

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).**

Whilst we do not own the direct relationship with the end customer, we fully appreciate the importance and the part we play in ensuring end customers have excellent experiences with their retailers.

One of the primary areas where we contribute towards helping elevate the end customer experience is through the retailer wholesaler group (RWG). The aim of this is for retailers and wholesalers to work together to understand and deliver consistent experiences that exceed the customer's need. We lead or sub lead on five good practice guide working groups and see the resulting guides as critical in moving us towards a more end customer focussed market.

In table 1 below we have identified the best practice guides and the level to which we were involved with the development of the guides and their stage of implementation.

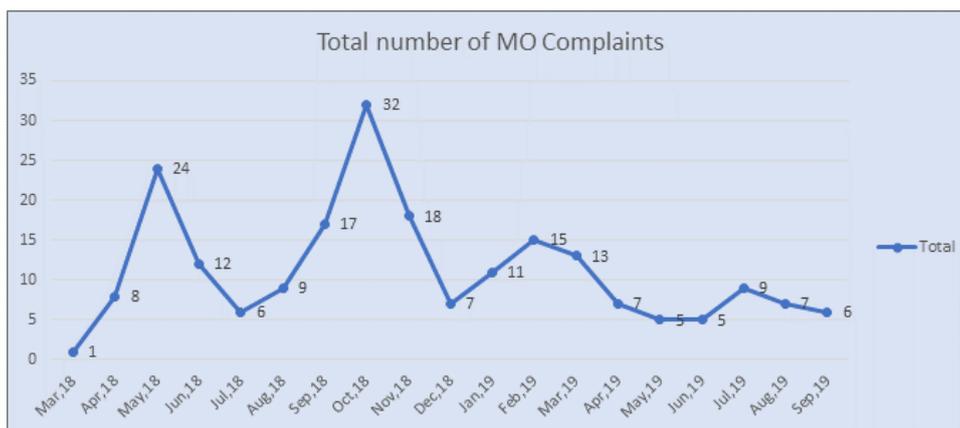
Table 1 – Best practice guides

| Title | Involvement | Implemented | Comments |
|--|-------------|----------------|--|
| RWG bilateral form good practice guide | Lead group | Fully | We facilitated and wrote this guide. We use it for colleague training and refer retailers to it when discussing bilateral forms. |
| RWG meter reading services | Lead group | Fully | This guide lists which wholesalers offer a service. We are leading this specific group and a more comprehensive guide will be available by January 2020, |
| RWG unplanned events good practice | Lead group | Partial | We follow the guide for tier 1 incidents. We are developing our systems to enable adoption for tier 2 events. |
| RWG guide on data logging | Lead group | In development | We are leading this group however, at this stage best practice is still to be developed. |
| RWG leak allowance good practice guide | Member | Fully | We offer allowances for both waste and water. |

| | | | |
|-----------------------------------|--------|----------------|---|
| RWG disconnection for non-payment | Member | Partial | Most disconnections are now completed via accredited entities. Yorkshire Water do not wait onsite for 20 minutes to enable payment to be made. The three-month review with the Retailers to enable flushing needs to be reviewed. |
| R-MeX | Member | In development | The guide is currently in early stages of development and will help inform retailers and wholesalers of the likely impacts of R-MeX. |

We review end customer complaints monthly and conduct quarterly ‘deep dives’ with senior managers for those relating to allowances, metering and charges as we understand the impact these have on end customers. Since applying this focus, we have seen a significant reduction in complaints, over 50% in 2018/19. Figure 1 below highlights the reduce in complaints relating to allowances, metering and charges. We have achieved this by improving our allowance process and improving the quality of our communications to retailers.

Figure 1 – Allowance, metering and charges complaints.



We case manage all end customers, who contact us in relation to public health issues. This ensures that we provide the end customers with an individual service, tailored to their needs.

Since April 2019, we have focussed on the oldest and most complex cases. We understand that these often cause confusion and frustration to both end customers and retailers. Resolution of these often involves working closely with end customer to understand their unique needs and circumstances. Since applying this focus, we have observed a month on month reduction of our oldest cases. Whilst we have seen a reduction, we realise we still have more to do in this vital area.

