south east water

Gathering data about developer services – a consultation

South East Water response

July 2021

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1.   Introduction

Thank you for the opportunity to respond to your consultation entitled "Gathering data about developer services – a consultation". The workshop on the 13th of July was very useful and it appears that many companies have the same thoughts around the data request and definitions. The discussions that came out of it made it clear that we all want to work together to achieve the objectives for PR24.

We understand that your main objective from the data request is to understand the current developer services markets to assess the work that is contestable and has a good level of competitive activity and the contestable work that has very little or no competitive market. Clearly the timescales involved are tight, however, I am sure that we will be able to work together to produce a data set that is fit for purpose, with a limited administrative burden for water companies.

Question 1: 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?

It would be a significant challenge to provide the interim data set by September 2021. We would need a substantial amount of system changes and manual data capture to complete the current data tables and even then we would not be able to provide all of the information you are requesting for retrospective work. We would also struggle to complete any meaningful assurance with such a tight deadline.

The timing of the request will also be an issue with staff taking significant amounts of annual leave over the next couple of months (particularly because there are less holiday clubs etc. running this year). The same staff are also those who would carry out the review and engagement for New Connection Charges.

We have attached a copy of the data sheet you have provided and colour coded the columns:

Green = data readily available without the need for significant manual input
Amber = data available but will require manual input or system changes – we would not be able to provide this by September.
Red = data not available or not available without significant system changes or manual input

It should be noted that we would need more clarity exactly what is meant by "majority/minority" and that the colour coding system is a guide.

There would be similar issues if the data set remains in place for July 2022. As previously stated we would need to make system changes to capture the data and carry out a manual review for any work carried out before any system changes required after the final data request is received.

Question 2: If you envisage problems 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?

Timescales:

As 2020/21 has been such an unusual year it is probably not the best year to use for base data. For the interim request we would suggest providing a slimmed down version of the tables with a smaller data set (in our breakout group we discussed potentially using maybe a months' worth of data for quotations for instance). If the date for submission was moved from September to March, for example, it could give companies time to capture the data as they go rather than trying to review retrospective data, so if you decided that you need 3 months data you could provide us with a reduced data table and ask us to fill it in as we go from November to January (i.e. forward data rather than retrospective) and submit in March. We are aware that this would mean using some of the data set that would be submitted in July 2022, however, you are likely to be provided with more accurate data from companies that is more representative of the markets than data from 2020/21.

Providing data:

Local Network reinforcement: We would not be able to provide individual offsite reinforcement costs for each set of scheme sizes (i.e. 0-4 etc.). Since the change in the charging rules that capture offsite reinforcement contribution through infrastructure charges rather than site specific schemes, many of our offsite reinforcement works are combined and therefore we cannot be split it out in the way you are requesting. As most customers pay a flat rate for infrastructure charge, regardless of where they are building, we are not sure what value this data would add as the contribution would be the same regardless of what parts of the market you are working in and the costs of offsite reinforcement in a particular area (i.e. an onsite connection in Kent has the same infrastructure charge as a infill offsite connection to an existing main in Bracknell).

If you are trying to understand the variation in offsite reinforcement costs overall, and therefore infrastructure charges, it would be worth requesting data around the total capacity of company's networks. This would give a good indicator of where more amounts of offsite reinforcement works are going to be required across the country and indicate which areas are likely have significant costs.

Value versus meterage:

Splitting the value of work by development size/number of connections would be a time consuming and manual process. We would also not be able to provide the total cost for the works carried out by the developer. Rather than using values, which would be incomplete without the developer data, we provide meterage to determine the proportion of the total scheme that are being carried out by the incumbent companies. This is data that most companies will already be capturing and may reduce the workload involved but still provide a view on market activity.

Question 3: 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 have commented on the table descriptions below, however, we have not commented on the Glossary of terms because we have covered the majority of comments regarding the data set requires, and therefore descriptions, above.

