

Annex C: Questions relating to the Market for Developer Services

Developer services and new connections market overview

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

We are fully committed to complying with our competition law obligations and we recognise the responsibilities that we have as a result of our dominant position in the developer services market in our region. To ensure our practices are compliant with competition law our teams follow the same process for all developers, SLPs and NAVs to ensure that they all receive the same level of service.

To deliver a consistent but tailored approach we have managers dedicated to customer types, including an SLP manager and a NAV manager. These managers ensure that we provide a consistent, appropriate approach to meet the needs of developers, SLPs and NAVs.

To ensure that we meet our developer services obligations we follow the competition principles below:

Arm's length trading

We are required to meet Condition R of the compliance code and understand the requirements of 'arm's length trading' in order to operate in accordance with a level playing field. The services we provide developers can be contestable work from an SLP or a NAV. NAVs hold a license and can provide retail services to household and business customers in our region.

We do not take advantage of being the incumbent provider by enjoying a competitive advantage from economies of scale and market prominence. To ensure that this does not happen our developer services teams are trained to provide all customers with the same level of service and that they have equal access to services and application routes.

To ensure that we do not apply a financial cross-subsidy, all group costs are allocated to the businesses (within the Kelda Group) that incur that expenditure. This makes sure that our developer services function does not receive an unfair advantage over others competing for the same work, and customers do not over-pay for the services that they receive.

Information handling obligations

We are committed to a well-functioning, thriving competitive market for developer services in the water industry and Yorkshire. We understand the special obligations placed upon us by virtue of our position as a regional incumbent. Our developer services team are an essential point of contact to anyone who may wish to connect to the water or wastewater networks either as a developer or on behalf of a developer. We understand customers can share commercially confidential and sensitive information with us as part of this process and we commit to use this information for the purpose it was provided to us, in accordance with our licence condition E obligations and the requirements of our company information security policy.

We also operate as a provider of new connections and on-site requisitions services in our own right. On this basis Yorkshire Water, SLPs and NAVs can operate as competitors. We understand that information gained from developers, SLPs and NAVs to connect to our network must only be used for that specific purpose. To

share this information beyond this purpose is anti-competitive and could distort genuine competition within the market.

To meet our obligations, we are bound by the company information security policy which requires confidential information to be handled appropriately and only disclosed to individuals who need it for the specific purpose of dealing with a specific enquiry. We enclose the Yorkshire Water Services Information Security Policy in appendix c1.

Competition law training

We are committed to ensuring that all our teams have a level of competition law training proportionate and relevant to the role they undertake and their engagement with markets. Some colleagues require a more detailed knowledge of the Competition Act 1998, the Enterprise Act 2002, and an understanding of the regulatory obligations within our Instrument of Appointment. Others must understand key concepts and be able to identify and recognise anti-competitive behaviour before it happens.

To ensure that all of our teams receive the support they need, we provide tailored training. This is delivered as:

Directors' training

This is provided to the Yorkshire Water Board and other directors. The Board fully understand its role in relation to compliance with the Competition Act. Training is refreshed at appropriate intervals and new directors are trained following appointment.

Enhanced training

This is provided to individuals who, by nature of their position, may be exposed to sensitive market information and could have the capacity to influence the strategic direction of Yorkshire Water and its customers including SLPs and NAVs, for example liaison managers.

E-Learning

All employees are required to complete a mandatory competition law training module. This provides awareness and guidance to colleagues ensuring that they understand risks and operate in a compliant manner. A test is taken at the end of the training to ensure that all employees can demonstrate their understanding. Employees retake the training annually. We will be rolling out an updated e-learning package in 2020, which will have a wider range of scenarios.

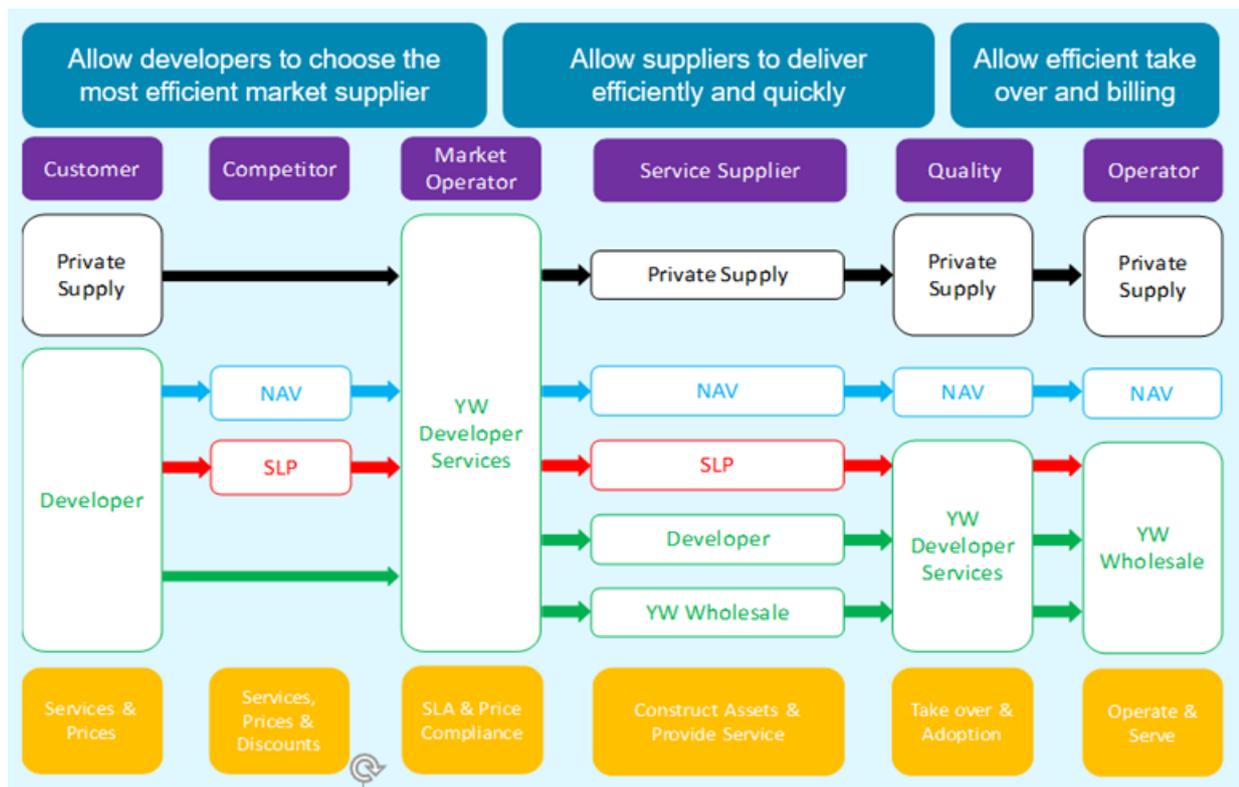
Competition law compliance manual

We maintain a compliance manual as part of our broader corporate governance. The compliance with its terms is a requirement placed on all employees. This manual is current and reflects the requirements under competition law and encompasses our relationships with SLPs and NAVs.

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

We are clear that we have a key role to play in delivering an efficient and vibrant developer services market, and we are taking actions that are shaped by our position relative to other participants in the market, which we illustrate in figure 1 below.

