

Consultation on regulatory reporting for the 2020-21
Ofwat
21 Bloomsbury Street
London WC1B 3HF

24th August 2020

Via e-mail: OfwatPandO@ofwat.gov.uk

Dear Ofwat,

Re: Consultation on regulatory reporting for the 2020-21 reporting year

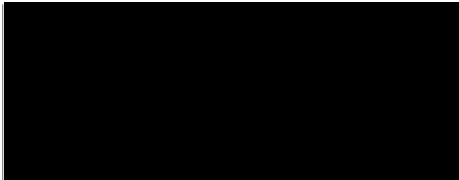
I am writing to you on behalf of independent Water Networks Limited (“IWNL”), part of the BUUK Infrastructure Group of companies, in response to Ofwat’s June 2020 Consultation on regulatory reporting for the 2020-21 reporting year. I can confirm that this response is not confidential.

We recognise the important role that New Appointees and Variations (NAVs) play in sector and associated responsibility to delivery great service to its developer and end customers.

We note Ofwat’s intention to require NAVs to report on additional customer performance reporting, per capita consumption and leakage as part of the Small Company Annual Return process. We welcome Ofwat’s recognition that any additional measures would need to be proportionate to ensure reporting is a fair reflection of a NAVs activities in the areas identified.

We have provided answers to Ofwat’s consultation questions in Appendix 1, specifically regrading Q18 relating to Small Company information requirements. We look forward to working with Ofwat further on the reporting requirement specifications. Therefore, please do not hesitate to contact us if you have any further questions.

Kind regards



Keith Hutton
Regulation Director (Heat, Fibre and Water)
BUUK Infrastructure

Appendix 1 - Small Company Reporting requirements Consultation Question 18.

Ofwat has stated that it does not anticipate the additional NAV reporting requirement to present an unreasonable burden for NAVs. We would be grateful if Ofwat are able to provide further information regarding the format of the data that is expected to be submitted, for example will the reporting requirements be harmonised with existing DEFRA reporting. Where possible, harmonisation of reporting would be a significant benefit to Small Companies.

Ofwat has suggested that the information gathered will be used to compare performance levels between NAVs and, where appropriate, other appointees. While we understand the need to demonstrate great customer service, the NAV market and customer base is small by comparison to an incumbents and could impact on how the performance translates i.e. a single poor measure for a NAV could be disproportionately negative when compared with the single occurrence for an incumbent. However, we believe that this issue can be overcome within the format of the reporting.

Below we have provided specific feedback on the proposed additional Small company additional reporting requirements:

a) customer-focused performance summary:

- I. As part of the performance measure we believe that it may be necessary to define both the customer and associated services e.g. developer or end-user. This will support transparent reporting measures.
- II. It would be helpful to understand if Ofwat are proposing to use the same or similar calculations that are currently used for incumbent companies? Depending on the type of reporting proposed by Ofwat, this could have a significant impact on the resource and system requirements.
- III. We would be keen to understand if there will be an opportunity for NAVs to input further on any proposed measures and associated timescales.
- IV. It is also essential that any quantitative measures are reflective of the size of the NAV market to give a meaningful reflection of customer performance, as performance can be disproportionately sensitive to low level activities when compared with a larger organisation delivering 100s or 1,000s of transactions.
- V. Depending on the level of customer information required to support the performance measure, an opportunity to pilot the measures may be helpful.

b) Per Capita Consumption (PCC):

- I. To assist with proportionate measurement, it would be helpful for any new PCC reporting requirements to align with existing NAV PCC reporting where possible to avoid the duplication or variation of data sets.
- II. We understand that incumbents experience a wide-ranging PCC in their areas. NAVs also experience a range of consumption variables as we connect to a varying homes types i.e. apartment blocks and individual dwellings, we also deploy to homes across many different parts of England. To understand the NAV PCC performance, it will be essential that the reporting information recognises these variables, if performance is to be compared to incumbents that cover large supply areas and therefore are less sensitive.

c) Leakage

- I. We are focused on ensuring that leakage is kept to a minimum and pro-actively monitored. While all of our connections are metered, and we track usage at the site boundary it is critical that incumbents also play a part in timely billing so that NAVs are able to ensure effective usage monitoring.
- II. The NAV market is relatively new when compared with incumbent network supply areas and there for has a disproportionately high level of new connections being constructive relative to the size of the NAVs portfolio. During the initial connection phase there is a disproportionately high level of flushing etc that takes place on the network compared to when the site is fully built out. We would keen to understand if Ofwat intend to treat 'unaccounted' for water separately to leakage under the performance measure.

d) Financial Security.

- I. We recognise the importance of a NAV being required to maintain sufficient access to finance and understand Ofwat's intention to assess a NAV's licence application and variation for a new site. Protecting customers by ensuring that NAVs have access to finance on an annual basis is essential. Where NAVs are able to clearly demonstrate a history of maintaining the required financial security and demonstrate its financial credentials to meet forecasted growth, we are keen that that proportionate regulation is applied to variations so financially stable NAVs are not unintentionally subjected to disproportionate process and associated application approval timescales.
- II. It is not clear from the consultation what additional financial security is being considered beyond current Ofwat guidance and how this could reduce the NAV application timescales given the additional security provided. NAVs vary significantly in size and the services offered, we would therefore been keen that new measures provide the appropriate level of requirements and flexibility to support all NAVs types.