

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

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

The water2business (w2b) board have a standing agenda item relating to market insights, where they discuss how the market is operating, new initiatives and ideas.

w2b are part of the UKRWC and are active in responding to requests for information (RFI) and consultations.

w2b have monthly meetings with MOSL to discuss changes and development. We have open communication with MOSL directly and our Business Support Services to ensure our environment can support future change.

We have active engagement with wholesale partners and consistently work to achieve a better outcome for customers, with monthly meetings in place with most.

We have an internal 'programme board' which reports to the board on our ongoing programmes of change to engage better with the market/our customers.

We have an internal 'people's council' and simplification programme which highlights inefficiencies in our process and issues with the market. These are always raised to MOSL via our account management meetings.

All our people have objectives to increase the service we provide and engagement in market operating is required to achieve this.

Annex B: Questions relating to the Business Retail Market

General

1. As the provider of wholesale services in the business retail market, what action do you take to understand the experiences of end customers in consuming these services? (For example, concerning the ease and speed with which end customers may - including via their retailer - request and receive meter installation, meter repairs, data logging services, decisions on leakage allowances, non-return to sewer allowances, permissions and permits concerning water supply and trade effluent services, disconnection or change of tenancy notification).

NA – not a wholesaler

Industry Governance

2. Please outline and provide relevant evidence on the extent to which you monitor, contribute to and participate in the work of the Industry Panel (including relevant Committees³ and working groups⁴).

MOSL, Ofwat and UKWRC are regularly monitored by our compliance manager and a weekly meeting is held with the COO to discuss any change and responses required by w2b. These comments are fed back directly to the MOSL via the account meetings and also into the UK Water Retailer Council to ensure W2B's thoughts are aligned with market's core operating challenges.

3. Please explain how, in making decisions about how to respond to relevant industry consultations on code change proposals, you balance or reconcile your commercial interests with those of the market as a whole, where possible, citing examples.

In response to all consultations, w2b always review the impact across all the departments of the business. It is important that we submit a balanced company response. All wider market change is discussed at our regular wholesale meetings to ensure the impact on wholesalers is also considered.

More often the responses we provide have the customer at the centre of our approach. Customer's benefit from increased service, lower cost to serve and therefore less 'red tape' being required.

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

w2b was a founding member of the UKWRC, which has a sole purpose of increasing customer service and effective working in the market. The w2b board fully support this position and have a market insights update and subsequent discussion at every board.

w2b have also engaged in the PR19 plans, when approached and have via the UKWRC responded to the performance commitments proposed in the plans.

Until recently w2b attended the code panel and was an active member, driving forward changes required to make the market a success.

Wholesaler performance

5. Have you been subject to an Initial Performance Rectification Plan (IPRP) at any point since they were initiated? If so, what measures did you take to understand the root causes for your underperformance, what activities did you undertake to address this and how has your performance changed since going on the IPRP?

Yes, to understand the root cause, time was spent with the team which incurred the charges, to understand why this happened and what could be done to prevent this going forward.

Following this internal investigation, a change was implemented to reduce the risk of this reoccurring. All of the steps undertaken were shared and discussed with MOSL via the account meetings.

As a long term approach a restructure of the team has been planned. Since the plan was introduced w2b's performance has returned to our prior performance and the plan has been lifted.

6. Where an IPRP has been put in place for your company, has your Board discussed your IPRP? Please provide relevant extracts of Board papers that document any such discussions.

The IPRP has only been discussed as part of the businesses overall position on MPS charges. As a leading retailer in this area no detailed discussions have occurred or been necessary.

There is still a drive to improve our already market leading performance on MPS as each fine represents a service failure, which our customer should not suffer.

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

NA – not the wholesaler

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

NA – not the wholesaler

w2b have responded to the bilateral problem statement consultation to state that the current self-reporting approach is not fit for purpose and the data does not seem to be fully assured in its current state.

Data quality

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

As a retailer w2b continue to communicate with MOSL and provide on-going support. We have worked closely with wholesalers help identify vacant properties and ensure we are billing the correct customers. In line with this, we have introduced the use of Land Registry which we hope will help with the vacant status.

w2b have been a strong advocate of data sharing in relation to meter reads and smart meters, but the wholesale partners approach has been inconsistent and unhelpful for customers.

w2b have an active programme of work where we review skipped meter reads and attempt to get wholesalers to review their assets. This can be time consuming and does increase our cost to serve.

w2b are starting an internal programme to review all missed meter reads and long unread meters to ensure we are reduce from our already market leading position for the benefit of our customers. We expect to see results February / March 2020.

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

As a retailer w2b ensures that the data input into the market is correct. A key part of our retail service desk (RSD) team's responsibilities is to update the market and ensure the data input is correct. In addition, w2b actively engaged in the discussions around the introduction of 'B-mex'.

w2b have also started a full review of the information we hold and how this is reconciled to the CMOS system. As the CMOS system technology requires third party interfaces this is always difficult. This programme should ensure data errors are reduced.