Figure 1 – Position relative to other participants in the market

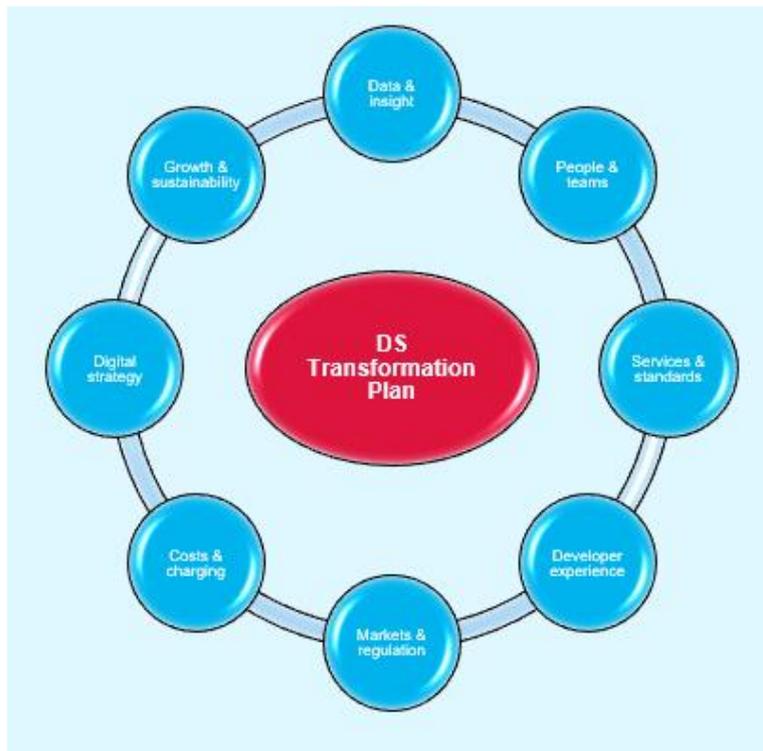


Our key principles are:

- Making developers aware they have choice when undertaking development.
- Enabling suppliers to deliver their services efficiently and quickly.
- Ensuring efficient take over and adoption of assets.
- Facilitating efficient billing for future customers.

There is always more to do to support the market, so we have developed a transformation plan that will drive improvement across the function. Our plan has eight streams and thirty-seven projects defined across the streams of work. The summary of our plan is shown in the diagram below, with details provided in appendix c1.

Figure 2 – Transformation plan



The workstreams within the plan have been informed by our engagement with customers, including with a number of NAVs, developers and SLPs at workshops and 1 to 1s, reviews of our complaints history, and developments in the regulatory framework, such as the introduction of D-MeX. Engagement activities included:

- Hosting a developer forum in April with all customers including SLPs and NAVs, discussing key themes such as new codes of adoption and seeking feedback on how we can improve our service to customers.
- The appointment of a key account managers for one to one engagement with developers, SLPs and NAVs to jointly engage on many topics including codes of adoption, charging arrangements and services provided.
- Increased number of meetings with developers to discuss and resolve site specific issues to reduce cycle time and learn lessons from frictions.
- Sought feedback from customers to understand the improvements we can make and build them into our transformation plan.
- We have consulted with customers to ask how we can make improvements to our website/self-serve portal to improve information, including application forms.
- Our developer services manager is a member of the industry NAV Improvement Project group and outputs inform our approach to NAVs going forward.
- Members of our developer services team were on the panel for both water and waste water Codes of Adoption as subject matter experts who helped influence and direct the approach that was proposed to Ofwat.
- We are a member of the Water Codes Panel supporting Water UK to propose any future amendments to the sector document.

The plan has been shared with Yorkshire Water leadership team to gain executive approval. We have started to develop detailed project plans and define benefits cases.

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)?

We have provided the breakdown as requested below. The breakdown in size of developments we have seen, is based on 12 months of developer services activity from April 2018 to March 2019. This is aligned to the data we provided to Ofwat for the D-Mex shadow year data in May 2019.

This data is not easily obtainable, as our systems do not currently allow us to extract the number of connections against individual developments. Our data and insight workstream within our transformation plan will be looking at improving the granularity of historic data we can report. However, we have applied the assumption that for those developers for whom we have delivered large numbers of multiple connections (we can extract the number of connections per developer per month), the number of connections we have delivered from April 2018 to March 2019 has been reported in the ranges that are specified.

For the 12 months from April 2018 to March 2019 the approximate percentage breakdown of our total connections based on the size of developments can be seen in table 1 below.

Table 1 – Connections based on development size

Size of Development in 2018-19	Indicative Percentage %
Single properties	9%
Small developments <20 properties	30%
Medium developments >20 and <100 properties	16%
Large developments >100 properties	45%
Total	100 %

(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?

The data we have used for our analysis is from the 12 months of developer services activity from April 2018 to March 2019. This is the same data set we sent to Ofwat for the D-Mex shadow year data in May 2019.

Based on the information available for 2018 -2019 the proportion of connections provided to our five largest developer customers was 25.7% of the total connections made.

In the year from March 2018 to April 2019:

- There were 765 developers out of a total of 1,709 separate customers.
- 91% of the customer connections in 2018 -2019 were from large and small developers.

The definitions we have applied are based on a customer who requests:

- A single supply is defined as an individual customer.
- Two supplies or more, is defined as a developer.

Our data from April 2018 to March 2019 comprised of 944 customers who requested single supplies and 765 requested more than one supply.

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

We are currently unable to provide information about whether sites requiring new connections are on brownfield or greenfield land. We can see the benefit of collecting this information and intend to develop our systems and processes to be able to report this in the future.

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)?

Over the past 12 months 18 SLPs have undertaken new connections work in the Yorkshire region.

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

All SLPs working in the Yorkshire region are multi-utility, providing design and construction services for new and existing gas, water and electrical networks.

Over the past 12 months we have processed 102 new mains applications for SLPs. We provided a mains infrastructure design for 46 of the schemes, and the remaining 56 schemes were designed and provided by the SLP.

The mains applications with a design from the SLP are checked and approved by Yorkshire Water. We do not apply a charge to the SLP for checking designs. We generate a quote for all the mains applications with either Yorkshire Water or SLP designs for the costs for the work related to the new mains application which is sent out to the SLP.

SLPs either carry out the on-site contestable work and request that we do the off-site contestable work, or they will carry out all contestable work both on-site and off-site. We currently carry out on-site and off-site non-contestable work in most circumstances as per the self-lay code of practice guidelines.

Table 2 – The main preference of each of our SLP customers

Work Type	SLP
<div style="background-color: black; width: 100%; height: 15px; margin-bottom: 5px;"></div> <div style="background-color: black; width: 100%; height: 15px; margin-bottom: 5px;"></div>	Alconex
	Aptus Utilities
	BGS Utilities
	Clancy Docrwa
	Energetics
	Future Utility
	Fulcrum
	GTC
<div style="background-color: black; width: 100%; height: 15px; margin-bottom: 5px;"></div> <div style="background-color: black; width: 100%; height: 15px; margin-bottom: 5px;"></div>	Applebridge Utilities
	Bemus Construction
	Harlaxton Engineering
	IUS
	J Murphy & Sons
	J Geraghty Ltd
	Megson Utilities
	P N Daly
	SAS Utility Services Ltd
	Utility Innovation Services

The definitions of the services or ‘option’ in Table 2 that an SLP chooses to compete describes the amount of contestable work based on the SLP preferences we have experienced.

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

From April 2018 to March 2019 we received 59 SLP point of connection (POC) applications and 102 new mains applications. POC applications are a pre development enquiry where an SLP does not yet have a site layout for a scheme. The SLP can obtain POC details and other information to allow them to tender for the work on a proposed site. A new mains application is applied for when an SLP is appointed for a housing development. The costs for the work and design/approval of SLP design are provided on this application.

Table 3 below show the breakdown of POC applications and new mains applications that we have received across development size and type of development. Most sites that SLPs compete for are larger in size and domestic in nature.

Table 3 – Breakdown of applications

SLP - Size of development	Number of POC applications	Number of mains applications
Small developments <20 properties	15	36
Medium developments >20 and <100 properties	19	39
Large developments >100 properties	25	25
Total	59	102
SLP - Type of development	Number of POC applications	Number of mains applications
Domestic	55	94
Commercial	2	5
Mixed	2	3
Total	59	102

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

To support the growth and performance of the developer services market we are exploring opportunities to work collaboratively over several different platforms, these include:

- Working across the wider business on key initiatives (e.g. new digital and customer experience strategies).
- Working with external stakeholders to support initiatives to drive sustainable solutions on new developments. Our 'Living with Water Partnership' in Hull is an example of this.
- We have established relationships across the industry and are looking to widen the scope of these relationships (e.g. establishment of a hub that works together to develop an approach to codes of adoption).

- Working with developers through forums and the creation of a focus group that will allow us to frame future strategies and changes in approach.
- Working collaboratively with manufacturers also gives an opportunity to influence future design of developments, working with developers to consider water saving initiatives.

Customer Experience Strategy

We are developing our customer experience strategy. Developer services has recently moved into a new created Directorate of Customer Experience. This ensures we have a strong business wide strategy with clear leadership focus to drive the right outcomes for all customers.