To help ensure we resolve and work closely with end users we have appointed two non-household customer managers. Their specific responsibilities involve working with retailers and end customers to resolve complex issues. We have restructured our teams. We have integrated our wholesale service desk to work within our customer experience department alongside our household operational and billing related contact centre and complaints teams. This ensure that we apply the same level of service to all customers, retailers, household

customer and end customers alike. It also allows for any learning to be transferred across teams to the benefit of all our customers,

Industry Governance

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

We hold regular monthly internal market change management meetings where we review all consultations and requests for information, from both Ofwat, MOSL and the Panel. We respond to the majority of these and ensure that we provided a balanced response, one that we consider to be for the benefit of the market and not necessarily Yorkshire Water. We have dedicated market relationship managers, part of their role is to monitor and ensure participation in Panel working groups. Until recently we were represented on the Panel and GDPR committee and we are currently represented on the trade effluent committee and long unread meters committee. We regularly attend the Panel and credit committee as an observer and have been asked to deputise for other companies when they are unable to attend. We are disappointed that our nomination to other groups has been unsuccessful.

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, where possible, citing examples.

We are proud of the approach that we have taken to the market from its early conception to ongoing operation. Our intention has always been to consider what is best for the market, which is not always what is best for Yorkshire Water or other wholesalers. In order to continually support the development of the market we formed a market change management group in April 2017. This group have extensive experience of the market from its early design stages to ongoing operation. The members consist of managers who are engaged with the non-household market, along with independent members from our regulation teams. The group has considerable experience providing a balanced approach to support the successful management and development of the market. The role of this group is to manage changes to the wholesale contract as set out in the market arrangement code. This group is responsible for monitoring, contributing to, managing, implementing and assuring compliance with the change proposals to the wholesale contract and the market arrangement code made by the Panel/Ofwat post April 2017. In addition, they actively promote improvements to the market via the Panel change management process. This group also oversee all consultations, requests for information and associated implementation requirements that impact the non-household retail market. This ensures compliance in all areas of the non-household retail market.

Since April 2017 we have responded to circa 60 Panel requests for information relating to potential changes to the market codes. In these responses we believe that we provide a balanced response, considering what is best for the market and not necessarily what is best for Yorkshire Water.

4. How have you developed your company's strategic approach to participation at the Industry Panel (including relevant Committees and working groups)? To what extent has it been discussed or approved by your Board? Please provide relevant evidence to support your response (such as Board papers).

We have been involved with the development of the non-household retail market since its early conception working with Open Water. We remain committed to the continued development and improvement of the market. We believe that this can be achieved by supporting Ofwat, the work of the Panel, MOSL, the RWG and membership of appropriate committees.

We have until recently played an active role providing a member to the Panel. We consider the provision of a colleague onto the earlier incarnation of the Panel, under instruction from a Board Director that our representative openly acted independently of the interests of Yorkshire Water, to have been a success for the market. In addition to ensure that we provided representation at all Panel meetings our Directors also agreed for an 'alternate' in the absence of our primary Panel member. We have provided the letter signed by our Director of Finance and Regulation at the time, as evidence to this commitment to the Panel, appendix b1. We were disappointed not to be re-elected. However, where possible we continue to attend in the capacity of an observer.

We have provided as an appendix b2, extracts of our market services team business plan presentation 2019/20 to the Yorkshire Water leadership team. The presentation shows all the inputs we considered in the formulation our strategy for 2019/20, set out one of 6 objectives being 'we will be a responsible wholesaler' and our intentions to proactively participate in market forums. This business plan was signed off by our Director of customer experience. This presentation provides evidence of our strategic approach to participation in the industry groups.

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?

We have not been subject to an initial performance rectification plan (IPRP) at any point since they were initiated.

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 not been subject to an initial performance rectification plan (IPRP). Therefore, we have not provided a response to this question.

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 have a dedicated compliance team who through their annual compliance monitoring plan monitor compliance of our operational performance standards against the service level agreements set out in the market codes. We hold monthly hubs to review the performance data. We have a specific measure that

identifies operational service by retailer, this allows a comparison to be made across all retailers, including our associated retailer. This ensures that all retailers are receiving an equivalent standard of service. We do consider variations in the volume of requests received when undertaking ‘root cause’ assessments to understand where there is a variation in percentage compliance by retailer.

We share our operational performance with each retailer. We produce a compliance dashboard which is provided to our retailers and reviewed with our client relationship managers.

We have recently undertaken retail exit. We will continue to monitor performance on behalf of Business Stream in comparison with all other retailers to ensure a consistent service is given to all retailers.

