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OfwatPandO@ofwat.gov.uk

21st July 2021

Dear Ofwat

Re: Gathering data about developer services – a consultation

Thank you for the opportunity to respond to this consultation.

We expressed in our response to the consultation on the Annual Performance Report requirements for 2021/22 our concern about the increasing level of regulatory burden being created by ever-growing data and information requirements. The data request proposed in this consultation is a clear example of this. We suggested in the APR consultation response that there should be a moratorium on further data requests until they are supported by full regulatory impact assessments, and that particularly applies to this request.

This data request comes out of a previous significant request for information, without it being clear about the limitations of the previous data provided. This provides low confidence that further data collection is proportionate, or even if believed to be potentially useful, is in practice unlikely to produce useful information.

The level of information and data requested on developer services in recent months appears to be significantly disproportionate to the size of developer services activity within the overall value chain. These data requests can be extremely challenging, particularly for small companies such as ourselves, where the primary function of the developer services team is focused on the “day job” of interacting with developers and SLPs, rather than compiling detailed datasets. The 2015 reforms were designed to simplify the developer services market and reduce such data burdens (e.g. getting rid of the ‘DADS’ requisition calculations).

We therefore disagree with the proposal to collect this data on an interim basis in September. This would be an unwelcome distraction and diversion of our limited resources at a time when we are collating and calculating our draft charges for 2022/23, and preparing for our engagement with developers on them. We do not believe that it is a reasonable expectation that data would be available in this format

We believe it is unlikely that the data collection will work, because of the assumptions companies would need to make, and the manual effort involved in completing the proposed template. We know this is likely to be the case, because of the challenges Ofwat identified in companies completing the data originally collected at PR19 (which split forecast development sites and costs into company defined size bands).

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Based on our review of the PR24 high level discussion document, the market has not been clearly defined by Ofwat in order to separate network reinforcement, competitive sites and single/low/infill connections.

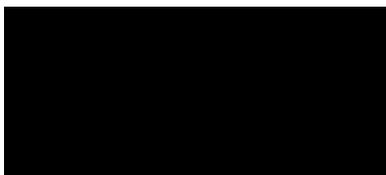
We can only make limited comments, as Ofwat have not published the results of the CEPA analysis of the developer services RFI. We doubt that a “sheep dip” data collection from all companies will improve the data Ofwat has, because the market may vary for other factors outside of water company control, including regional scale of housing developments, and competition between SLPs and NAVs.

It would seem more proportionate to explore with SLPs and NAVs their view of how the market could develop, rather than assuming that further changes to the developer services framework is the answer. We feel that the competitive elements of this market are best analysed by mechanisms such as D-MeX and observed customer choice, rather than attempts to separate data in a granular manner.

The current framework has only been in place for 12 months, and that 12 months will not be typical with stamp duty holidays and COVID-19, compared to what comes next. This is particularly the case as for major developments, quotes accepted based on the previous framework have a significant impact on costs and revenues in 2020/21 and beyond. As an example, the biggest new development site is one on which the development process will last 10 years or more depending on market conditions. How this will be split into packages, with different quotes, approaches to meeting development needs, offsite reinforcement and a variety of other issues will not be static. But it does illustrate why very little useful information may emerge from this data request.

Our responses to the specific consultation questions are provided below. As ever, please let us know if you would like to discuss any of our points further.

Yours sincerely



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Q1 Do you envisage having any problems completing the data request for 2021-22 by July 2022, or the historical data for 2020-21 by w/c 20 September 2021?

We will not be able to complete the data request by 20 September, due to the overlap with our indicative 2021/22 charging which is required by 15 October. To complete this exercise would reduce our ability to engage with developers and on next year's charges, commitments we have already made. Although we could attempt to complete the data, based on reasonable endeavours and without warranty, we do not believe this request is proportionate and an effective use of our team's time. We recognise that the request was challenged during the engagement meeting held by Ofwat during the consultation process, where it was suggested that a trial of one month's data would be a preferred option. Whilst we would agree that a shorter dataset is preferable to a longer one, we do not agree with the provision of any interim data.