The strategy has been developed over the past few months looking at insight from our customers, listening to how they feel about their interactions with us and how we can improve to ensure their experience with us is easy, leaves them feeling positive and supported.

This strategy has also considered not just internal insight but wider external insight looking to the UKCSI report and recommendations and benchmarking against companies that customers of Yorkshire Water value.

This, alongside a continuous feed of colleague insight and feedback has provided us with a strategy that focuses on driving high customer satisfaction through positive emotion, focusing on breaking away from industry stereotypes and designing experiences and journeys around our customer's needs. This strategy will be delivered through six strategic themes highlighted below with example outcomes:

- Customer conscious journeys, experiences and channels** – ensuring all customer journeys are designed to link operational success to targeted positive customer emotion.
- Customer emotion led insight, indicators and predictive systems** – all customer insight gathering actively considers customer emotion as a lead indicator and is captured and acted upon at all levels of the business including points of customer indicators.
- Customer Rapid Innovations** – blockers to customer experience delivery are continually identified and rapid innovation solutions delivered.
- Customer confident and capable people** – customer experience is a defined core element of all colleagues' roles and a key part of how they gain recognition and reward. Colleagues understand how best to interact with customers and each other to generate positive emotion.
- Customer focus in regulatory leadership** – Ofwat actively listens to us about the needs of our customers and those needs are reflected in their customer policies.
- Customer relationship building communication** – we have a shared, coherent common sense customer language and tone which is present throughout every interaction with customers and each other.

The principles of this strategy will enable us to address the improvements through our transformation programme, targeted at improving the speed and quality of service provision to customers making improvements to homes, small and large developers, SLPs and NAVs.

Supporting sustainable development

Regions across the UK are becoming drier and are more exposed to greater risks of flooding, as identified in our long term strategy and emphasised in many reports and plans from regulators and bodies advising government, as regions across the UK become drier they are more exposed to greater risks of flooding. Managing the surface run off from new development can help protect homes and the environment,

supporting sustainable development gives an opportunity to manage this risk. Working with external stakeholders, we are looking to influence future home building.

An example of this in Hull and East Riding, the complex and unique nature of flood risk in this area underpins the essential need for risk management authorities to work together. Whilst the detrimental effects of flooding spread far and wide, impacting social mobility and economic prosperity, the collaborative delivery of flood management in tandem with social and economic regeneration, facilitates industry-leading opportunities to maximise broader benefits and financial efficiency across city and regional responses.

The Living with Water Partnership is a collaboration between Yorkshire Water, Hull City Council, East Riding of Yorkshire Council and the Environment Agency. The aspiration of the partnership is to work together with public sector, private sector and communities to co-design and develop water sensitive urban regeneration which manages flood risk and enhances the environment and broader well-being of the region alongside flood. This is one of our transformational projects for AMP7 and already boasts some great examples of how the team is working differently with industry, these include:

- Yorkshire Water and Hull Council have collaborated in devising a supplementary planning document (SPD), and this is the first of its kind in the industry and is part of the ‘Living with Water Partnership’.

The SPD is designed to assist developers in ensuring that a new development is drained in the most sustainable way and does not increase flood risk to residents in the city. The SPD also seeks to demonstrate how sustainable flood risk management has other benefits such as improving biodiversity and general quality of life within the city.

The document will be adopted by Hull Council as one of the suite of documents within the city’s statutory development plan and should be read alongside the Hull City Council local plan (adopted November 2017).

With Hull City Council we have agreed on a sustainable rate of surface water discharge from both greenfield and brownfield sites. This collaborative approach ensures clarity for developers and ensures that this standard is sought to be met from the initial stages of design and development.

- Working with Defra supporting development of a ‘flood resilience pathfinder’. The purpose of the Defra flood resilience pathfinder is to increase the perception about flood risk and to encourage the use of property flood protection products. Nationally there is a lack of uptake of property level protection, even after flood incidents where grants have been offered.

The Yorkshire regional flood and coastal committee area made a successful bid to Defra to receive funding to work with the communities and the construction industry on delivering a pathfinder project.

In Hull all new development has flood proofing built in as standard in accordance with the level 2 strategic flood risk assessment¹.

This document contains detailed maps showing depths and velocities of flooding from all sources and enables developers and planners to make informed decisions about locations and the level of

¹. www.hull.gov.uk/environment/adverse-weather/strategic-flood-risk-assessment

resilience required. However, there is many existing properties which were built prior to any policy on flood risk so retrofitting of property level protection is required.

The objectives of the pathfinder are to assess the perception and understanding of flood risk and personal resilience measures across Yorkshire. This work will build on the ‘Living with Water’ research and engagement.

The first stage is a workshop in Hull on 21st November 2019 with the regional branches of the Royal Town Planning Institute (RTPI), Royal Institute of Charters Surveyors (RICS), Royal Institute of British Architects (RIBA), Institution of Civil Engineers (ICE) and the Office of the Surveyor of Community Interest Companies (CIC). The workshop will assess the current level of understanding of flood resilience and what the blockers or challenges are around this. The second stage is then to develop tools and training to help the industry promote and implement flood resilience. Examples are:

- Driving for more policy and regulation.
- Flood resilience products being made more readily available from building suppliers or DIY stores.
- Apprenticeships and training courses for the installation and fitting of flood resilience products. The Wilberforce College Learning Lab will be used as the hub for training and will link with the flood resilience innovation centre at Hull University.
- Provide a pilot demonstration for a flood resilient home.

This work will continue alongside the ‘Living with Water’ community work as we are aware that one of the major blockers to flood resilience is behaviours and a perception that it is someone else’s problem to solve. It is hoped that the pathfinder work will provide the knowledge, skills and product availability that the communities will increasingly be asking for as their understanding of flood risk increases.

Last year, RIBA published a report outlining what the government needs to do to help create homes and communities that are resilient to flood damage.

Environmental Incentives

When consulting with customers on our approach to new connection charging arrangements for 2020/21 it became clear to us that the developer community is not seeking to take up the present environmental incentives that are available through the discounting of our water and surface water infrastructure charges. We will be providing greater emphasis and clarity of the incentives available in our communications, including our 2020/21 charging arrangements.

Environmental incentives are offered to customers via means of a financial benefit with a discount on infrastructure charges on a per property connected basis. The discount is scaled to the reduction in water usage and discharge to public sewer from new developments against an industry benchmark.

Charges for new connections and developer services

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

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

In May 2019, we initiated our project to develop our new connection charges for 2020/21 and mobilised the core project team. The project team comprises resources from our developer services and regulation functions, with expert inputs from legal, finance, operations, and our external creative design agency. The first stage of the project was to review our 2019/20 charges approach to cost reflectivity and compliance with the latest charging rules, consider charges transparency, and ease of use of the document as published. This work included reviewing outputs from our external auditors, reviews of previous consultation feedback and in-year customer engagement, and reviews of other companies charging publications. A summary of the key learnings from these reviews is presented in table 4 below.

The areas of concern advised in Emma Kelso’s April letter to all companies were reviewed by the new connection charges project team. No specific short-term actions were identified to ensure our 2019/20 charging arrangements are cost reflective, transparent, and do not distort competition. The conclusions from this internal review are summarised below:

- Inconsistent application of methodology to calculate asset payments and income offsets.
 - Our 2019/20 new connection charges do not feature income offsets and asset payments for any market participant, therefore there is no inconsistency in application.
- Lack of clarity around charges and when they apply.
 - This issue focused on the application of charges for design services and how this can affect SLPs in certain scenarios where they prepare their own designs. As we confirmed to Ofwat in January 2019, we do not charge SLPs for checking their designs and provide feedback where they fail to reach the standard that is required.
 - We provide clear guidance on our website to help third parties develop their own designs².
 - Although we do provide worked examples in our charging arrangements, they do not cover all typical charge components that an SLP may wish to understand. We have received some stakeholder feedback from our recent charging arrangements consultation that our worked examples require improvement. We will make the relevant changes for our 2020/21 new connection charges publication.
- Lack of cost reflectiveness.
 - Our fixed and bespoke charges reflect the direct and indirect costs of the activities that deliver and support them. However, in some aspects we have set our charges to ensure competition is not impeded and a level playing field is achieved. For example, we do not levy charges upon SLPs for checking their site designs, even though there is a relatively small cost

² Link: www.yorkshirewater.com - mains-design-and-construction-guidelines .pdf

to YW to deliver this activity. The costs are recovered across other charges in the round that can apply to all developer services customer types.