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 operate a ‘three levels of assurance’ approach to the performance standards. The detail of this can be found in our assurance plan on the website¹. Our operational performance is managed and tracked through the SWIMpool system. A package designed by C&C specifically for managing market operations. This solution manages the service requests throughout each service level agreement outlined in the market codes. It provides an automated reporting tool that produces the reportable information required by MOSL. Quality assurance is undertaken by our wholesale service team to check the data in SWIMpool is correct and aligns with the performance standards best practice guide. The data is validated using an ‘inhouse’ device to test the rules MOSL use to accept the data. A final sign off is then undertaken by the compliance manager to ensure the assurance process has been followed and any manual corrections that have been applied can be reconciled before the data is uploaded to the MOSL system. Upon receiving the peer comparison, we take MOSL’s data and populate our model to understand our comparative performance by each measure to allow us to identify areas of improvement.

Alongside this monthly process the compliance team monitor compliance with the market codes as part of their compliance monitoring plan, this includes internal compliance reviews and instruction of external audits to gain independent assurance.

In April 2019 when the new performance guidance was implemented a member of our wholesale service team led a workshop in the north of England to ensure the new measures were understood and reported consistently. They also supported C&C to assist them in understanding a number of technical issues in relation to the automatic reporting we and other wholesalers use to understand and report our operational performance.

Data quality

9. Please explain any collaborative work you have initiated with retailers to improve the quality of market data in relation to: long unread meters; faulty meters; and vacancy.

Long unread meter project

In February 2018 we instigated a project to obtain a reading for all the meters that had not been read since 1 April 2017. In February 2018 there were 8993 long unread meters, our latest figures show that we have 5186 long unread meters. We achieved the initial reduction by carrying out desk top studies, analysing the skip

¹ www.yorkshirewater.com/media/1821/final-assurance-plan-2018-19.pdf

codes to determine why these meters had not been read. We then carried out over 5,000 site visits obtaining 3700 successful reads.

The MOSL long unread report shows that we are one of the best performing wholesalers. Our current performance is 2% long unread meters, the industry average is 14.4%. We will continue to proactively work through the outstanding long unread meters, the remaining unread meters are in the main, as a result of challenges to the access to the meter, damaged meters and missing meters. We continue to work with retailers and the end customers to resolve these more complex issues.

Vacancy project

We use an external provider, [REDACTED], to investigate vacant properties with water consumption records. We are liaising with retailers, providing them with the evidence that the property is occupied so that the retailers can begin to bill the premises. This will improve vacancy numbers in the market. We will be piloting a vacancy incentive scheme in 2019/20 with all our retailers to further improve the number in the market.

Gap sites

We are undertaking a full reconciliation of our internal data base with an external provider to identify gap sites in our area and working with retailers to bring them into the market. During October 2019 we are undertaking a gap site incentive pilot, working with all our retailers to identify any gap sites in the market.

We will evaluate the most efficient way of managing gap sites and vacant premises, which may result in a combination of an incentive scheme and wholesale initiatives.

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

We realise how important data is to the functioning of an effective market. We have a data team manager whose focus is to improve the market data. As an example, our data team review existing 'data packages' and carry out desk top investigations and review data accuracy. Currently our performance is in the upper quartile for data quality.

Since market opening, we have produced reports to compare the data held on our internal billing system and CMOS data to identify any inconsistencies. Where data needs updating, we create a 'work package' for the data team to complete and liaise with the appropriate retailers where the volumes will result in a large number of market messages being sent to correct the data in CMOS.

Monthly we produce a data quality dashboard that shows the accuracy of data on all SPIDs (water and waste water), covering meter sizes, meter serial numbers, meter dials, rateable values. For all new meters that are installed we ensure that the meter locations and the GIS coordinates are accurate. An example of this is provided in appendix b3.

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.

We hold quarterly data and settlement meetings with retailers to discuss data quality issues and agree and prioritise work for any corrections that are needed. These meetings are either face to face, via Skype or via emails based on the number of queries and the preference of the retailer.

The process that a retailer would need to follow to inform us about incomplete or inaccurate data will depend upon the volume of the changes required. For small volumes the retailer will be asked to raise the relevant form identifying the required changes. Where the number of changes are significant, we would ask the Retailer to submit an excel spreadsheet. These are normally completed within a four week period in agreement with the retailer.

