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From: Martyn Speight
Sent: 05 July 2021 09:14
To: Ofwat P and O
Subject: Feedback on Ofwat Developer Services Information Request Consultation

Whilst this consultation looks to be testing out the practicalities of collecting data from companies I am personally struck that it looks to not be well aligned with the water connections market and, therefore, I am far from certain that it will benefit Ofwat, and their consultants, significantly improve their market understanding. I therefore make some personal comments below.

Work Crossing Years

Firstly the time-line associated with developer customers getting terms and getting connections made can, with site developments, be considerable (and will often extend over financial years). So this needs to be factored into the data collection in ways which prevents only 'terms offers' being counted because much of the actual work done in the last year is on schemes where terms were issued in an earlier year.

In this regard the use of 'financial closed' looks interesting, especially with sewerage where there can be significant delays between sewers being brought into use and vesting completed let alone companies closing their financial records.

Development Size

With larger developments the work typically gets called off in phases (sometimes with different customers). It is not clear to me from the definitions whether a development of 1000 units constructed in 5 phases would constitute a single data entry or 5.

This impacts on the property count numbers as this looks to be tied to 'project close' (for the development?) rather than those in a phase connected in a reporting year. So how indefinite is the timeline to 'project close' allowed to be (especially as some companies may be more disciplined in their financial control management than others) especially on developments whose size means that they can take 5, or more, years to build-out?

In this regard it is interesting that Ofwat is choosing a 100 unit development as their maximum size for consideration when 100 units/year on a site may be a fairly typical build rate but when developers themselves routinely promote much larger developments.

Diversions

It looks confusing to link diversions into 'site specific work'. Whilst they are 'site specific' they could distort other mainlaying costs if not separately identified.

Range of Service Connections Work

Whilst connections to new houses, through standard sized pipes, dominate developer services activities other, larger than standard sized connections, routinely arise. Examples of these are:-

- common risers to various type of multiple property developments
- supplies to various commercial premises (shops, schools/colleges, offices etc.). These can be mainly for domestic purposes
- supplies for various non-domestic water usage (including factories, swimming pools etc.)
- supplies for firefighting purposes

To me the inclusion of non-standard connections with standard connections aids neither market understanding or cost reconsiderations.

These non-standard connections are currently mainly done by water companies themselves as the cost of the 'one-off' road opening permissions SLPs encounter effectively preclude competitive provision. Nevertheless this is a competition opportunity so there is surely a need for Ofwat to identify both the size of this market and the costs (which are markedly different to those on standard connections).

Furthermore a significant cost factor on standard connections is whether the ground has had a previous use and is 'contaminated'. Hence there looks to be some merit in understanding the incidence of higher cost barrier pipe installations.

A further distortion in the data is through the use of basing 'majority provider' on financial costs. So where an independent provider installs any larger than standard pipework through to the site connection point the value of the connection work itself will always outweigh any off-site work costs so even this (small) aspect of connection competition will not be picked up!

Network Reinforcement Is Not (Always) Site Specific

Although there can be a clear relation in that identified network reinforcement works are needed for certain sites to be supplied this is not the case when:-

- a) Numerous individual connections in a locality trigger Level of Service issues needing to be addressed through reinforcement; or,
- b) Zonal reinforcements are separately promoted to enhance capacity in an area before individual sites start to be advanced; or
- c) Companies choose to upsize works and provide inter-connection enhancements which are not actually needed for a site to be supplied.

Hence there surely needs to be a means whereby more general network reinforcement costs can be identified (rather than just capturing reinforcement costs on a scheme specific basis).

Furthermore there is no need for companies to indicate network reinforcement costs (because, in total, they are not site specific) to customers. So why is the "local network reinforcement - incumbent final quotation value" structured as if this information is readily available?

Another situation that can arise is when a lead developer wishes to establish site infrastructure and to then sell 'serviced plots' to other developers. In this situation various site specific infrastructure gets built but have, until the site gets built-out, no properties associated with this pipework.

Regional Considerations

Given that some companies operate over territories at distance to each other (i.e. Northumbrian with Essex and Suffolk and South West with Bournemouth) I query whether returns should be territory (rather than company) specific as this would better indicate where competition take-up is a factor meriting being addressed.

As indicated in my introduction these are personally made comments based on my experience of working in the Developer Services sector. I have merely highlight factors that are apparent to me from a reading of this Ofwat proposal and am willing to discuss these further should Ofwat wish to initiate a conversation over the various matters I raise.

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