- For our 2020/21 charges we will undertake and publish a bill stability impact assessment that explains to developers, SLPs and NAVs any significant changes in the expected bills under a range of development scenarios. This will also include information for customers on new or removed chargeable items.
- Absence of sufficient margin
 - As above, because we do not levy charges on developers for checking their site designs, we are not placing additional costs onto the SLP that have the potential to erode the margin such that an SLP that is as equally efficient as Yorkshire Water may struggle to compete on a like for like basis.
 - All other charges are set adhering to the cost reflectivity principle and are applied uniformly such that Yorkshire Water are not advantaged compared to an equally efficient self lay or NAV competitor and we believe sufficient margin is available. Our requisition charges include the costs we directly incur from our supply chain partners who undertake on-site and off-site works. The removal of income offsets and asset payments also means the impact of differentials in timings for payment present with the legacy charges approach is effectively removed.

In May 2019, we published a paper on the expenditure to revenue balance assessment we carried out ahead of confirming our 2018/19 new connection and infrastructure charging arrangements. We committed ourselves to provide such a paper following the recommendations made by Ofwat in its January 2019 CMF report, namely: 'The company was no longer offering income offset or asset payments but did not explain how it managed to maintain the balance in these circumstances.'

We presented the highlights of our balance assessment findings to other incumbent wholesalers, a selection of NAVs, and Ofwat at a Water UK hosted event on 24 July 2019.

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

We made no immediate changes to our 2019/20 charging arrangements as a direct consequence of the April letter from Emma Kelso. However, we did make one set of changes to our new connection charging arrangements in April 2019 to resolve:

- An anomaly between stated charges for the supply of building water in the new connection charges compared to our wholesale charges for the same service.
- Two transposition errors in disconnection charges and section 106 connection charges.

The above revisions were advised to our customers by email, which referenced in the updated charges document published on our website and confirmed where any quotations provided that is based on the erroneous charge information, we would not retrospectively apply the correct charges where these would be higher. We also advised Ofwat by email on 1 April 2019 of the changes we made and our actions to inform customers.

As per our response to question 6 a) above, we will be seeking to improve the explanatory information included in our charging arrangements publications for 2020/21 charges in response to feedback from our customer consultations.

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

Along with our reviews of stakeholder engagement and audit feedback from our 2019/20 charges, we have recently undertaken customer consultations in support of our 2020/21 new connection charging arrangements. The feedback from the consultations has been very valuable and we will further improve the transparency and presentation of our charging arrangements to better meet the requirements of our customers.

Table 4 – Charging arrangements

Charging Arrangements – Areas for update and revisions			
Change area	Source of identified improvement	Change Y, N, N/A	Comments
Information about infrastructure charges (IC's)	2019/20 charges consultation – meetings and online survey	Y	We listened to consultation feedback and explained the purpose and application of IC's in our 2019/20 charges. We will be making further updates to text and layout to emphasise the environmental related financial incentives available against IC's for 2020/21.
Worked examples	2020/21 charges consultation – online survey	Y	We will update the level of information provided in our worked examples and explain more about when certain charges are applied to help users understand which charges may apply to them.
Table of charges	2020/21 charges consultation – developer event/meeting	N	We have received mixed feedback on how we present a full table of our new connection charges at the rear of our 2019/20 charge publication. Some stakeholders say this repeats information presented in detail elsewhere in the document and means it is longer than it needs to be. Other developers value the brevity with which they can reference the full list to use on a day to day basis. We have decided to retain a full table of charges for ease of reference.
Useful information prompts	Design feedback	Y	We will be incorporating information highlights in our charges document, so that we draw users attention to useful information. For example: <ul style="list-style-type: none"> - Information they are required to provide in a new connection application - What discounts or incentives they can claim against their developments? - How they can get supplementary information and assistance from Yorkshire Water.

Compliance to charging rules	2020/21 charges consultation – online survey	Y	We present a table in our Board Assurance Statement advising how we comply with each charging rule. We have received some feedback that although this is welcome it does not give comfort to customers that we comply with all the charging rules. We will review how and where we present the rules information and provide explanations of our assurance process in setting charges to the rules.
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7. Please explain how your charges reflect costs:

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

Our new connection charging arrangements cover charges that relate to the following activities:

- Requisitions.
- New connections.
- Diversions.
- Infrastructure charges.

The key cost drivers for requisitions and new connections charges are the costs associated with:

- The administration and site survey work, including appraisals of point of connection/disconnections to the network and site design, dealing with enquiries, and customer call management. Some of this work is non-contestable. The key drivers are staff real price effects, work types and forecast numbers, average task times, overhead allocations, technical assessments and site visits, and external fees.
- The onsite network laying and making of connections may include excavations and meter installations. The key cost driver is the sub-contractor rates and modelled costs for resource, materials and traffic management. Rates (not including traffic management costs which are set by local councils) include an annual uplift of RPI (as at November).

The key cost drivers for diversions are:

- The administration and site survey work, including the diversion design, dealing with enquiries from the client. The key drivers include staff real price effects, work types and forecast numbers, average task times, overhead allocations, technical assessments and site visits, and external fees.
- Network diversions may include excavations, mains laying, disconnections, and reconnections. The key cost driver is the sub-contractor rates and modelled costs for resource and material, and traffic management. Rates (not including traffic management costs which are set by local councils) include an annual uplift based on the movement in RPI (as at November).

The key cost drivers for infrastructure charges are:

- Actual network reinforcement expenditure related to new development which is reported as the grants and contributions information (table 2k) in our annual performance report.
- Forecast network reinforcement expenditure related to new development, reported as table App28 in our PR19 plan submission up to 2022/23.
- Actual and forecast new connection volumes across the period to 2022/23.

(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.

Below we outline the approach we take for water and sewerage related requisitions and new connection charges.

For water charges:

- For the delivery of water new connections services, the customer can choose who delivers the contestable elements of their proposal for mains laying, new connections and diversions, whether that be through an SLP, a NAV or Yorkshire Water via our service partner.
- Where the customer elects for Yorkshire Water to undertake the work, the charges may be split between Yorkshire Water and our service partner, presently Morrison Utility Services (MUS).
- In activities where the developer undertakes the on-site construction and connections work, the charges applicable for work carried out by Yorkshire Water are determined using the bottom up methodology.
- Yorkshire Water will carry out the required administration work, including application, assessment and inspection. The charges for these activities is based on the time taken to undertake this work and the hourly staff cost for recharge rates (including overhead allocations), which are assured and aligned with other charges across the business.
- Time taken to complete the individual tasks is based on an average time required to complete a chargeable activity and may include follow up work and a multiple number of on-site inspections (including travel time).
- For on-site requisitions where the developer elects for Yorkshire Water to undertake the work, MUS supplies unit rates for job types to Yorkshire Water based on the contractually negotiated rates against a range of job characteristics. RPI as at November is applied annually to the rates by MUS.
- Yorkshire Water use these rates to form a simpler schedule of fixed charges for customers based on typical requisitioned mains and new connections characteristics. When we provide a quotation to the customer they can select if they wish to be charged based on the fixed price approach as detailed in our charging arrangements where an element of averaging is applicable, or charged based on a bespoke quotation, taking into account more of the specific characteristics of the design and work required.
- Other charges may be applicable on an individual scheme basis which are external to both Yorkshire Water and our service partner. If these site-specific charges are applicable to the customer, they will be passed directly to the customer. These could include but are not limited to traffic management permit costs.

For sewerage charges:

- In the vast majority of cases, the developer will undertake the sewer construction and connection work, while Yorkshire Water will carry out the required administration work, including application, assessment and inspection. The charges for these activities are based on the time taken to undertake the work and the applicable hourly staff cost for recharge rates (including overhead allocations), which are assured and aligned with other charges across the business.

- Time taken to complete the individual tasks is based on an average time required to complete a chargeable activity and may include follow up work and a multiple number of on-site inspections (including travel time).
- The charge to undertake a chargeable activity is simply the multiple of unit cost and average duration of the task (in accordance with appropriate staff level/rate), plus a local management overhead and an overhead to allow for billing and collections of the charge.