Examples of large volumes that have been completed since the market opened include a full review of the meter reading frequency, unpaired SPID's, meter chargeable size, yearly volume estimates, remote reading serial numbers, GIS co-ordinates, address validation and return to sewer factors.

If all efforts to resolve issues regarding incomplete or inaccurate data via the standard service request process have failed, then retailers may invoke the Yorkshire Water retailer escalation matrix². This process is communicated to and shared with retailers during our 'retailer induction and onboarding process'.

Wholesaler retailer interactions

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

We are proud of our involvement with the RWG and actively played a part in its conception and the drawing up of the terms of reference alongside Bristol Water, Affinity for Business and Water Plus in 2017. We continue to be actively involved in the group as detailed in the table below.

We do have some concerns that the RWG is not mandated and as such there is no formal sign off process for the good practice guides or any consistent analysis or representation of which organisations have adopted them and those that have not.

We were also part of the OPS working group (OPSWG) and are currently part of the MOSL group on long unread meters and trade effluent.

Table 2 below lists the RWG guidance documents, our involvement in the development and implementation stage.

² www.yorkshirewater.com/media/1455/yw_non_household_escalation_matrix_nov_18.pdf

Table 2– Best practice guides

| Title | Involvement | Implemented | Comments |
|--|-------------|----------------|--|
| RWG bilateral form good practice guide | Lead group | Fully | We facilitated and wrote this guide. We use it for colleague training and refer retailers to it when discussing bilateral forms. |
| RWG meter reading services | Lead group | Fully | This guide lists which wholesalers offer a service. We are leading this specific group and a more comprehensive guide will be available by January 2020, |
| RWG unplanned events good practice | Lead group | Partial | We follow the guide for tier 1 incidents. We are developing our systems to enable adoption for tier 2 events. |
| RWG guide on data logging | Lead group | In development | We are leading this group however, at this stage best practice is still to be developed. |
| RWG leak allowance good practice guide | Member | Fully | We offer allowances for both waste and water. |
| RWG disconnection for non-payment | Member | Partial | Most disconnections are now completed via accredited entities. We do not wait onsite for 20 minutes to enable payment to be made. The three-month review with the Retailers to enable flushing needs to be reviewed. |
| RMeX | Member | In development | |

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 have been actively involved in the development of the bilateral solution. A centralised consistent method of managing operational services.

At the outset of the RWG the trading parties identified their top five key issues and the need to obtain a bilateral solution to manage operational services was identified. A working group was formed, led by Yorkshire Water. This group was merged with MOSL to form the bilateral group. We represented wholesalers at the two requests for information sessions held in Bristol during 2018 and 2019 and contributed towards the system requirement scoping sessions. In support of the bilateral solution we also represent wholesalers in our capacity as members of the MOSL digital strategy committee.

Ahead of a future centralised bilateral solution being developed we recognised that it is important that trading parties have a common understanding of forms. Whilst the market codes provide direction, we felt that there was a need for a more specific user guide. We have led on the development of the bilateral form guide which are now published on the MOSL website.

At senior management level we fully support the implementation of the bilateral solution however, we have not yet discussed at Board level. It is our intension to present to our Board in the future.

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?

We annually review our wholesale policies which are placed in a prominent place on our website.³ We also provide retailers with an annual newsletter, appendix b4. The newsletter contains a section on policy updates.

Each year we carry out a charges scheme consultation with all our contracted retailers. It focuses on the transparency and ease of use, simplicity, comparison to previous years and the large user tariff. The figure below shows a summary of feedback.

Figure 2 – Summary of retailer consultation feedback

| Retailer Feedback | |
|---------------------------------------|--|
| Transparency & Ease of Use | Retailers thought that improvements could be made to the overall transparency and ease of use of the Yorkshire Water charges scheme |
| Simplicity | 50% of responses said that in some parts the format of the Yorkshire Water charges scheme lacked clarity and was difficult to interpret |
| Comparison to previous years | 60% thought that the changes implemented in the 2018-19 charges scheme had been unsuccessful, with 80% saying they did not know what had changed |
| Large User Tariffs | Retailers requested improved explanation of the Large User Tariff and how it applies in the Central Market Systems |

The feedback is reviewed internally by key stakeholders and where appropriate changes are made to improve the non-household charging scheme for the following year.

From the feedback received in 2018/19 several improvements have been made for example we now publish a ‘What’s New’ document explaining the changes that have been made between charging years to help retailers easily identify new items⁴.

