Schedule 3A of the Business Terms of the Wholesale-Retail Code Please describe. If not, why not?

We offer alternative payment arrangements under schedule 3A of the Business Terms. We are currently finalising a new arrangement for a retailer and it will be published shortly.

(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.

We review each proposal on an individual basis as we appreciate that each retailer (large or small) has its own unique requirements. We believe our strong customer service ethos supports this approach by making it feel like a collaborative conversation.

In our view, the available eligible credit support options are not designed to support the characteristics of self-supply retailers due the complexity of their businesses. We are always open to new proposals for discussion and agreement, if appropriate, and continue to look creatively at ways to support new entrants, removing barriers to the market at the same time.

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

We understand the current limitations the ADR scheme and support work being done by the RWD board on a trial where the decision is binding on wholesaler and retailers. We believe this voluntary scheme would be a good idea and are happy to participate.

Our past performance on complaints for household complaints (lowest number in the industry per 10k connections) means we receive very few ADR cases. This performance has continued into the business retail market with a clear collaborative relationship with retailers in resolving issues for customers.

In addition to having delivery teams focussed on the customer experience, we believe having clear policies, looking at a complaint from a customer perspective and having generous allowances for all retailers where we are accountable for errors all help avoid complaints requiring ADR.

2.19 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)?

During 2018-19 we received no requests for GSS payments from any retailer. Payments which we are required to make under GSS or through our enhanced Wessex Water Promise, are processed monthly for each relevant service failure and notified to retailers when the incident occurs. None of these have been disputed.

Unplanned interruptions	35	£50	£1750
Planned interruptions	38	£50	£1900
Missed appointments	28	£50	£1400
External sewage flooding	3	£500	£1500
Internal sewage flooding	52	Equivalent to annual sewerage charges up to £1000 per incident, or £150 (which ever is greater)	£25,832.98
Working in the street	1	£50	£50
TOTAL	157		£32,432.98

3. Questions relating to the Market for Developer Services

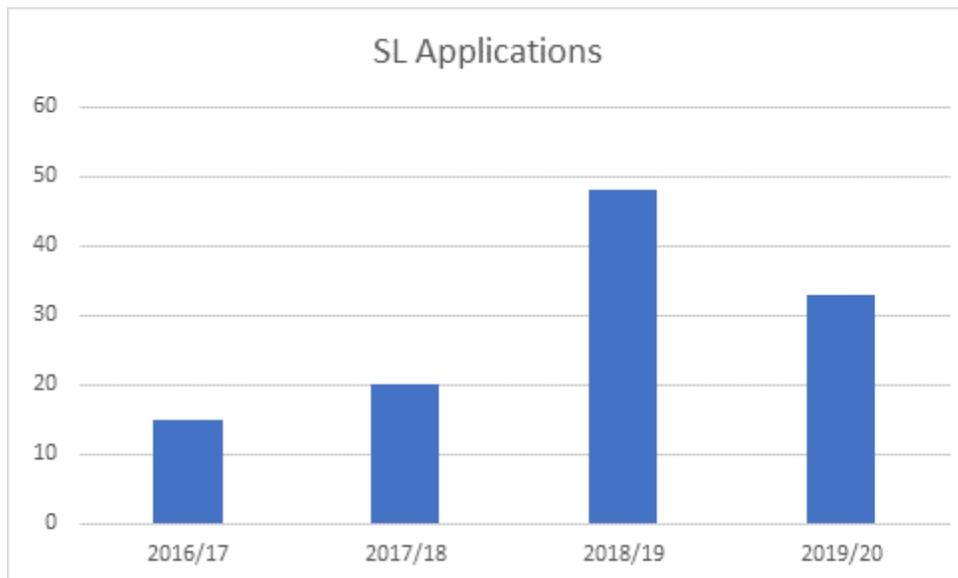
Please provide a concise commentary and supporting evidence on the market for new connections and developer services in your area of appointment, including the questions in this section.

Our approach to the new connections market is “making development easy” irrespective of the scale or source of the development.

We are presently supporting a very buoyant new connections market across the entire customer demographic in our region, from single infill plot builds through to major greenfield developments commissioned by the South West regional offices of the national housebuilders; the small to medium sized development market is particularly strong with developments up to 100 plots accounting for nearly 80% of connections presently.