We depart from the above methodology for sewer requisitions, critical diversions and sewer adoption functions.

- Sewer requisition and critical diversion work is undertaken by Yorkshire Water. The actual cost of the work is passed directly to the customer (as a bespoke charge). Each individual scheme has a bespoke cost estimate based on the activities required to deliver the scheme. The bespoke cost estimate is provided by asset solutions and after beneficial completion of the scheme a final account is undertaken, and the developer is charged the actual cost to deliver the scheme, including the costs incurred via our partners and fees to other bodies, for example for highways permits.
- Sewer adoption charges are applied in accordance with the national guidance framework 'sewers for adoption'. The charge is set at 2.5% of the cost of the drainage network, which covers administration, assessment and inspection. Further charges may be levied depending on individual schemes, for example, to cover the cost of locks, and if required for sewer ancillaries.

For infrastructure charges:

- As advised in our response to question 7(a) above, our infrastructure charges are to be set with the aim to recover a value equivalent to the total of actual network reinforcement expenditure related to new development from 2018/19 and forecast network reinforcement expenditure out to 2022/23. Our 2018/19 infrastructure charges looked further back and were based on recovery of the historical average annual network reinforcement expenditure.
- We do not routinely apply RPI to infrastructure charges, nor do we need to adjust them in relation to values associated with income offsets (which we do not offer to customers).
- We forecast the level of our infrastructure charges to vary according to our forecasts for the level of water and sewerage network reinforcement investment we make directly to support development across Yorkshire over the 2020-25 period.
- Based on our WRMP and the network reinforcement investments within our PR19 plan, we currently forecast that the level of our infrastructure charges applied over the combined services will rise steadily over the next five years. However, corrections will be made as we move forward and reconcile actual infrastructure charge receipts against actual network reinforcement expenditures. This will ensure that developer services customers as a group fund the investment, we make to reinforce the networks due to development growth, and that this does not fall upon the generality of customers.

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

In practice costs do vary from development to development. The main drivers of costs relate to the characteristics of the site and the optimal design to effectively serve the site with water and/or sewerage services. However, there are no materially significant cost drivers identified that are associated with a geographic area or distribution zone within our incumbent region. We could have costly requisitions in both

mainly urban and mainly rural areas, and within the North or South of our region. We do not face sub-regional staff cost differentials or material cost effects either with our directly or indirectly resourced activities.

Network reinforcement required to support growth can be a significant driver of costs, but may not be easily determined for, and assigned to, a particular geography over a long time period. There may be areas of our network that would require reinforcement should significant growth occur, but once that reinforcement has been actioned and the corresponding investment made and associated revenues recovered, then the cost driver would change. This may generate a level of volatility that is not currently present in our infrastructure charges approach to date (both set according to the national legacy approach and recently under our current approach).

As such, we continue to favour a regionally averaged charging approach above any form of devised zonal charging within the current charging rules framework. We believe zonal based differential infrastructure charges will not benefit developers in the round in practice in the long term. Under differential zonal charging, there could be significant impacts to smaller developers wishing to develop within zones that have been subject to recent large network reinforcement investments (or are forecast to be subject to large developer driven reinforcement investments), who may face a significantly increased Infrastructure charge mechanism for up to five years in relation to a zone, compared to that faced by developers and developments in the zones around it. Small developers often work within a defined locality, do not own or have ready access to large and diverse land banks, and have limited opportunities to absorb more volatile charges across their property developments. We again have included questions on zonal based charging in our recent charges customers consultations. The customer preference remains aligned to our current approach (only 13% of survey respondents stated they would prefer zonal based charging). The regional average approach for all charges provides developer customers with a greater certainty around charge levels across our region and limits the potential for price volatility year on year. This helps small and large developers to more easily consider all costs associated with new connections costs in advance that contribute to the costs of building the houses in their schemes irrespective if they use Yorkshire Water, and SLP, or a NAV to deliver the on-site network and connections.

We note the opportunities full-service NAVs seek to develop and we have had discussions with a NAV who is looking to deliver services further up the value chain than those of more conventional 'last-mile' NAV operations. We have yet to see details of the value proposition outlined for an efficient and innovative full-service NAV model. However, we are aware regional based charging to recover investment in sub-regional or zonal focused network reinforcement is a perceived barrier to such a model being fully considered by large developers who are the drivers of such reinforcement of the incumbent's network. Our understanding is that full-service NAVs contend that differential zonal based infrastructure charges will surface targeted development opportunities for the localised site specific water supply or wastewater treatment solutions to be more competitive.

Given our customers continued preference for regional based charging and the potential negative impacts of moving to zonal differential charging on a range of customers who may not be able to exercise choice, we believe there should be other options explored. For example, the water bidding market approach may be useful in determining the optimal sustainable water resource solutions presented from the market, compared to the incumbents' in-house solutions. We are very early in our thinking on this and will be seeking to work with other incumbents and NAVs to look at what options there may be under the existing regulatory framework, charging principles and rules to help the value of the full-service NAV model to be assessed.

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)?

At the beginning of 2012 Yorkshire Water went out to the market for a new repair and maintenance contract for Water Services including the provision of all developer services on-site and off-site work.

The prices were set as the average cost and times for labour, plant and machinery assessed over a one-year period for each service offered. In 2015 the schedule of rates was then reassessed based on 2014 data. The rates are subsequently updated by RPI each year.

The contractor's rates are built into our developer services quoting tool which incorporates the relevant chargeable components to deliver a quotation for main laying and associated works or the cost for new supplies. The summary of cost components for these two services are listed below.

Costs for main laying and associated works

- Associated costs.
- Construction costs.
- Requisition costing factors.
- Other.

Costs for new supplies

- Standard charges.
- Pipes, fittings and meters.
- Construction costs.
- Construction supplements.

Our standard charges cover the costs of applications, forming quotes and surveys are built from a detailed bottom up review using the time taken to complete the elements of each activity, including company overheads that reflect the full cost of the service provided by Yorkshire Water as the incumbent.

Some costs outside our immediate control, such as traffic management costs set by local councils, are applied to quotations.

(b) What services do contractor rates apply to?

The services that contractor rates apply to are listed below:

- Install bulk meter (inline).
- Install bulk meter (on bypass).
- Reinstate consequential damage.
- Exchange meter up to 40mm external no excavation.
- Exchange meter up to 40mm internal.
- Exchange meter up to 40mm diameter including excavation.
- Disconnect customer supply (rechargeable).
- Renew fire hydrant.
- Renew fire hydrant frame and cover.
- Install fire hydrant.

- Install washout hydrant.
- Interim to permanent re-instatement.
- Lead renewal – short side mains.
- Line stopping.
- Install branch and multiple valve assembly.
- Remove mains connection piece.
- Cap main.
- Divert main.
- Excavate and lay main.
- Lay main only.
- Self-lay mains connection.
- Self-lay mains test and chlorinate.
- Non-standard external (permit).
- Emergency non-standard external.
- Plumbing job internal.
- Remedial work external.
- Flow test at boundary with excavation.
- New supplies disconnection.
- Supply and deliver pipes and fittings.
- Manifold installation – short side mains.
- Manifold installation - no excavation.
- Manifold installation – long side mains.
- Install metered MSM communication pipe – short side mains.
- Install metered MSM communication pipe – long side mains.
- Install MSM chamber meter and ferrule extend to on a laid service - no excavation.
- Install in-line metered communication pipe – long side mains.
- Install in-line metered communication pipe – short side mains.
- Install PSM chamber meter and ferrule extend to on a laid service – no excavation.
- Install large diameter metered communication pipe – short side mains.
- Meter chamber main connection on large diameter extend to on a laid service – no excavation.
- Install large diameter metered communication pipe – long side main.
- install unmetered communication pipe – short side main.
- Install un-metered communication pipe – long side main.
- Install large un-metered supply – short side main.
- Install large un-metered supply – long side main.
- Chamber and main connection on large diameter - extend to on a laid service – no excavation.
- Install MSM chamber existing communication pipe unmetered.
- Install MSM including meter.
- Excavate trial hole (permit).
- Install PSV on bypass.
- Install PRV on bypass.
- Remove PRV on bypass.
- Install sluice valve.
- Remove sluice valve.