³ www.yorkshirewater.com/business/policies/

⁴ www.yorkshirewater.com/media/1484/yws_wholesale_charges_201920_scheme_updates.pdf

We have a dedicated group who continually review our policies and ensure that they are up to date and market friendly. We update our Retailers when changes are made.

(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?

Policies

Feedback from retailers has informed our ongoing policy review. Below are the policies that we have refined and improved since 1 April 2017. These can all be found on our business page website⁵.

- Yorkshire Water wholesale non-household allowance policy.
- Yorkshire Water wholesale policy on the disconnection of non-household water services.
- Yorkshire Water wholesale policy providing temporary alternative water supplies to non-household customers.
- Yorkshire Water non-household retailer escalation matrix.
- Yorkshire Water large user tariff policy.

As previously stated, we have had significant involvement in the RWG and have implemented the good practice guides where possible to provide simplicity, transparency and ease of use for Retailers. The table above in question 12 shows which good practice guides we use.

The allowance policy that we operate is one of the most generous within the industry, it exceeds that provided in the RWG good practice guide.

Retailer feedback

As we have mentioned above every year, we send out a consultation to all retailers relating to our charges scheme. The results of the survey in 2018 showed that retailers did not like the way in which the large user tariff was applied within CMOS. As a result, we have changed the application methodology, published a large user tariff policy. We provided training to retailers as to how the application is administered.

After review and challenge from retailers, in 2019 we recognise the water industry accredited entity scheme (WIRSAE)⁶. Under this scheme accredited entities carry out the following defined activities on behalf of a retailer:

- Temporary disconnection and re-connection non-household premises up to and including 40mm sized supply (TDNHS).
- Temporary disconnection and re-connection non-household premises over 40mm sized supply (TDNHA).

We offer a selection of alternative eligible credit agreements and an innovative market leading alternative payment terms policy, these are available on our website⁷. We have undertaken a review of the alternative eligible credit agreement credit support 100 that has been in operation since 1 April 2019. A survey was sent to all market participants, Ofwat and MOSL to obtain feedback on the current offering and the proposed

⁵ www.yorkshirewater.com/business/policies/

⁶ www.yorkshirewater.com/business/accredited-entity-scheme/

⁷ www.yorkshirewater.com/business/wholesale-charges/

solutions. Following positive feedback, we have enhanced the alternative eligible credit offering to now include credit support 100, credit support investment grade and credit support government. This three tiered approach provides an increased level of service to retailers whilst balancing the financial risk.

We are leading the implementation of an industry RWG good practice guide on data logging

(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?

In relation to our charges scheme we publish a 'what's new' document, where we explain to retailers what has changed since the previous charges scheme⁸.

We regularly review our ways of working and commit significant time to understanding where failures have occurred and why they have happened. These are reviewed in weekly hubs which are attended by the core teams. As a result of this understanding improvements are then made. We have seen our operational performance improve from 83% to 95%.

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.

We have made several improvements in this area. As previously mentioned, we carried out an annual retailer charges scheme survey. The results of this survey are published on our website⁹. Overall the feedback from retailers is that our non-household charging scheme is one of the best in the market, easy to use, interpret and is very accessible. We will continue to look implement year on year improvements based on retailer's feedback.

A new policy has been developed to reduce market friction and to help retailers understand the application of our large user tariff, also described as falling block tariffs. With effect from 1 April 2019 we amended the methodology used to calculate the application of the large user tariff to monthly from the current annualised approach. The policy document which can be found in the policy section of our website¹⁰.

To improve the ease of use we have added the CMOS Tariff Code, CMOS Tariff Name and CMOS Tariff Report Name to the charging booklet in 2018/19. This can be seen in figure 3 below.

⁸ www.yorkshirewater.com/media/1484/yws_wholesale_charges_201920_scheme_updates.pdf

⁹ www.yorkshirewater.com/media/1484/yws_wholesale_charges_201920_scheme_updates.pdf

¹⁰ www.yorkshirewater.com/media/1505/yorkshire-water-large-user-tariff-policy_may_2019.pdf

Figure 3 – Update to Yorkshire Water charges booklet

Yorkshire Water unmeasured water charges (excluding York Waterworks).