Table descriptions

Table	Title	Description	South East Water Comments
1	Water - Completed Developer Services work (i.e., development connected to existing network)	The aim of this worksheet is to provide a detailed overview of all water (i.e., obtaining a water supply for a new development) developer services projects that werefinancially closed within the regulatory year. This worksheet will enable Ofwat to assess how unit costs, cost recovery rates and workloads differ for different types of new developments.	"Completed" could be interpreted in different ways, if main laying is completed in 2020, it could have been started in 2019 and the connections not completed. Conversely you could have new connections completed in the year but the main was laid years before – the issue here is that you would be crossing different charging rules and price bases. Very few sites have all the mains and connections completed in one year.
2	Water network+ - Developer Services quotations provided	The aim of this worksheet is to provide a summary of all quotes that are provided by the incumbent within the reporting year to developers for water developer services (i.e., obtaining a water supply for a new development). The purpose of this is to allow Ofwat to assess the level of contestability for different types of new developments.	Please refer to answer under Q.2. above
3	Water - Third party market participants active	The aim of this worksheet is to collect data on third party market participants (SLPs and NAVs) who were awarded contestable water developer services work (i.e., site specific work) within the incumbent's operating area in the regulatory year. The worksheet asks the incumbent to list the third-party market participants who have been awarded contestable developer services work in its operating area in	All of our quotes provide a requisition and self-lay option so that Developers/SLP's do not have to come to us separately if they do decide to carry out the work themselves.

		the reporting year, alongside the number of fully/ partially accepted quotes, and the number of properties connected, for each third party Provider.	
4	Wastewater network+ - Completed Developer Services work (i.e., development connectedto existing network)	The aim of this worksheet is to provide a detailed overview of all wastewater developer services projects (i.e., obtaining sewerage services for a new development) that were financially closed in the regulatory year. This worksheet will enable Ofwat to assess how unit costs, cost recovery rates and workloads differ for different types of new developments.	No comment
5	Wastewater network+ - Developer Services quotations provided	The aim of this worksheet is to provide a summary of allquotes that are provided by the incumbent within the reporting year to developers for wastewater developer services (i.e., obtaining sewerage services for a new development). The purpose of this is to allow Ofwat to assess the level of contestability for different types of new developments.	No comment

Question 5: Would you be able to provide information on cost drivers, in particular length of communication pipe and surface type (split into made and unmade ground)?

The table below details some of the cost drivers for made and unmade ground, Obviously there are some that can be less easy to predict, for instance we know that some material costs have risen because of the impact Covid has had on supply chains with some companies seeing a rise of nearly 15% on some costs,

Surface type	Cost drivers	Comments
Made	Traffic management, surface type, third party costs (land agents, environmental, archaeological, network rail), pipe length, reinstatement, who carries out the work, i.e. multi utility costs are likely to be less than water only., economies of scale being impacted by less work being carried out	Our most significant driver is currently traffic management. We have seen a 25% rise in the level of traffic management requirements over the last 3 years.
Unmade	Pipe length, who carries out the work (as above), (land agents, environmental, archaeological, network rail) economies of scale being impacted by less work being carried out	Work in unmade ground can have the same cost drivers as above but are generally less impacted by 3rd party costs and traffic management.

Question 5: Are there any key new development characteristics you think are missing from the data request and should be included?

Please see answer to question 2 above.

Question 6: Is there any additional developer services data you collect that you think would be helpful to Ofwat?

If you are looking at the elements of sites that are contestable but with limited market activity, you might want to see the meterage relating to the pipework from the non-contestable connection in the highway to the site:
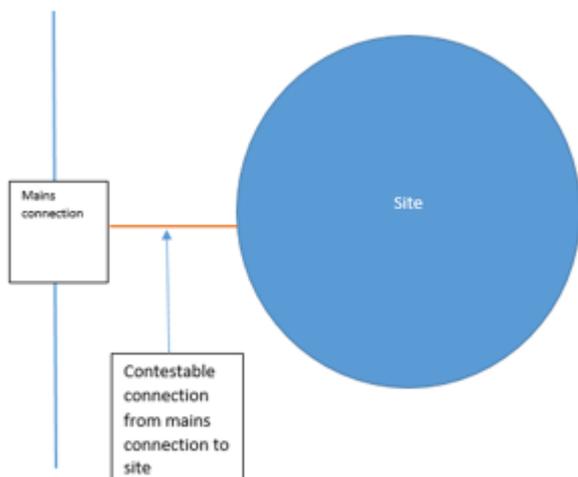
Again, this might be a manual task for companies to provide.

Question 7: would an alternative data format be more appropriate (e.g. list/table of new developments connected in reporting year alongside relevant costs/revenue data and characteristics)

Another option would be to capture the data in a list, we could provide a list of all work completed in the year (with connection numbers, delivery method etc.) and send this through. This would mean a significant amount of work for whoever is analysing the data but is an option if companies do not feel they are able to split the data in the format being requested. It should be noted that it is challenging to match cost and contribution in the same year and we would need commentary from companies to ensure that data from all companies is comparable.

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