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

We confirm our rates are cost reflective from reconciliation checks we perform on a monthly basis on the final outturn costs for completed jobs over the period.

The formation of our new connection charging arrangements are assured each year ahead of Board approval and publication using our defined three levels of assurance approach, as detailed in our company Assurance Plan.

The conclusions of a Kelda Group internal audit on the management of the water services agreement (WSA) with MUS reported in October 2018 that 'This audit provides 'Significant Assurance' that the controls in place to ensure that YWS' Contract Management Team is effectively managing the WSA contract, only paying for goods and services that are properly due under the contract, and reviewing the performance of MUS in delivering the contract, are operating effectively.' The audit identified a small number of improvements to contract administration and documentation of procedures which have been progressed.

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.

We do not have any similar services where we levy a charge on one customer type and not another.

(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.

We do not levy any new connection charges on SLPs, NAVs or developers that are not published in our charging arrangements or advised within these arrangements to be set as bespoke charges in accordance with charging rules 47 and 48.

Similarly, we do not levy other charges that are not published in our charges scheme, or advised to be charged in our bulk supply charges for NAVs.

It should be noted that due to the variable nature of bulk supply charges for NAVs we do not publish a single tariff or fixed charge. In accordance with Ofwat charging guidance, NAV bulk supply tariffs start with an uncommon weighted average wholesale starting tariff, and therefore the resultant final tariff is often unique to the NAV supply. We published our bulk charging methodology and a NAV self-serve charging tool, so that NAVs can assess and predict the bulk supply tariffs they would face related to specific development site characteristics. Once the network design is finalised and as-built drawings are provided we finalise the bulk supply price with the NAV and include this within the bulk supply agreement. Where there are no material changes to the as-built network, and subject to any changes in our wholesale tariffs that underpin the bulk charges, the bulk supply price from the self-serve tool will be the same as that incorporated into the bulk supply agreement. The NAV may face charges, such as surface water charges, that are published within our charges scheme.

We are in discussion with some NAVs about the provision of added value services. We expect where we provide a NAV any added value services beyond new connection services or bulk supplies, the charges are not published as part of our new connection charging arrangements, wholesale charges scheme, or our bulk supply charges respectively. However, the charges for such added value services will be made available upon request.

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

(a) Publish a standard agreement; or

We have worked with NAVs active in our region over the last two years to develop a set of terms and conditions for bulk supply and discharge agreements (bulk service agreement). We apply these universally for all NAVs who engage with us in relation to their new appointments in our region. The terms and conditions have been refined through several iterations. In effect we offer common bulk supply non-price terms and bespoke price terms (based on our NAV bulk charging arrangements) to all NAVs operating in our region.

The standard terms and conditions have been published on our website³ from the 25 October 2019 for NAVs to view.

We operate a general variations process under the agreement. However, we do not negotiate bespoke alterations to these terms outside that variations process.

To date all NAV agreements we have entered into, or are in progress with, relate to single service NAV appointments. In practice this means the contracting NAV will not require the conditions in the agreement that relate to either water bulk supply or sewerage bulk discharges services respectively, included within their agreement.

We are working proactively within the NAV working group that is looking to develop an industry common bulk supply agreement for NAVs.

(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.**

We have faced one scenario where, although we did not seek to agree a bespoke agreement, a number of amendments were required to our standard agreement. This involved a single-service NAV who is appointed to serve a site for sewerage on the boundary of our region, where the water is served by another incumbent. This has meant we are not in a position to install a boundary water meter or have ready access to meter read data at the connected premises on the site. We have therefore needed to amend some of each parties' responsibilities for the provision of ongoing data. The changes did not have a material effect on the key terms and conditions in comparison to our published standard 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.**

Our current or pending bulk service agreements are listed in table 5 below.

³ www.yorkshirewater.com/media/2102/developers-draft-bulk-supply-agreement.pdf

Table 5 – Bulk service agreements

NAV	Site	Status
████	Heathlands, Doncaster Road, Wakefield, WF1 5EH	Agreement effective
████	Pitty Close Farm, Kings Street, Bradford, BD11 1EJ	Agreement effective
████	Minster Way, Beverley, HU17 0TT	Agreement effective
████	Breary Lane, East Bramhope, Leeds, LS16 9AP	Agreement effective
████	Former Aerodrome Site, South Myrtle Way, Brough, HU15 1SR	Agreement effective
████	██	Agreement awaiting execution

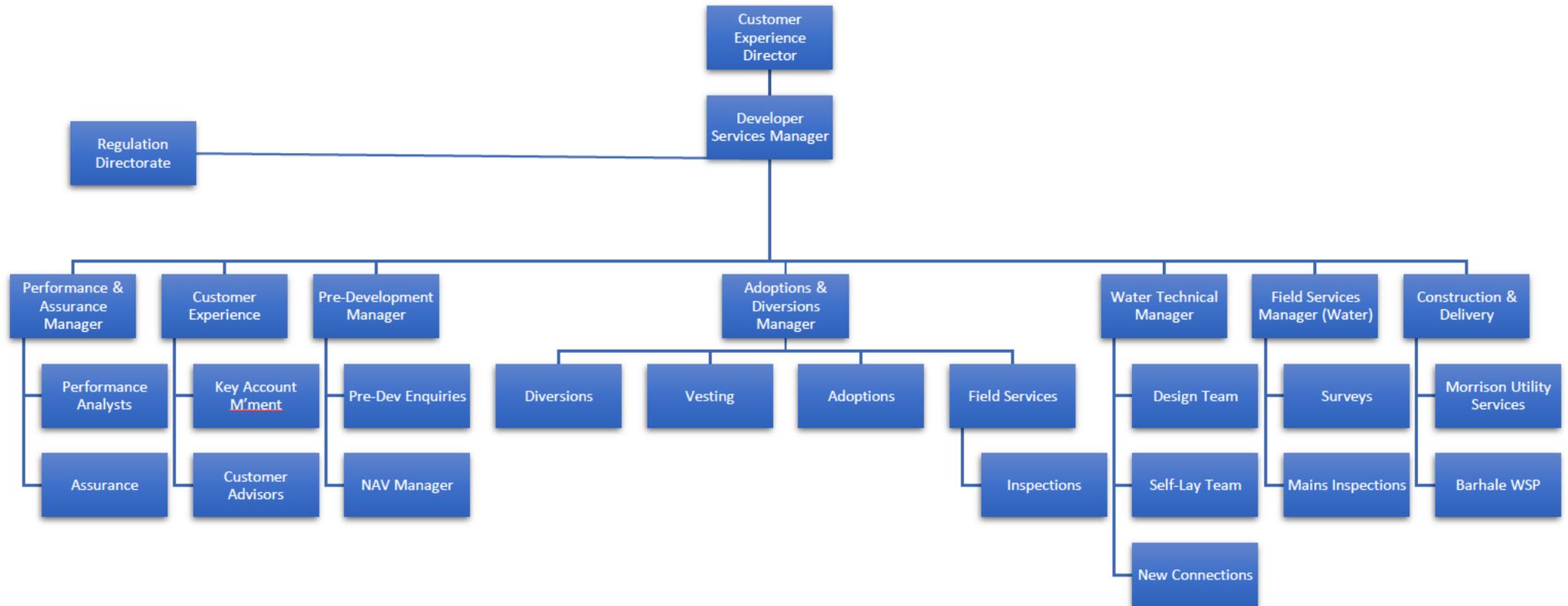
Culture, customer experience and quality of service

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

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

Our developer services team is comprised of 90 people. The structure of the team is provided below.

Figure 3 – Developer services organogram



The purpose of each team identified in our organogram, is summarised below:

The performance and assurance team

- To carry out data analysis that drives continuous improvement in services offered to customers.
- To monitor performance across all teams in developer services to improve both our levels of service and quality of service provided.
- To carry out all activities required to provide Water UK and D-MeX data.
- To provide levels of assurance across regulated developer services activities (e.g. annual charging arrangements and review/renewal of application forms) and to ensure the activities are completed within specified timescales.

The customer experience team

- To provide front line support to all developer services customers through various channels of communication (e.g. phone calls and website).
- To provide a key account management service to developers. The team holds regular meetings with developers to discuss key issues, future changes in regulation (e.g. codes of adoption), gather feedback from customers on services offered and test changes to processes.

