



Emma Kelso
Senior Director, Markets and Enforcement

By Email
31 October 2019

Dear Emma,

Incumbent water companies and the development of effective markets

I am writing further to your letter of 16 September on incumbent water companies' support for the development of effective markets and to Rachel's earlier letter of 28 May 2019. I wanted to share the Panel's thoughts on a few of the issues you raise in your letter.

The Panel welcomes your challenge to all market participants to do more to promote the successful functioning of the water retail market and we note your specific challenge to the Wholesaler community.

The role the Panel plays within the market is defined within the market codes and obviously the Panel must function within this granted remit supported by the Market Operator. As a Panel we are very mindful of our obligation to act and make decisions independently of any specific market affiliations. Panel members bring a wealth of experience from within and outside of the water industry, but independence of decision making is enshrined in Panel business; from the requirement for members to have Employer Release letters, through individual affirmation to act independently to the Panel voting arrangements. We here collectively reaffirm our commitment to this independence of thought and approach.

The Panel through its committees routinely monitors performance of the market and is seeking to amend the performance framework to incentivise correct behaviours both in the short and long term. We note the observed and reported issues within the letters and would very much welcome direct feedback from Ofwat on the findings of your review. This would be useful to further inform our understanding of market issues and to give insight into the relative priorities of these issues.

The letters cover several aspects both within and outside the Non-household Water Market. The letters challenge Wholesalers in particular, but recognises that all market participants have key roles to play in promoting and developing the market. As an independent Panel we will promote and lead the evolution of the market for the benefit of business water customers, support appropriate behaviours and challenge observed inappropriate behaviours within our remit.

We have not provided any detailed comments on the specific points you have raised. However, if there are particular points you would like a Panel view on, or we can provide information to support



your review, we would be happy to do so. We look forward to the results of this review in due course.

Yours sincerely,

A solid black rectangular box used to redact a handwritten signature.

Jim Keohane

Chair of the Panel