

Jacobs Bioresources market consultation response

Thank you for the opportunity to respond to the Bioresources market consultation. We have limited our comments here to aspects of the market review which we have not previously been involved in.

Q2: Do you agree with, or have any comments regarding, the proposals and views we set out in this document?

Approach to assessing costs

We see advantages to changing the basis of your cost challenge to base it wholly on average revenue requirement rather than partly on expenditure. This could help to open the market by reducing barriers to third-party entry. We also see some potential pitfalls which should be considered.

Sector-level benchmarking would need to be done against historic costs, companies' cost forecasts for the next AMP, or a combination of both. There is a risk that in referring to historic costs, changes in treatment technologies and the cost of compliance with the introduction of new environmental regulations are not reflected, reducing the ability of historic benchmarks to accurately describe present-day efficiency.

Benchmarking between companies could be subject to limitations in that due to the relatively small size of the Bioresources price control, large projects can significantly affect companies' cost to treat in each AMP. Apart from systemic effects from environmental regulations, companies are at different stages in their investment cycles. There is a risk that companies could appear inefficient in comparison to their peers based on investment needs which would be evaluated as efficient when considering the whole asset lifecycle instead of only expenditure within the AMP. Companies which plan to replace assets could therefore be under-funded and have to use third party long term contracts to obtain the capacity they need.

We consider that in light of this a glide path may be an appropriate way to arrive at the long-term efficient revenue allowance. It may be appropriate to model asset investment requirements over a longer period than one AMP to understand the long-term efficient level.

Outcomes

We support your proposals around outcomes. We consider that there is a case for common PCs as a tool for driving beneficial behaviours. This would be broadly similar to the availability league table used to rank energy from waste plants.

We consider that there is potential for value to be added through common Performance Commitments focused on developing the Bioresources sector as part of the circular economy and improving asset health, for example:

- Units of biogas put to beneficial use per tDS.
- Asset unavailability tDS days, normalised to total company throughput. A tDS day could be defined as the number of days an asset is unavailable, multiplied by its average daily throughput in tDS.

These could be formulated to be market-neutral, for example by specifying that they apply to both the company and any third party service suppliers.