The pre-development team

- To manage all activities related to pre-development across both water and waste services.
- To work pro-actively with local planning authorities and councils on planning and pre-development matters.
- Facilitates new sewerage connections to the existing network.
- To provide focussed support to our NAV customers.
- From initial enquiry through to adoption of assets and bulk agreement in place.
- Holding regular meetings with NAV customers to discuss key issues, future changes in legislation (e.g. codes of adoption), seek feedback on performance and develop improved ways of working.

The adoptions and diversions team

- To manage the end-to-end process for any diversion work requested by customers and upon customer request, we can carry out construction work on requisitions.
- To manage the end to end process for the adoption of new assets.

Water technical team

- To develop and provide quotations.
- To provide focussed support to our self-lay customers.
- From initial enquiry through to completion of requested activities.
- Holding regular meetings with self-lay customers to discuss key issues, future changes in legislation (e.g. codes of adoption), seek feedback on performance and develop improved ways of working to encourage increased self-lay activity in the region.

Field services (waste and water) team

- Carry out surveys of new supplies requested by all customer types.
- Prepare data that facilitates provision of a quote.
- On-site inspection of new mains for adoption.
- Provide guidance and support to developers, self-lay and NAVs on the construction of new mains infrastructure.

Construction and delivery team

- Where requested carry out the installation of new mains infrastructure and service connections.

(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.

Activities for SLPs are covered across different teams:

- Initial enquiry, acknowledgement and indexing of work is undertaken by the customer experience team.
- Quotes and designs are provided by the water technical team.
- On-going engagement through to asset adoption and billing with SLP and NAVs is managed by our NAV manager and self-lay team.
- Construction of non-contestable work is undertaken by our service partner – Morrison Utility Services.
- Asset adoption is managed by our field services team.

Activities for NAVs are undertaken across different teams:

- Initial enquiry, acknowledgement and indexing of work is undertaken by the customer experience team.
- All other NAV activities are completed by the pre-development team.
- Construction where requested is undertaken by our service partner – Morrison Utility Services.

Where the developer is the customer then these activities are carried out within the same teams:

- Initial enquiry, acknowledgement and indexing of work is undertaken by the customer experience team.
- For water services quotes and designs are provided by the water technical team.
- For waste services initial planning enquiries are managed by the pre-development team with asset adoption managed through our adoptions team.
- On-going engagement through to asset adoption and billing with is managed by teams delivering services with a key account manager supporting.
- Construction of non-contestable work is undertaken by our service partner – Morrison Utility Services or Barhale.
- Asset adoption is managed by our field services team.

12. Please provide a description of your approach to engaging with developers, SLPs and NAVs over the last year, including:

We have engaged both internally and externally with many stakeholders over the past 12 months to help influence and inform how this plan is structured, this engagement has been through many different channels:

- Hosting a developer forum in April with all customers including SLPs and NAVs discussing key themes such as new codes of adoption and seeking feedback on how we can improve our service to customers. We have provided a slide pack of the event in appendix c3.

- Appointment of key account manager for one to one engagement with developers, self-lay provides and NAVs to jointly engage on several topics including codes of adoption, charging arrangements and services provided.
- The appointment of a self-lay and NAV manager for one to one engagement with our customers
- an increased number of proactive meetings with developers to discuss and resolve site specific issues to reduce cycle time.
- At all times taking time to gather feedback from customers to understand improvements we can make and build them into our transformation plan.
- We have consulted with customers to ask how we can make improvements to our website to improve the information that is shown.
- We engaged with customers to seek feedback on the development of an on-line portal that provides a self-service to customers including application forms.
- Our developer services manager is a member of the NAV improvement project group and enables this learning to feed into our approach to NAVs going forward.
- We had members of our developer services team on the panel for both water and waste codes of adoption as subject matter experts, who helped influence and direct the approach that was proposed to Ofwat.
- Going forward we have volunteered to be part of the water codes panel supporting Water UK to propose any future amendments to the sector document.

With specific reference to our charging arrangements for 2019/20 and 2020/21 we have:

- Sought feedback from Ofwat on our charging arrangements from previous years.
- Sought feedback from Consumer Council for Water with a view to improving future charging arrangements both in terms of pricing and content of document.
- Sought feedback from meeting with our customers.
- Hosted a charging arrangements forum.
- Surveyed customers requesting feedback on our proposed charging arrangements.

Specifically considering the introduction of D-MeX we have:

- Worked with [REDACTED] who undertook replica D-MeX surveys for four months in early 2019 to gain an insight into customer feedback.
- Engaged with QA Research to undertake a number of face to face interviews with customers to gain insight into performance and our existing service provision.
- Engaged across the sector through interaction at Water UK Infrastructure policy group and have worked with Anglian, Thames and United Utilities to exchange views and opinions on ways of working to share best practice and drive improvements in service.

This engagement has helped in the development of a 2-year improvement plan, this has been presented to Yorkshire Water leadership team. Actions were taken away to further develop and define the benefits that will be derived across our customer base, internally within the business and support growth across the region.

(a) The groups that you have engaged with, the form of engagement and how the engagement was communicated to potentially interested stakeholders;

We have engaged with many different stakeholders over the past 12 months through various means:

- Large and small developers.
- One-off new connection customers.
- NAVs.
- SLPs.
- Local planning authorities.
- Home builders federation.
- Fair Water Connections.

We have looked to use as many different approaches as we can to engage with our customers. We have used our website and self-serve portal to advertise future events, we have had face to face discussions, conference calls, workshops and forums, and used opportunities such as developer days and attendance at D-MeX working groups to network with other water companies and Water UK.

The appointment of a key account manager for large and small developers, a NAV manager and self-lay manager has allowed us to reach out to our wide communities of customers and interface both face to face and over the telephone to discuss future events and changes (e.g. codes of adoption) and allow our customers the opportunity to raise specific issues.

For NAVs our market operations team managed the client facing aspects and the negotiation of bulk supply arrangements. This team deliver the ongoing management of the bulk supply agreements, including charging for bulk supply services and added value services.

Our customer experience team manages day to day communication with customers via several channels. The level and frequency of proactive interactions with different customer types has increased over the year.

Engagement actions include:

- Hosting a developer services forum with all customer types including SLPs and NAVs.
- Increasing the number of proactive meetings with developers to discuss and resolve site specific issues to reduce cycle time.
- Gathered feedback from developers to understand improvements that we can make and build them into our transformation plan.
- Appointed a key account manager for engagement with key developers in our region.
- Appointed a self-lay manager and a NAV manager for one to one engagement with SLPs and NAVs.
- Held a new connections charges workshop which engaged with developers and SLPs.
- Designed and delivered an online survey as part of our consultation approach for our current and 2020-21 charging arrangements.
- Made improvements to our website to provide better information to customers.
- Launched our customer portal to streamline the quotation process.
- Consulted with NAVs on bulk supply charging arrangements, including one to one meetings.
- Dialogue with councils and local planning authorities to review future regional development plans.
- Our developer services manager is a member of the industry level NAV improvement project group.
- Sharing best practice with other water companies.

Further detail of our engagement with market participant is presented in appendix c4.

(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

When engaging with the groups highlighted above, we have taken a consistent approach, covering national topics that impact across the industry and help customers understand the impact on them and how we are changing and adapting to these. We engaged at several levels.

National Level

- Current approach by Ofwat and regulatory bodies to promote the developer services market and ensure a level playing field.
- The introduction of the new water and waste codes for adoption.
- Changes in relation to the new connection charging rules with emphasis on the change to income offset rules.
- The introduction of the D-MeX performance commitment and the benefits this will bring to customers and the industry.
- The review and impending changes to the Water UK service level agreements and introduction of new NAV measures.

Regional Level

At a regional level we have engaged with our customers operating across the region and worked with them to understand in greater detail future changes, this has included:

- A forum for all customers where we shared our approach to the 2020/21 charging arrangements, what they mean to customers in Yorkshire and sought feedback on our approach.
- Our efforts to drive an improved customer experience, the introduction of the D-MeX performance commitment, how it will work and how customers can provide feedback to enable us to further improve our performance.
- The impact that the future codes of adoption will have on customers, the approach we are taking and any regional practices we are considering introducing.