| Description | Units | 2019-20 Wholesale non-household charges | CMOS Tariff Code | CMOS Tariff Name | CMOS Tariff Report Name |
|---|-------------|---|------------------|------------------|-------------------------|
| Unmeasured non-household | | | | | |
| Rateable Value charge | p/ERV | 149.08 | UWVYWS | Unmeasured Water | UWRVPoundage |
| Fixed charge (low consumption) | £ per annum | 40.36 | UWVYWS | Unmeasured Water | UWFixedCharge |
| Assessed non-household | | | | | |
| Fixed charge (low consumption) | £ per annum | 40.36 | AWIYWS | Assessed Water | AWBand Charge - Band 1 |
| Assessed - Small (145m ³) | £ per annum | 195.07 | AWIYWS | Assessed Water | AWBand Charge - Band 2 |
| Assessed - Medium (255m ³) | £ per annum | 343.05 | AWIYWS | Assessed Water | AWBand Charge - Band 3 |
| Assessed - Large (550m ³) | £ per annum | 739.91 | AWIYWS | Assessed Water | AWBand Charge - Band 4 |
| Assessed - Extra Large (1,000m ³) | £ per annum | 1,345.29 | AWIYWS | Assessed Water | AWBand Charge - Band 5 |

(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?

For primary charges our policy in respect of vacant premises is that they are non-chargeable during the period of non-occupation. Where a vacant premise becomes occupied it becomes chargeable from the date of occupation. This policy has not changed prior to or since 1 April 2017, please see our charges scheme for a more detailed explanation of our policy.¹¹

For non-primary charges in respect of vacant premises no charges currently apply, this policy has not changed prior to or since 1 April 2017. From the 1 April 2020 we do intend to levy a new non-primary charge. If we identify a premise which is flagged as vacant in the market by a retailer but, we identify that it is occupied and subsequently it is agreed by the retailer that it is no longer vacant, a charge will be made to the retailer. In our PR19 submission we committed to introduce this charge as a portfolio of changes to manage vacant premises effectively.

¹¹ www.yorkshirewater.com/business/wholesale-charges

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?

Prior to market opening we appointed two client relationship managers (CRM's). Their role is to manage the contracts and relationships with retailers. The CRM's manage their relationships in accordance with the client relationship management framework. This involves regular retailer satisfaction 'touch points' throughout the relationship lifecycle. These 'touch points' provide retailers with a variety of opportunities to provide feedback on the service we provide and range from regular contract performance meetings, site visits, operational service meetings, data and settlement meetings and feedback consultations.

Prior to the inception of the R-MeX working group, in February 2018 we launched the retailer voice survey. A link to a short online survey is emailed to retail representatives who have submitted service requests to us and had received a 'case closed' notification during a given week. The feedback and commentary are shared with senior internal stakeholders and included as a measure within our market services scorecard. We also discuss this with retailers. An example of the survey can be found here¹².

We believe that the good relationship that we have with our retailers is also confirmed in the recent R-MeX pilot, where we achieved upper quartile performance.

(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.)?

Positive and successful relationships with retailers are the primary objective of our dedicated CRM's. Each CRM has a nominated portfolio of retailers to ensure continuity in relation to points of contact, awareness of historical relationship history, specific working practices and to ensure that trust and openness is developed as part of the relationship process.

Retailers are allocated a dedicated CRM at their first point of contact with Yorkshire Water, even before wholesale contracts are signed. The CRM guides the retailer through each step of the 'onboarding process', providing them with access to our induction material which includes a series of introductory and training videos, a comprehensive 'ways of working' document, training guides and frequently asked questions.

Once successfully onboarded, to ensure consistency in the service provided to retailers, each CRM manages their relationship with the retailers in accordance with the Yorkshire Water client relationship management framework which includes a terms of reference specifically regarding engagement, this can be found in appendix b5.