We recognise the benefits enabling and supporting a vibrant connections market brings to customers throughout the sector; SLP served developments are managed by a dedicated function within our developer services team, where expert resources are providing the necessary support to achieve cost effective and timely connections in an increasingly active sector.

SLPs continue to increase their share of the new connections marked, with the 140% increase in SLP applications evidenced in 2018/19 over 2017/18 continuing strongly in this financial year with a further 30% of applications received by the end of Q2.



Developer services and new connections market overview

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

3.1 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?

Our approach to managing competition law requirements has evolved over a number of years.

For a period of time prior to 2017 we separated the management of interactions with SLPs from our developer services function and instead moved it to report to the wholesale service manager under a different directorate. We found however that this approach delivered a much poorer service outcome for SLPs in our area because volumes of activity were variable and the necessarily smaller team that undertook this work was less able to deal effectively and efficiently with volatile workload.

We updated our strategy on compliance so that a level playing field was created through the application of standardised processes and charges that were applied in all cases through our developer services function, without favour to SLPs or to developer-led developments. In addition, all developer services teams receive training on competition law.

Responsibility for the setting of charges sits outside of developer services and, in common with all of our charges, material changes are reviewed by external economic consultants to ensure that they remain compliant with regulatory and legal obligations. Our in-house operations also sit in a separate directorate to the developer services function.

NAVs have a separate point of entry into the wholesale business through the head of wholesale services who manages the interaction and provision of information to NAVs. This enables the business to ensure that potentially commercially sensitive information is not shared more widely within the business.

Individuals within the Developer Services team are targeted based on the WaterUK metrics and D-MeX only. Only the two most senior members of developer services are subject to any target and bonus arrangements that relate to the overall profitability of the wider business and these individuals receive regular updates on competition compliance.

The company has a clear and well publicised competition law compliance manual, escalation procedures and whistleblowing policy.

Companies who feel they have been unfairly treated are requested to complain to the director of regulation who chairs the company competition compliance team. Any complaints related to the level-playing field received through other channels are automatically escalated to the director of regulation for response.

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

- We have invested to make sure our website is clearer for SLPs and NAVs to facilitate access.
- We are about to launch an online mapping tool that will further assist the market.
- We have been investigating internally how we can best use our marketplace challenges to publicise opportunities for developers and others to assist us in meeting demands on our system at the lowest cost. We have recently approached the market through the marketplace for ideas on how we can achieve this.
<https://marketplace.wessexwater.co.uk/challenges/>

3.3 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)?

- Of new connections:
 - 13% are on single plots sites
 - 35% are on 2 to 20 plot sites
 - 44% are on 21 to 100 plot sites
 - 8% are on >100 plot sites

(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?

- 25% of connections are for our 5 largest developer customers (excluding connections delivered by SLPs as we may not know who the ultimate customer is)
- Over 100 developer customers per year (defined as customers with more than 5 connections in the last year that aren't SLPs)

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

- 25% are brownfield (i.e. previous commercial/industrial use)
- 33% are greenfield
- 42% other (including other previous-use)

3.4 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)?

- The number of SLPs carrying out mains installation and service connections in the Wessex Area is 12

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

- The main services our SLPs tend to provide are mains and service connections – water only.
- We have 2 SLPs who offer multi-utility to the developer
- The SLPs in our area tend not to undertake their own designs and request that Wessex Water performs this function

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

- The SLPs in the Wessex area will compete for any size or type of development. We have served self lay sites as small as 3 properties and the largest to date being 2500

properties. (The average number 157)

- The majority of developments are domestic, although we have served 1 dedicated commercial site consisting of 37 business units
- One discrete development provided an 87 bed [REDACTED]
- One mixed-use development providing a 64-bed care home within a domestic development of 105 properties

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

The majority of SLP activity is concentrated in one provider. We think it is important that the volume of activity by SLP is taken into account when judging D-MeX performance.

3.6 Emma Kelso's letter of 29 April 2019 requested that you urgently review your new connection charges to ensure that they are cost reflective, transparent and do not prevent, restrict or distort competition.

(a) Please provide details of what work you have carried out in response to this letter. If a review was carried out, please send us the conclusions of the review and explain how this has been communicated internally.

