

Date: 22 July 2021

Ofwat
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By e-mail: OfwatPandO@ofwat.gov.uk

Dear colleagues

GATHERING DATA ABOUT DEVELOPER SERVICES – A CONSULTATION

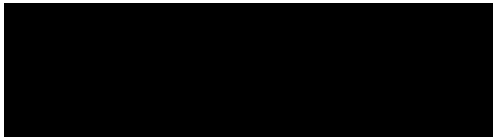
Thank you for the opportunity to respond to this consultation. We are pleased to be able to contribute to the ongoing development of the developer services market.

We also welcomed the supporting workshop held on 13 July 2021 and found it helpful to explore the request in more detail and in debate with others. We broadly agree with the outputs.

Appendix 1 contains our responses to the questions raised in the consultation. We hope you find them helpful.

If you require any further detail, please feel free to contact me.

Yours faithfully



Lisa Gahan
Regulatory Director

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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?

The provision of the requested data by w/c 20 September would be challenging although submission in July 2022 would be more feasible as it allow us time to amend our current systems to enable us to report this easier.

Currently, our reporting systems do not readily hold the data in the format that has been requested. Because of this the 20 September deadline would make the data collection process a manual activity, which will require the individual assessment of a large number of jobs. Ensuring that the subsequent data is accurate also be a time consuming, involve a number of key resources experienced in this subject. If we were to undertake this piece of work as specified in your consultation and ensure it is adequately assured, the earliest we could provide the data would be late November/early December.

Providing data on a project completion basis could also be challenging because some developments go back 10+ years and this reporting approach is not requested in the APR. It may also be difficult to ensure that costs and revenues are all using a consistent price base. Additionally, some of the projects will be under the old (pre-2018) charging rules and some on the new charging arrangements. We recommend that the data be restricted to the APR year to enable a clear audit trail back to the numbers.

Finally, we would highlight that that 2020-21 may not be representative of a normal year due to the impact of COVID-19 on developer services. In some cases, outturn new connection numbers are c.20% below forecast levels.

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?

As the wastewater tab will have very little activity in it, we would suggest that this is removed.

In addition, we recommend the removal of network reinforcement as it would be impracticable to match it the cost to a specific development site for the following reasons: -

- a. Network reinforcement could be due to several sites over a period of time;
- b. As network reinforcement is a non-contestable item, it does not impact on who undertakes the work;
- c. Looking at projects going back a number of years, you will also have the inconsistencies of how network reinforcement is charged for as you will be going over two charging regimes;
- d. Inclusion of network reinforcement costs could lead to substantial inconsistencies between companies.

Reporting of the split by the type of development could prove a time-consuming exercise but if it is provided as a list of projects, this will be simpler and we would therefore recommend it.

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?

There are two that we would welcome further clarity on:

- a. Minority/Majority definition - In relation to the request for water mains/connection data, Ofwat has requested it split by majority of work done by the incumbent or minority of work done by the incumbent. This is subjective and could be interpreted in different ways by different companies, for example, is 'majority' >50% or, say, <75%?

In addition, it is referenced this as a split by cost, but we do not think that this is appropriate.

As the majority of the cost of water mains/connection installation is excavation and reinstatement, we question whether the is definition correct, or whether in fact the contestable/non contestable split on Self Lay is being sought? As a point of note, we will not have the cost of the excavation and reinstatement where it is undertaken by a developer.

We would therefore suggest that the split is better undertaken by length of water main or sewer laid and then split by offsite/on site.

- b. Other DS costs – a clear definition is required for this to make sure there are no inconsistencies between companies.

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

One of the primary cost drivers for any new connection work is excavation and reinstatement, and this is a key element missing from the data request. As a contestable item (whether Self Lay or company lay) the customer choice has the greatest impact on water company costs. The majority of the excavation and backfill in South West Water's area is undertaken by developer customers. This provides them with greater control and in turn reduces the costs charged by us, and the customer's overall costs.

We are able to provide information on cost drivers, including communication pipe length and surface type.

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

It is critical to recognise that there are very different characteristics between onsite and offsite activities, particularly with regards to stakeholder impact.

Generally everything contained within the boundaries of the developer's site require less need for engagement with external stakeholders, whereby in comparison, where the construction activity is undertaken offsite to the main development, there are a number of stakeholders who could be impacted including private landowners, Highway Authorities, Network Rail, other utilities, environmental regulators and action groups as well as both domestic and non-household customers.

Consequently, we would recommend the provision of infill developments to the new development characteristic is added to the existing split of the numbers of properties.

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

Until such time that we start to interrogate our data we cannot categorically state that there are any gaps in the request. Until we receive the outcome of this consultation and commence data collation it will remain unclear, and we suggest that it may be useful if Ofwat asks this question again later in the process, and with the view to including any additional data in future APRs. We recognise that this may mean that companies are requested to review their 2020/21 data and therefore suggest

that any subsequent requests for additional data are only made if the data adds significant value to the process.

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)?

As discussed on 13 July, we believe that the data requirement can be reduced, and we would welcome the replacement of the current data tables with the alternatives considered during the workshop. In our view these revised tables would assist considerably with the collation of the information.