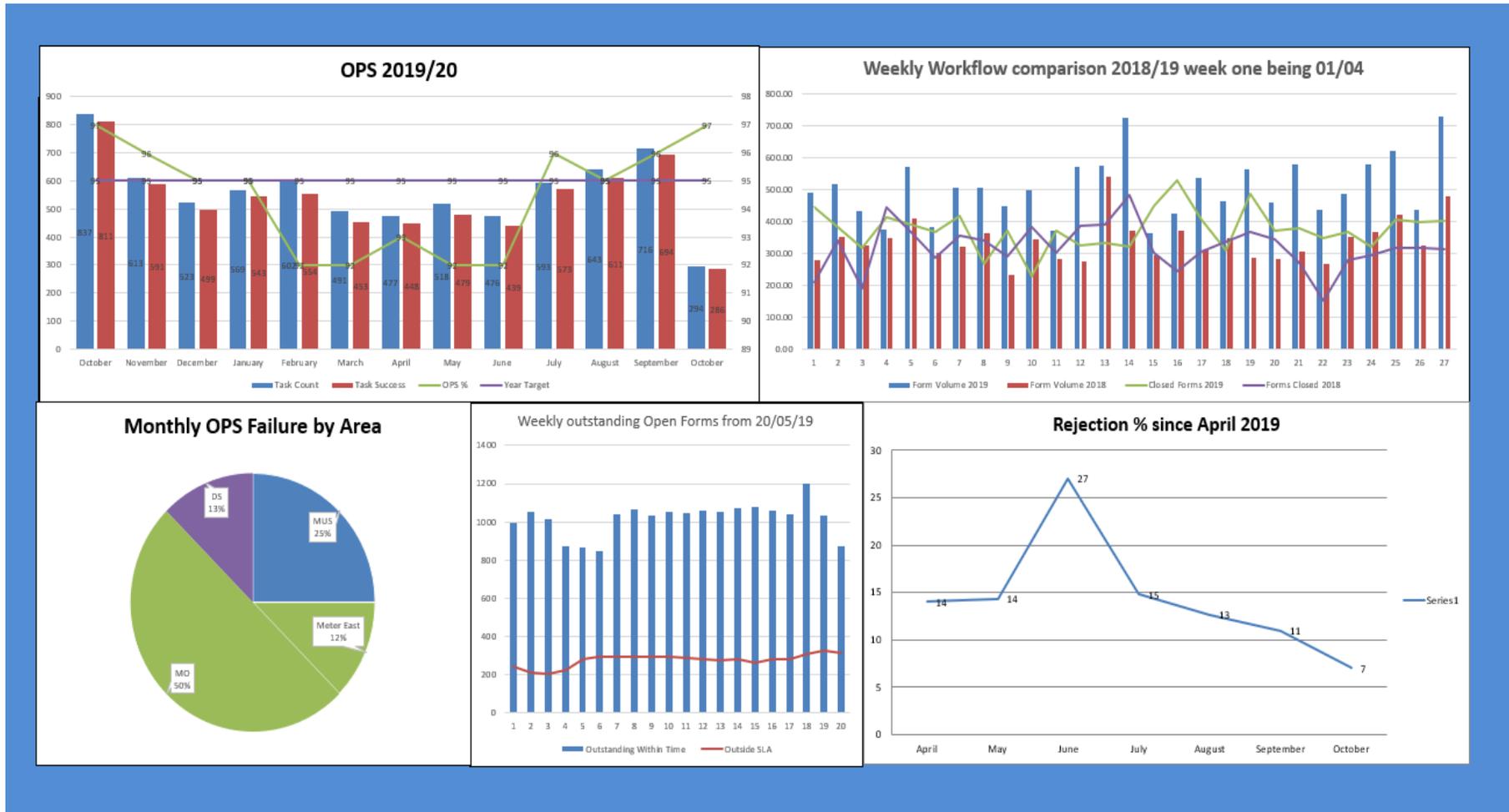
In September 2018 we hosted a retailer open day. This was attended by six retailers. We held a Beast from the East workshop in December 2018, this was attended by seven retailers.

¹² <https://forms.office.com/Pages/ResponsePage.aspx?id=LdLrkwKfKwMj7qWaFOo8z4YknBDpXJFkPkS9C-Di-FUQ0IKTEpCWVhUNUw3R09SNINSOTE1VU40VS4u>

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

We hold weekly performance hubs. At these hubs we review operational performance. We identify areas for improvement or where trends are materialising. A copy of the dashboard used at the hubs is included in figure 4 below which highlights how we focus in on the business areas which are failing our performance levels. We review these individual failures with the appropriate teams. We have seen performance improve from a low of 92% to 97% by following this process. We monitor individual team members rejection rate within our wholesale service desk and implement improvements either with our own teams or by feeding back to the retailers directly. The rejection rate has reduced from 20% to 7% in recent weeks.

Figure 4 – Extract of the retailer dashboard



More recently we have focused on rejections and the B5 process, the repair or replacement of a faulty meter. By reviewing the reasons for these rejections, we have changed our process both of which have seen improvements in performance.