We responded to Emma Kelso's letter on 14 June. In this we requested to be made aware of any specific concerns about our charges.

A full review of our charges found that we have no instances of specific complaints and that our charges are compliant. We did, however, find that we have opportunities to clarify some wording in our charges document.

In particular, there was an area of potential confusion around design fees. Whilst this has been correctly interpreted and well understood internally, the charges document was not as clear as it could have been to customers. As a result, we have reinforced the approach to be taken by our teams and are updating the text in our document for the coming charging year. We have also communicated this message externally to developers. For clarity, this did not result in any developers being incorrectly charged.

We had also previously charged SLPs some non-contestable fees relating to the costs of pre-commencement, reinspection and legal agreements. These charges have been legitimately raised, but to assist with the development of markets, we now waive these charges to SLPs.

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

We have clarified some wording on requisitions, whereby asset payments are available only to off-site elements of the waste network, unless an SLP can demonstrate that the developer would have served us a requisition notice for on-site work. This does not change the charge itself or the meaning of the arrangements but simply provides clarity that we have provided as part of quotes previously.

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

Our design fee will reduce by the cost of our design approval fee in 2020-21. The approval fee will always be charged as it is always required, irrespective of who does the design work. Again, our aim here is to avoid confusion for customers, rather than a fundamental change to our charges.

We will also reflect the aforementioned waiving of some of the non-contestable fees in the new charges arrangements.

We will provide a series of worked examples for our 2020-21 charges that will help customers to understand how a typical new development might pan out and the costs that might be associated.

3.7 Please explain how your charges reflect costs:

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

We use both bottom-up and top-down approaches to setting charges. This involves working with teams who carry out the work from developer services, operations, engineering, legal and finance.

We consider historical costs and income to ensure that our charges are set at a high enough level to be accessible and easily understood but at a detailed enough level that they are cost-reflective and transparent.

We also consider forecast costs and income to ensure that our charges will recover our costs for future years.

To undertake this analysis we use APR data, corporate forecasts, external benchmark data, supplier cost information and internal analysis.

(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.

To ensure that our charges are cost-reflective, fair, transparent and competitive, we set out in our charging arrangements a clear breakdown of the elements that we consider key drivers of costs.

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

No, we have a fixed charge for each element that is consistent across our region. Whilst there may be some variation in cost driver across the region, our charges are designed in such a way that they can be aggregated appropriately.

3.8 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)?

The majority of our connections work is done by our in-house delivery teams. Where we use contractors, these are accounted for in our costs against the projects they work on. We use rates schedules and invoices to ensure that our charges reflect current costs.

(b) What services do contractor rates apply to?

We do not consistently use contractors to deliver specific elements.

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

Our charges are assured by a specialist independent third-party auditor. The approach to assurance is set out in the Board Assurance Statements. They have found no issues with our approach or our specific charges.

We also follow internal charges assurance processes before charges are approved by the board.

Our engagement agreement with our external auditor does not allow us to share their reports but the scope of this year's audit comprised:

1. Our obligations under:
 - The Water Industry Act 1991 (as amended in 1999 and 2014), section 93A (that the Charges Scheme does not derogate from the duty to promote the efficient use of water) and section 142-149.
 - The Water Industry (Charges) (Vulnerable Groups) Regulations 1999.
 - The Water (Prescribed Conditions) Regulations 1999.
 - The Water (Meters) Regulations 1988.
 - The Flood and Water Management Act 2010 Section 43.
2. To confirm that our proposed end-customer charges are consistent with Ofwat's Charges Scheme Rules (issued in November 2015 and re-issued in June 2018) and our wholesale charges are consistent with Ofwat's Wholesale Charging Rules (issued in November 2016 and re-issued in October 2018).
3. To confirm that our proposed charges are consistent with your obligations under our licence conditions E and R.
4. To confirm that our charges calculations are:
 - Based on a reasoned forecast of charge multipliers for the charging year.
 - Consistent with our obligations under licence condition B and the PR14 determination of prices.

In summary, the audit found that we complied with all the above.

3.9 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.

The only example of this in our charging arrangements is for trench inspections where we inspect service pipes laid by others. This charge applies to developers but not to SLPs or NAVs, who should be accredited for this type of work.