It is important that we listen to the individual views of all our customers, we are keen to discuss any site-specific issues and take the learning from these conversations to improve future performance. We do not generally have a specific agenda for such discussions as we want to encourage customers to share thoughts and views with us on a wide range of topics.

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

As part of our transformation plan, we are considering the development of a customer database that will increase our knowledge and understanding of our customers across the region, understand trends and allow us to make better informed decisions. This will enable us to collate contributions from stakeholders in a consistent approach for future improvement.

Currently we do not have a formal process by which contributions from stakeholders are taken into consideration. The information is collated through the various forms of engagement we undertake and then discussed at improvement sessions. These views and opinions have contributed to the development of our transformation plan as previously discussed.

Progress is communicated back to our stakeholders through:

- Regular one to one meeting with account managers.
- Various forums that we have with our customers.
- Our website, as initiatives are deployed, or policies set or updated.

Specific examples of where we have taken contributions from stakeholders to drive improvement and communicate back are:

- On our formal bulk supply charging and new connection charging arrangements consultations, we fed back the contributions from stakeholders through the publication of consultation findings and our conclusions. These are published on our website.
- We have had feedback in relation to our section 104 process and have recently arranged a workshop with developers and consulting engineers to work together on improving this process, with a view to getting it right first time and reducing cycle time for approval of design and adoption of assets.

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

- Email sent before session on 4 April – please see appendix c5.
- Email for charges consultation – please see appendix c6.
- Agenda and slide pack for charges consultation – please see appendix c7.
- Consultation findings reports for NAV bulk charging and new connection charging arrangements can be found on our website⁴.

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 do not offer any similar services with different operational service levels depending on the customer type.

(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.

For the purpose of this response we have compared our performance in 2018-19 with performance to date in 2019-20.

The table below shows our performance by each of the SLP service metrics published by Water UK.

⁴ www.yorkshirewater.com/media/1498/yorkshire-water-nav-bsp-consultation-response-summary-april-2019.pdf and www.yorkshirewater.com/media/1467/new-connection-services-consultation-report-2019-2020.pdf

Table 6 Water UK published performance levels

Water UK Measure	2018/19 Performance	2018/19 Volume	2019/20 Performance	2019/20 Volume
Self Lay POC Acknowledgement	89.39%	66	65.38%	26
Self Lay POC <500	84.48%	58	88.89%	26
Self Lay POC >500	No cases	0	0.00%	1
Self lay Acknowledgement	89.06%	128	71.70%	53
Self lay Under 500	28.57%	154	69.30%	110
Self lay Over 500	No cases	0	100.00%	1
S51	70.97%	93	91.80%	56
Self lay provision of temporary & permanent supply of water to self lay mains when pressure testing	38.10%	84	86.36%	44
Self lay provision of temporary & permanent supply of water to self lay mains to support connection	42.86%	7	70.00%	10
Self Lay Vesting Certificates	58.73%	63	22.86%	36
Self Lay Asset Value Payments	55.10%	49	28.00%	25
Self Lay Plot Reference	97.79%	2082	99.93%	4022

The volume of work requested from SLPs has remained relatively constant over the past 18 months as observed in the table above.

We recognised during 2018 that the service offered to SLPs was not acceptable and have since taken actions to improve on our performance. This has included a review of processes working alongside SLPs to improve and reduce timescales where SLP work is requested. We have taken steps to ensure developers are aware that they have choice when determining how work is delivered through the appointment of a key account manager. We created a new role within the water technical team dedicated to work requested by SLPs, the purpose of this role is work with SLPs on improving performance, be a key point of contact and ensure we have focus on this work.

The benefits to this role is now being seen in our water levels of service for 2019/20. We have seen an improvement in performance across 60% of our SLP measures.

During this period, we have met with Ofwat and provided updates on the progress of our performance recovery and improvement plans.

We have seen a decrease in four of our measures. This is largely following issues from the rollout of a significant IT programme of work on our SAP system. Although the scale of the impact was unforeseen, we identified issues quickly and remedied the situation with additional resources and alternative ways of working. We communicated with customers at the time to advise of temporary delays in some types of work. The impacts on customers have now been largely rectified.

On the acknowledgement of self-lay point of connection >500 properties and the subsequent installation of mains on sites >500 we have no data to share as no applications have been made by SLPs. This is not a concern to us as we only see a very low volume of this type of work each year across the region.

We will be holding a workshop with our SLPs in December 2019 to build on the relationships we currently have and will use this as an opportunity to explore further opportunities for improvement and to encourage SLPs to seek further work in the region.

(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 provided our response to this question in appendix c8.

(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?

There are instances when we provide information to NAVs, SLPs and developers for the same site at differing times. When we receive pre-planning information (point of connection) requests from NAVs we have already provided information to a developer and responded to a consultation from the local planning authority.

With regard to quotations, generally the developer has already decided on their preferred procurement of the network, and we will receive either a requisition or a self-lay application.

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.

From the outset we have taken a proactive approach to ensuring we will be ready to support the implementation of the new adoption codes. We worked with Water UK, this included our senior adoptions engineer working as procedures lead and our drainage strategy manager, working as key member on the waste codes panel and our field services manager on the water codes panel. They were able to consult, influence and advise on the recommendations to Ofwat. Having representation on the code panels helped inform our implementation plans. We have set up company-wide steering groups to help develop our approach, the codes of adoption will impact across several teams in the organisation, so this wider engagement is necessary to ensure business readiness for implementation.

For both codes of adoption, we took a consistent approach to consider changes to:

- Processes.
- Agreements.
- Technical Standards.

We have then further broken these down into:

- A review of our levels of service and understanding the impact on our delivery teams.
- Preparation of processes to ensure readiness for providing online support to developers and SLPs. This work links into a wider project in our transformation plan to review all our existing application forms and letters.
- Reviewing what new minimum information we will require.
- Reviewing the process of amending our design and construction guidance.
- Understanding how our standard agreements need to change.

- Specifically, for the water codes of adoption, we are defining the contestable and non-contestable tables to provide a clear process dependent upon with option is taken.
- Considering any impact on existing charges that the codes will require.
- Defining what items will be needed to meet specific technical standards or local practice guidelines and arranging for workshops and advertising prior to use.
- Ensuring that our complaints process is up to date and incorporates mediation organisations.
- Specifically, for the waste codes of adoption, we will define our sustainable drainage systems (SuDS) symbology requirements and engage with health and safety teams to understand the relevant requirements.

As this work is completed, we will consider how we progress to the implementation phase and what arrangements we may consider for any transition, this will consider:

- How we continue and finalise our engagement with developers and SLPs.
- What internal training needs to be undertaken across the business.
- Planning what changes we may need to make to structures and teams across the business to manage and support the changes.
- Define the details/changes which will need to be shared on our website in accordance with defined timeframes.
- Consider our databases/online accesses for our customers. Ensure that they are ready to use, for the process changes needed and information that needs to be recorded.
- Transitional arrangements:
 - Early engagement with developers to allow the progression of any existing development sites and allow developers to be able to concentrate on the new requirements.
 - How we will manage applications already submitted and should we apply previous requirements or can we adaptable and change to the new requirements or certain changes to facilitate early adoption of the codes.

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

As we have been engaged in both water and waste codes panels, we have been able to engage with customers throughout the development of and subsequent proposals of the new codes.

For both water and waste codes we have:

- Engaged with customers in regular one to one meeting through our key account manager, to advise on the new and upcoming codes of adoption, gathering intelligence on how they want to engage with us through ongoing visits, emails or requests for second visits.
- During the consultations, emails were sent to customers advising of the changes in the way that water adoptions will take place.
- Interacted with developers across our region who were invited to play their part in the new changes to the codes.
- Sent out online links on the codes of adoption consultations.
- Planned key stakeholder workshops to discuss the main topics of change for both SLPs and developers.
- Over the last year held regular meetings, through our key account manager, with developers.

Specific to the proposed water codes we:

- Plan to carry out a workshop with SLPs operating in our region. As part of this workshop will be discussing our approach to the new water codes, the impact on developers and we will look to work with SLPs going forward.
- Will prepare for the use of the risk matrix that will be used to adopt water assets in accordance with the final water codes for adoption.

Specific to the proposed waste codes we have lobbied on the requirements to ensure that the upfront meetings are held as soon as possible before putting in a section 104 application.