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

As part of our charge scheme consultation we include questions relating to the up and coming changes. For example, in the most recent survey, that closed 20 September 2019, we ask retailers for feedback on 2020/21 Yorkshire Water non-household charges scheme proposed changes, which included gap site incentive scheme, vacant premises charges, highway drainage. We also ask retailers for any future changes that they believe would improve market operation and the service that we provide to them.

Retailers are proactively informed about the changes for following charging year. An email communication is sent to all retailer with an attached document called Yorkshire Water wholesale charges scheme – what's new?'

Yorkshire Water have committed to publishing on our website our wholesale service offering available to retailers. This will be completed by the end of 2019.

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. We currently have 11 alternative eligible credit agreements. The majority of these have been in place since April 2019. All our active alternative eligible credit arrangements are based upon the Yorkshire Water credit support 100 agreement. We have provided more detail on this in question 17c below.

We remain actively engaged in negotiations with retailers regarding requests for alternative eligible credit. In some instances, these discussions are ongoing and have yet to be concluded, however we are positively committed to meeting our obligations in terms of negotiating such agreements in good faith. We welcome these individual requests as they often help us to develop innovative solutions to credit and payment terms.

We have previously received requests for Schedule 3 agreements which we have been unable to accept without entering into further negotiation with the retailer. In all instances where this has occurred, this initial rejection has been due to self-supply retailers (SSR's) requesting 100% unsecured credit. Following retail separation, Yorkshire Water wholesale does not have any provision for non-household retail bad debt included within the price control, therefore any losses suffered as a result of non-payment could negatively impact our wider customer base. However, we have always taken the decision to support retailers and the wider market by offering a carefully considered suite of unsecured credit facilities which extend well beyond what is required of us by the market codes. We are one of the first wholesalers to offer alternative payment terms agreements.

(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 section 9.2.4 and schedule 3A of the business terms of the Wholesale-Retail Code.

We have recently published an alternative payment terms agreement which is open to all retailers. The agreement offers retailer 90 days payment on the R1 invoice and can be found on our website¹³. We have two alternative payment terms agreement in place both came into effect in October 2019, these can be found on our website¹⁴.

(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 provide tailored offerings. Following an industry wide consultation promoted by Yorkshire Water in February 2019. We launched our credit support 100 agreement, an alternative eligible credit offering which provides £100,000 unsecured credit to all retailers. Our decision to offer such an agreement was based upon an extensive review conducted by our market operations team which used data and analysis from the KPMG report commissioned by Ofwat in June 2018, outputs from the credit committee, industry wide benchmarking and discussions with our contracted retailers.

Our aim in launching credit support 100 agreement is to ensure that all retailers regardless of size, credit rating, company structure, self-supply or new entrant can access an unsecured credit facility which builds upon the existing market arrangements.

The launch of our credit support 100 agreement has been successful. However, we are not complacent and recognise the evolving requirements of Retailers and the wider market. We will continue to review our existing arrangements.

In September 2019 we launched several additional credit and payment terms agreements which sought to compliment credit support 100 agreement. These are:

- Credit support investment grade.
- Credit support government.
- Alternative payment terms 90.

The purpose of extending our existing arrangements was in response to ongoing discussions with retailers who indicated to us that there was a need for greater flexibility in terms of providing increased credit facilities for organisations who have greater financial security and stability.

We considered the feedback received from our stakeholders within our review and once again, in September 2019 consulted with all market participants on our proposals. As a result of the consultation feedback, we launched the new enhanced suite of credit and payment terms options. These can be found on our website¹⁵.

¹³ www.yorkshirewater.com/media/1800/alternative-payment-terms_for_publication.pdf

¹⁴ www.yorkshirewater.com/business/wholesale-charges/

¹⁵ www.yorkshirewater.com/business/wholesale-charges/

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 deal with any alternative dispute resolution (ADR) related disputes regardless of the lack of binding accountability. In the event of a recommendation from a recognised ADR body being made, the likelihood is that we would accommodate the recommendation.

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

We did not receive any request from retailers under the guaranteed standards scheme. We made 1614 payments to retailers using our automated process which triggers when we have failed to meet a deadline under the guaranteed standards scheme.

None of these payments were disputed by a retailer. We did however receive three queries from retailers, these were in relation to the guaranteed standards scheme process. Our guaranteed standards scheme process was explained to the retailers and the queries were resolved.