(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.

There are no instances of charges levied on SLPs, NAVs or developers that are not published in our charging documents.

3.10 When agreeing a bulk service agreement with a NAV do you:

(a) Publish a standard agreement; or

(b) Provide bespoke agreements for each new site?

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

ii. Please give supporting evidence of this by providing information on the forms of bulk service agreements proposed and / or prepared for different NAV licences, over the last two years.

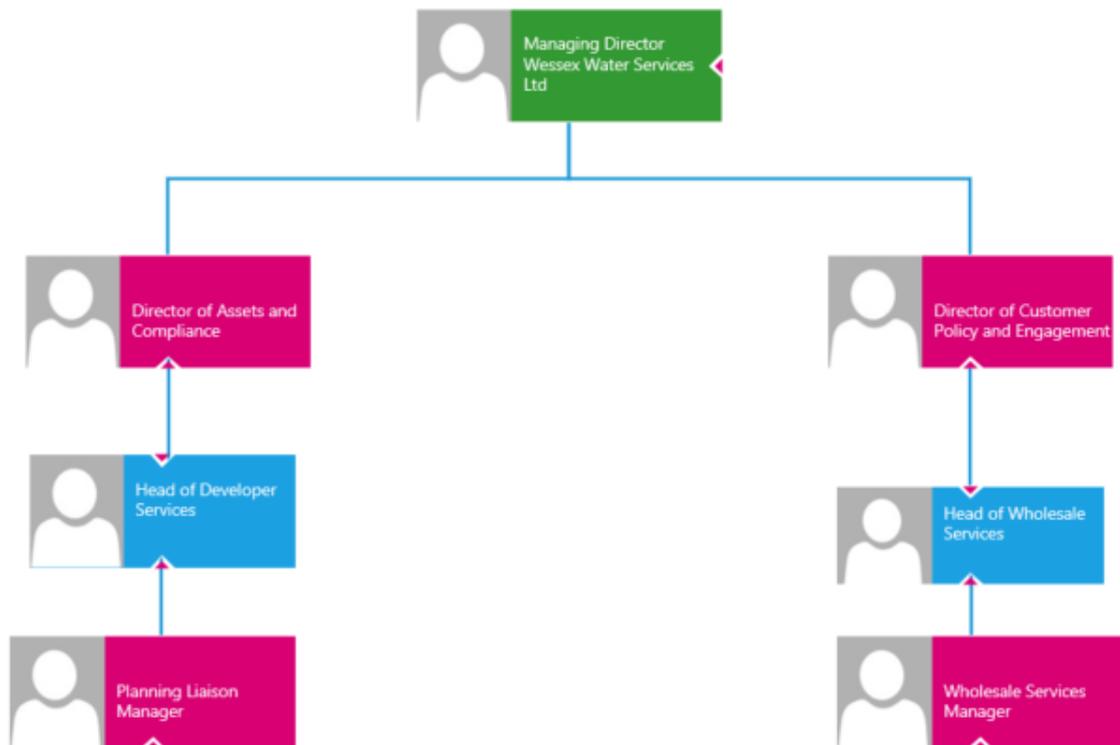
Historically we have used bespoke for new sites but as of 1st April 2019 we have published a standard charges arrangement which would be used for all sites.

On the wider terms

- No bulk agreements for NAVs have been prepared in the last two years
- Our existing NAV bulk agreements were given to the Water UK project to assist in their process
- In principle we are content to adopt the industry wide agreement following a final review. It is difficult to consider a full list of circumstances where the standard agreement may not apply in advance given our limited experience of these arrangements. We recently had an enquiry potentially related to [REDACTED]. We think this may be an example of a future bulk supply arrangement with a NAV that might require a different approach to the standard given the different economic consequence of a NAV entry.

3.11 Please explain how your developer services teams are organised:

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



(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.

- The whole NAV process is managed and co-ordinated by Wholesale Services who will engage with the relevant experts in the business. Responses to technical enquiries for NAVs are provided by the head of developer services and planning liaison manager. This team would also deal with equivalent enquiries from developers (e.g. s41 WIA).
- SLP activities are managed by a separate team managed by the Self-Lay Engineer.
- Developers requiring waste infrastructure will liaise with the divisional development engineering teams.

