

Emma Kelso
Ofwat
Centre City Tower
7 Hill Street
Birmingham
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By email to: incodem@ofwat.gov.uk

31 October 2019

Dear Emma,

Re: Incumbent water companies and the development of effective markets

Thank you for your letter dated the 16 September 2019, following on from Rachel Fletcher's letter of 28 May 2019.

Yorkshire Water is committed to the use of markets in the widest sense to deliver the best possible outcomes for our customers and for the environment whilst we address the significant challenges we face as a sector and society. In respect of the targeted use of the markets you focus on in your letter, we agree that we have a unique role in providing essential services to the people and businesses of Yorkshire.

I am proud of the positive contributions we have made to the development of and operation of the non-household retail market, and our near frontier wholesaler performance. There is always more that we can and will do to share our experiences with others and learn from sectors who are further along their path to market maturity.

We are transforming our Developers Services function to improve the services and experience we provide our customers and to address market frictions. I welcome the additional focus the introduction of D-MeX is already making on our improvement plans and the collaborative efforts being seen across the sector.

In our PR19 business plan we set out our intent to embrace the potential of the bioresources market to deliver efficiencies, and we have fundamentally changed our approach in this area to one that is centred on developing and using business to business markets.

Our approach to developing an effective water resources market in Yorkshire is to firstly deliver a successful bidding market capability. Currently we are looking to master the fundamentals and develop our stakeholder information provision to help third parties work with us to identify and exploit opportunities that will lead to long term benefits for customers.

Accompanying this letter are our detailed responses to your questions covering the key areas of focus, namely; the level of water company engagement and support to improve the current

non-household retail and developer services markets and support for the development of new markets. Our detailed responses are set out in Annex, A, B, and C that accompany this letter.

We have recently received the information request from Emily Bulman in relation to bulk charges for NAVs to support your future study. We have some thoughts that we would like to share with you about whether the scope of the study could go beyond evaluating the application by incumbent water companies of your bulk charges guidance and consider customer outcomes delivered by the market and how effectively the market is operating for end customers. If this would be helpful to you, please let us know.

We hope that the evidence we have provided demonstrates our engagement in and support for effective markets across the sector. We have made good progress in helping ensure markets become more effective and we have a lot to share with, and learn from, others. I look forward to further opportunities to work with you and stakeholders across the sector to drive improvements that can evidentially advance the outcomes for customers and the environment.

For your information, I can confirm I have responded separately to Rachel Fletcher's letter of the 28 May 2019.

If you have any questions or would like to discuss any specific points regards our support for the development of effective markets, please contact: [REDACTED]

Yours sincerely,

[REDACTED]

Liz Barber
Chief Executive Officer
Yorkshire Water

[REDACTED]

Annexes that accompany this letter

Annex A - Question relating to your Board's support for the development of effective markets.

Annex B - Questions relating to the Business Retail Market.

Annex C - Questions relating to the Market for Developer Services

We do not provide an Annex D in response to the optional question relating to the effective support and development of new markets.

Comprehensive information relating to our support for the development of new markets is provided in our 31 October 2019 response to Rachel Fletcher's letter of 28 May 2019.

The material we have provided to Rachel Fletcher focuses on our progress regarding the water resources market (water trading, leakage management solutions, and demand management solutions) and the bioresources market.