Q2 If you envisage problems with providing the full historical dataset for 2020-21, what areas would you remove from the data request, or how much additional time would you need to meet the request?

The market needs to be defined first. The columns for local network reinforcement are not in many cases specific to a site – that is not the basis of charging and would therefore not be how costs are recorded. The definition appears to state specific to a site, and whilst network reinforcement would be specific to one or more sites, the distinction is unclear in the definition. Do you mean network reinforcements rather than “local” network reinforcement – as per PR19/APR definitions rather than anything else. Or does it mean any connections for a specific site to an existing main?

Although it may be possible to provide third party market participant information, the overlapping timescale for properties, connections and quotes is unlikely to be clear or straightforward to report information against. We also do not believe that “number of years competing” is something that water companies should provide. Ofwat could ask SLPs as to what they consider to be competing, and how long for, as that is likely to be more meaningful. Have Ofwat considered what data NAVs and SLPs might have available that would inform their decisions, as well as incumbents?

Q3 Are the definitions (provided in the cover worksheet) clear enough to mitigate the risk of reporting inconsistencies between companies? If not, what changes would you recommend?

We do not find the definitions remotely clear – between site specific work, local network reinforcement and “other” in particular. In addition, quotes can have multiple options,



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between Bristol Water and SLP alternatives to the developer. This makes it very difficult for us to know what quote we are being asked for here. There are budget estimates also provided to inform decisions, and more than one quote for each site may be provided if site circumstances change. This makes it very subjective to fill in.

Quotes not accepted in part or in full are also very subjective, for instance whether this includes budget estimates that are used by the developer may depend on the complexity of the scheme. If there is very little non-contestable work, the level of engagement following a budget estimate may be particularly limited.

The services connected split (new water mains or not) - we assume you mean on-site water mains (not network reinforcement in the form of a new main not specific to the development).

The distinction between what is awarded or not for contestable is also subjective. Where developer does work themselves, is this some contestable work, or is it only if a third party undertakes this. There may be arrangements that are a mixture (this is not up to us, only the developers would know, although we may have some idea based on the discussions with developers about the options they select from the quotation or budget estimates.)

The areas we identify above are largely difficulties with definitions. If definitions are clear ex-ante prior to the start of a reporting year, then we may be able to accurately complete and report on data. There would still be a significant cost burden from reporting, at an unprecedented level of detail, which we do not believe is justified.

Q4 Would you be able to provide information on cost drivers, in particular length of communication pipe and surface type (split into made/unmade)?

We do record length of communication pipes laid in our GIS system but not surface types although surface types are recorded in the local authority streetworks gazetteer. Therefore we would be making assumptions with a regulatory burden to match in order to complete the spreadsheet with available information.

Q5 Are there any key new development characteristics you think are missing from the data request and should be included?

As the market is not static, and we disagree with the fundamental proposition, we have not considered this further.

Q6 Is there any additional developer services data you collect that you think would be helpful to Ofwat?



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No. We disagree that this data should be collected.

Q7 Would an alternative data format be more appropriate (e.g., list / table of new developments connected in reporting year alongside relevant cost / revenue data and characteristics)?

No. We disagree that this data should be collected, without Ofwat sharing analysis of past data requests and discussions with developers, SLPs and NAVs to understand the market proposition, and whether data can actually inform this based on the variety of market penetrations and approaches in the industry. Without any conclusions based on previous requests, we find it highly unlikely that more data will shine any new light on whatever the issue with this market may be, but we are not in a position to be equivocal without some feedback on previous analysis. Given the variety of SLP and NAV market penetration across the industry, and the variety of company approaches in terms of how they deliver contestable and non-contestable services, we assume a risk-based targeted approach would be the conclusion, where there is a clear issue to be addressed.