3.12 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;

- Developer Forum and Consultation Days
 - Hosted consultation sessions held by invitation with Developers, SLPs, Consultants and NAVs
- Information published on website
 - Dedicated web area providing detailed information on services, charges, progress with Adoption Codes and industry consultation timelines
- Email consultations
 - Proactive email targeted at developer community advising national consultation on adoption codes in progress, encouraging scrutiny and feedback
- Key Account Manager weekly contact with major developer regional offices
- Telecons and hosted meetings with NAVs
 - Building the necessary business relationship with active in-area NAV, guiding the application process and establishing dedicated lines of communication

(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

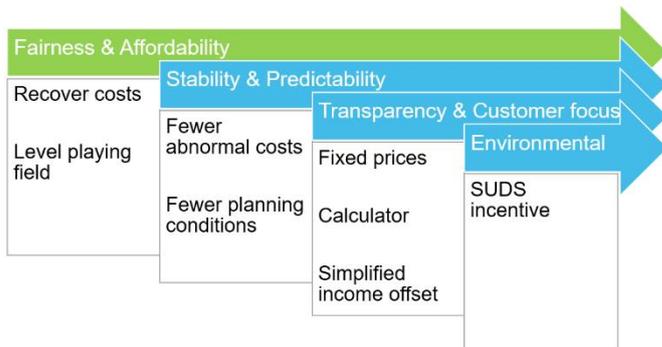
- Progress with D-MeX design, piloting and performance
- Progress with Codes development and impact on the market
- SfA 8 and SuDS impact on market, roles and responsibilities of each party and future management of assets
- Charging regimes, principles behind changes to charge structure, impact on developers and the market

See below for some example screen shots

Aim:



Wessex Water
YTL GROUP



Wessex Water
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Wessex Water Developer Day

- 9.00am – Registration & Coffee
- 9.25am – Welcome
- 9.30am – Adoption Codes
- 10.00am – Planning
- 10.20am – Sewer for Adoption 8th Edition
- 10.40am – Sustainable Urban Drainage Systems
- 11.00am – Break & Refreshments
- 11.30am – Charges
- 12.00pm – D-MeX & Business Transformation
- 12.30pm – Q & A Session
- 13.00pm – Lunch
- 14.00pm – Close

Wessex Water
YTL GROUP

17 October 2019

The Codes – Key Features

Providing clarity, consistency & certainty

- **Design and Construction Standards** aligned and proportionate relative to actual risks. Aligned to SFARth on Waste (soon to be released)
- **Variations** between Companies kept to absolute minimum. Each company has degree of flexibility in accordance with their specific circumstances, but where variations occur clear reasoning must be provided and published
- **Sustainable Urban Drainage Solutions (SUDS)** can be offered for adoption under the new codes. This is a huge change for the Water Industry, details still being clarified
- **Minimum information requirements.** The code clearly outlines what information is required, and who is responsible for providing it, at each stage of the process



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

- Developer Days hosted “speed dating” between all parties delivering connections to the market, discussion outputs analysed and fed into internal business process transformation and fed back to following meetings
- Individual customer feedback from transactions analysed and improvements fed back to customer 1 to 1

Consultation (including transition arrangements)



- Consultation will take place in November
- Review of cost-reflectivity ongoing and will be reflected in consultation
 - Review will continue up to deadline for publication to ensure charges are as cost-reflective as possible
- Please give us feedback!

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

Provided in separate documents.

3.13 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 apply the same timescales to comparable activities irrespective of who we are providing it to.

(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.

Performance April 18 – March 19:

Metric	Wessex
Water Company	97.48%
Self Lay	99.84%

*Water company means all of the non-self lay metrics e.g. S45, S41, Supply Pre-Dev and WMDs

Our performance against SLP metrics was close to 100% last year, with just three misses occurring across the entire 12-month period. Our SLP metric performance was better than our own equivalent in-house delivery streams.

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

We have received 4 NAV enquiries during 2019 and provided full responses within 28 calendar days for 3 of these. One enquiry went slightly over the SLA due to some difficulties when assessing the capacity for the proposed site. Regular contact is made with the NAV throughout the process, with additional questions being asked to help provide a detailed response.

