



Monitoring and reporting approach for New Appointees - Consultation

Southern Water Response

Thank you for the opportunity to respond to your consultation on monitoring and reporting approach to new appointees. We agree that, following the rapid growth of the market, greater visibility of the financial resilience, customer service and operational performance of new appointees is needed to provide accountability to consumers and other stakeholders, and ensure that customers are no worse off.

Consultation Response

Q1: Do you agree with the purpose and objectives we have set out? Should we consider other factors when developing our monitoring and reporting approach?

Yes, we agree with the purpose and objectives set out in the consultation. We agree that new appointees should be accountable to their customers for the services they deliver and that greater visibility of financial and operational resilience is needed following the rapid growth of the market and the number of customers served by new appointees. We suggest an additional objective should be to “inform any future decisions about whether it is appropriate to set price controls for New Appointees in place of the *no-worse off* principle.”

Q2: To support our purpose and objectives, do you agree with the principle of strengthening reporting requirements for all new appointees that are distinct from those for incumbents?

We agree with the principle of strengthening the reporting requirements for all new appointees.

Whilst we agree that reporting should be proportionate, we do not agree with the proposal to remove the threshold for full company reporting. We would prefer to see a specific threshold at which new appointees would be required to provide reporting requirements equivalent to smaller Water only Companies (WoCs) with a comparable customer base. This is important to ensure an equivalent transparency of performance.

Q3: Do you agree with the principle of introducing proportionate reporting requirements that are based on a ‘tiered’ approach? What should be the basis of these tiers?

We fully support the introduction of proportionate reporting requirements based on a ‘tiered’ approach. The reporting tiers should be based on either turnover or customer numbers.

As set out in our previous response, we believe that a criteria should also be applied to “Tier 3” to ensure transparency of service performance and financial resilience of comparable companies.

Q4: Do you have any comments on how we should approach the information we collect from new appointees?

To ensure consumer confidence, we believe that service delivery and customer service performance should be collected from new appointees; and agree that the information collected, such as C-Mex, should align with larger companies to allow comparison with incumbents and ensure that consumers are no worse off.

Q5: What are your views on how the quality and transparency of financial information in small company returns could be improved? How could this vary by tier?

As there is no ‘Supplier of Last Resort’ process for last mile wholesalers, it is important that both customers and stakeholders have confidence in the financial resilience of new appointees. We agree with the proposals to require all new appointees to submit financial data tables; to include a minimum of balance sheet, cash flow statement and net debt position. We also agree that this information should be published by default to ensure transparency. Such financial information would also inform decisions as to the appropriateness of setting price controls for larger NAVs

Q6: Do you agree with our proposal to introduce an annual narrative requirement for new appointees subject to a company-based assessment? Should further information be included in the small company return?

It would appear appropriate to introduce a requirement to compare latest annual figures against forecast along with a narrative of any material variance, especially where a company based assessment is in place.

Q7: Do you agree with the principle of a consolidated annual performance report that is accessible to all relevant stakeholders? For some measures, may another format be more appropriate?

We agree with the principle of a consolidated annual performance report that is accessible to all relevant stakeholders. This is essential to ensure transparency of performance and levels of service provided by new appointees and allow customers to hold them to account.

Q8: What should the annual performance report include as a minimum and which existing performance measures may be relevant to include?

We agree with the key service areas of reporting should include: customer service, affordability, operational performance, asset health and the environment. At a minimum these should include customer service measures, such as complaints, to ensure consumers are no worse off. To ensure performance is comparable we believe these should be prescribed measures and should be aligned with existing definitions.

Q9: How may reporting requirements differ between new appointees and at what level should performance information be reported?

These measures should be reported at company level, and also disaggregated to incumbent region and by age of assets, to ensure customers are provided with a comparable level of service and are no worse off.

Q10: What should our approach be for ensuring there is sufficient assurance relating to the information provided by new appointees in their annual returns?



We agree with the proposal to require Tier 2 companies to require third-party assurance of the small company return and to confirm financial information is consistent with the new appointee's statutory accounts.

Q11: What should our approach be in terms of the board leadership, transparency and governance of new appointees?

We agree that greater transparency of new appointee corporate and board structures are needed, particularly where they are part of a wider corporate group. We also agree that new appointees should provide a narrative in their annual report covering how they apply the principles of board leadership, transparency and governance to their regulated business.