11. Please describe any processes you have in place to take into account information received from retailers or end customers concerning incomplete or inaccurate data held in your systems or in CMOS. (For example this could relate to: meter location; customer or retailer meter readings; change of tenancy; or disconnection). Please also set out the process that a retailer would need to follow in order to inform you about incomplete or inaccurate data and your process and timetable for responding to this.

NA – not the wholesaler

Wholesaler retailer interactions

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

Communication has been circulated to advise these publications are now available online. w2b also attend several meter reading related groups which all feed into the RWG.

13. What actions have you undertaken to support the development and implementation of a bi-laterals solutions? Has your Board discussed your approach to the bi-laterals solution? Please provide relevant extracts of Board papers that document any such discussions.

The w2b Board are aware of the bilateral solution and supported the approach presented to date. As this has only been a theoretical approach no fixed paper has been presented to the board. We expect this to be done following the release of the initial scope.

14. Wholesaler policies: Please set out (and where appropriate provide relevant supporting evidence):

(a) what action you take to help ensure your wholesaler policies (including: i) the charges /charging structure; and ii) any SLAs or KPIs; associated with the provision of wholesaler services to retailers) are readily accessible and understood by all relevant retailers?

NA – not the wholesaler

(b) what, if any, unilateral action you have taken since 1st April 2017 to simplify or otherwise refine your wholesaler policies to the benefit of retailers?

NA – not the wholesaler

(c) what - if any - changes have you made since 1st April 2017 to the services you provide, the charges / charging structure for these, and/or any associated SLAs or KPIs associated with the provision of these services? If you made changes, what were the reasons for these changes?

NA – not the wholesaler

15. Charging: Please set out (and where appropriate provide relevant supporting evidence):

(a) what - if any - unilateral actions have you taken since 1st April 2017 to simplify your wholesaler tariff structure with a view to facilitating retailers' ability to make price and service offers to end customers.

NA – not the wholesaler

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

NA – not the wholesaler

16. How do you consult or engage with retailers on the following issues (where appropriate provide relevant supporting evidence):

(a) Measuring or gauging the quality of service you provide to retailers? What actions have you taken here?

NA – not the wholesaler

(b) maintaining and improving your working relationship with retailers (e.g. do you host retailer engagement days, portfolio meetings, on-boarding processes for new entrant retailers etc.)?

NA – not the wholesaler

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

NA – not the wholesaler

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

NA – not the wholesaler

17. Concerning credit and payment terms, do you offer:

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

NA – not the wholesaler

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

NA – not the wholesaler

(c) tailored offerings under (a) or (b) above to reflect specific characteristics of retailers (for example, self-supply retailers)? If not, please explain why this is the case.

NA – not the wholesaler

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

NA – not the wholesaler

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

NA – not the wholesaler

Annex C: Questions relating to the Market for Developer Services

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

Developer services and new connections market overview

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

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

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

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)?

 - (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?

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

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)?

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

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

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

Charges for new connections and developer services

Aim: To understand what progress has been made since Emma Kelso's letter earlier this year, to better understand how each company goes about setting its charges and to understand why there may be differences between companies.

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.

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

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

7. Please explain how your charges reflect costs:

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

(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.

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

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)?

(b) What services do contractor rates apply to?

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

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.

(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,

Letter from Emma Kelso to Chief Executives of incumbent water companies in England 16 September 2019

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and the circumstances in which they apply.

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

(a) Publish a standard agreement; or

(b) Provide bespoke agreements for each new site?

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

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

Culture, customer experience and quality of service

Aim: To understand how each incumbent water company operates to provide high quality services that meet the needs of their customers.

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.

(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.

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

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

(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

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

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

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.

(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.

(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.

(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?

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.

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

Annex D: Question relating to the effective support and development of new markets (optional)

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

w2b recognise that there is a severe variation in wholesaler policies which leads to slow and inconsistent responses. We support the work the RWG has done with harmonising some of the key policies and 'good practice' guides.

There are many variations of tariffs within the market which leaves room for error and the need for a lot of manual intervention. This leads to an increase in cost to serve. Although we recognise that it is an impossible task to expect all tariffs to be aligned, we support the suggestions outlined by RWC to improve efficiency:

- Aligning on a common set of volumetric bands, which should also be consistent to the price bands set by Ofwat as part of the REC process.
- Agreeing a set of standards for (a) seasonal charging; (b) block charging; and (c) start of the financial year.
- Where meter sizes are used for charging, the size brackets could be aligned across all wholesalers, e.g. < 15mm, < 20mm, etc. rather than these varying from wholesaler to wholesaler.
- Charging consistently for the same services, for example (i) charges for drainage are applied in some areas but not others; (ii) the use of samples in TE charging is inconsistent (some retrospective and some forward looking); and
- Agreeing a common methodology for allocating fixed and variable charges.

Meter Reading

Recognising the difficulty in obtaining reads, encouraging data sharing of meters and customers to have smart meters installed.

C-Mex and B-Mex

Supporting the ability to review satisfaction from wholesalers and customers through R-Mex and C-Mex measures. We recognise that the communication between wholesaler and retailer plays a critical role in the competitive market, along with the satisfaction of our customers.