Our internal target of 5 business days for stage 1 of the process is significantly better than the SLA of 15 business days proposed in the report. We have achieved this for all of the enquiries. We have not received any applications from a NAV to progress past stage 2 of the process so are unable to comment on performance for stages 3 and 4.

(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?

For NAVs no. However there have been enquiries where NAVs have made outline applications before full plans have been available from developers. We have responded to these with initial outline estimates.

On SLPs there may have been occasions where we have already provided a developer a quote, however because these are dealt with by separate teams this would not be immediately apparent to us. The business processes employed by each team are set-up to be compliant and to ensure a level playing field.

3.14 With respect to asset adoption, please set out:

(a) How you are ensuring you will be ready for implementation of the new sector guidance and model adoption agreements, once we have approved them and they form part of the Code for Adoption Agreements.

Our head of developer services has been instrumental in this and has significantly contributed to the new code.

- Primary contributor to formulation of new Code through WaterUK collaborative ISGw, working alongside SLP and Developer industry panel representatives
- Internal business transformation project principles founded on emerging new code process; documentation and web space creation completely aligned with Code process flows and reflecting new sector guidance
- Member of the Water Adoption Code Governance Panel

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

- Advising major developer customers of forthcoming changes, detail discussions pending Ofwat approval of code proposals
- Consistent engagement with FWC throughout code development process to promote industry collaboration and discussion
- Recognised as a continual consultation process with customers at all levels across the sector, with application, process, service delivery performance scrutiny, analysis and improvement loop built into our culture.
- Business transformation, automation and process adaption recognised in annual IT order book to ensure incremental improvements to the customer service experience are identified and delivered as the sector adjusts to and accommodates changes.

4. Question relating to the effective support and development of new markets

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

As set out in our response to the question in Annex A, Wessex Water has been a leading advocate of the development of new markets. This strategy has been developed by and is owned by the board and has been embedded culturally over many years. Nevertheless, we have identified that moving forwards we need to step-up the use of market-based approaches if we are to deliver step-changes in outcomes in a sustainable way.

Through our open systems concept set-out in the PR19 business plan we are now working more widely to develop new markets through:

- the supply chain, sharing risk and reward and exploring alternative delivery approaches
- broadening our supply base and partnership approaches to community groups, academia and new-to-industry suppliers
- building on the collaborative approaches demonstrated to date through catchment management and affordability assistance

We are choosing to follow this market-based approach and are extending its reach when exploring delivery routes for our performance commitments, capital programmes and wider requirements to identify the best value solutions to deliver our AMP7 outcomes.

As one part of this approach we have set-up an online interface to encourage the market to provide alternative solutions to outcome delivery.

<https://marketplace.wessexwater.co.uk/>

We have already offered up a marketplace challenge on demand management where we have followed the process set out in our bid assessment framework (<https://s3-eu-west-1.amazonaws.com/airdrive-images/wp-content/uploads/sites/16/20190522100409/Water-resources-bid-assessment-framework-March-2019.pdf>).

As part of this process we have made our data available to the external market and have encouraged new approaches to the delivery of and monitoring of our targets.

<https://marketplace.wessexwater.co.uk/challenges/water-efficiency-marketplace-challenge/>

We are currently evaluating tenders for provision of demand management services as a result of this process.

This is just one of seven challenges that we have set on our market place.

<https://marketplace.wessexwater.co.uk/challenges/>

Section 5 of our business plan published last year sets out the approach we have been taking and will continue to take to promote markets in the water resources and bioresources sector.

<https://www.wessexwater.co.uk/-/media/files/wessexwater/corporate/strategy-and-reports/business-plan/business-plan-supporting-documents.pdf>

We have a surplus of available water supplies compared with predicted demand over the next 25 years and we are actively pursuing opportunities to play our part in improving water security in neighbouring areas where water is scarcer. Commercialisation of the sludge treatment and recycling market is the approach Wessex Water adopted in 2009 when we created GENeco.

Exposing comparative costs and services, commercialising intragroup relationships and setting benchmarked prices, all help to improve efficiency and drive cultural change and innovation across the wholesale business.

The company executive leadership team has recently considered and endorsed a paper on the potential opportunities afforded by the BAF and by DPC outside of the Wessex Water region.