

By email to: NAVPolicy@ofwat.gov.uk

Jeevan Jones
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27th April 2021

Dear Jeevan,

Our monitoring and reporting approach for new appointees - Consultation

Overall

We agree that with the acceleration in numbers of household customers supplied by NAVs, it is time to strengthen reporting requirements for all new appointees. We consider this an important part of ensuring accountability, informing developers' competitive choices about infrastructure provision and making sure that NAV customers are no worse off than those supplied by incumbents. We also agree that the requirements on NAVs should be proportionate and distinguish between large and small NAVs.

Two tiered approach

We are content with the proposal for two tiers to produce proportionality in reporting. The proposed threshold of £5m turnover to distinguish between small and large NAVs appears sensible. We would add however that the threshold should apply to the aggregate turnover from all NAV appointments held by the same ultimate parent company.

We support the proposal that the annual reporting for larger NAVs should include a wider set of metrics, which we see as proportionate to the scale of large NAV activity.

Removal of the £10.2m upper threshold

Removing the current £10.2m threshold between incumbents and large NAVs and instead differentiating according to whether Condition B applies, leaves a question. It will remain necessary in future, to decide when a NAV had grown sufficiently that Condition B should apply. It might be useful for Ofwat to set out in its final proposals how this will work, to establish now, clear regulatory expectations for the future.

As a minimum, we would suggest that when a NAV has a decent fraction, say two-thirds of the number of customers as the smallest incumbent water company, then Condition B should be re-activated and full reporting requirements commence.

Assurance / Governance

We support the proposal that large NAVs be required to provide evidence or statements showing Board level oversight of their data along with a statement setting out the assurance processes



followed. We think it is reasonable and proportionate for large NAVs to obtain third party assurance of their annual return information. This will give confidence in the reliability of information used by stakeholders, for instance ensuring that NAV customers are no worse off than otherwise, and if performance measures (such as PCC) are to be used in comparisons between companies.

Timetable

We think it would be unreasonable to introduce these changes for FY2020/21 reporting which is now only a few weeks away, but they should in place for FY2021/22 reporting.

Yours sincerely,

Martin Hall
Senior Regulatory Economist