



Gathering data about Developer Services

22 July 2021



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 September 2021?

- 1.1 The current proposal to include the full cost of completed jobs (e.g., including all the prior year's historic spend on the job) will make this request very complex and could require collating data manually going back more than 5 years as many mains jobs span multiple years.
- 1.2 Some phases of work may fall into different charging arrangement years. Historical mains requisitions may have included an element of network reinforcement costs, which may not be clearly identifiable in the final cost data held.
- 1.3 Removal of income offset from revenue where this was applied to mains requisitions for jobs quoted under historical charging arrangements would also need to be applied manually.
- 1.4 Although we do hold all the data being requested our systems are not configured to report as requested in the data tables (e.g. combining financial and non-financial data, and splitting down into development sizes) and some data is not held in our ERP systems. This means a significant amount of manual intervention will be required to collate this data and link together. To complete the historical data tables accurately by September 2021 would not be possible and would be likely to require some element of apportionment. For example, systems do not link any diversionary works, and network reinforcement to the request for a connection, this would all need to be linked manually.
- 1.5 To complete the 2021-22 data by July 2022 is likely to require some additional reports to be created in our systems and may require some new fields to be added to our systems. This would involve our IT digital partners on design requirements before we would be able to confirm timelines. If these changes cannot be made in the timelines, and applied retrospectively to April 2021, it would be a case of repeating the manual process as for the 2020-21 data and would be challenging to meet this deadline alongside our existing APR and D-MeX reporting requirements. It is highly likely some degree of manual compilation will still be required as any new data fields will only be populated once created so any historical activity will be incomplete.

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?

- 1.6 We propose that you remove the waste tables as only a small element of new connections activity is completed by the incumbent and Network Reinforcement which is 100% non-contestable. These activities will not provide Ofwat with data that would be particularly useful in analysing the market for competition in England. The level of spend on network reinforcement is already available to Ofwat in APR table 2J. It is also not possible to report Infrastructure charge revenue as requested in the tables.
- 1.7 If the request was amended to reconcile to the APR tables for 2020-21 rather than completed jobs, it would not only make the request simpler to process, but also ensure that a repeatable, auditable dataset could be produced each year. Without this, the submission is not anchored to anything and will make auditing the return much more complex. Comparison of annual submissions each year on completed jobs could skew your analysis of market trends as historical activity levels would be included and the work



mix may fluctuate depending on when job is fully complete, rather than indicate the actual trends.

- 1.8 An additional month would allow sufficient time to complete the data templates to a good standard if matched to the APR submissions.
- 1.9 If the original requirement is kept, then December 2021 is a more realistic deadline for the 2020-21 data return, as this will require manually linking data over several years and require a much more substantial audit. We also need to complete tariff work in October and November which is likely to be drawing on the same resources.
- 1.10 It would be helpful if Ofwat could provide some guidance as to what level of apportionment would be appropriate to use, where data may be incomplete, or is not linked.

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?

- 1.11 We think that the dataset will be more reliable to compare between companies if reconciled to the revenues declared in other APR tables. .
- 1.12 If we have to report completed jobs, then the definition and expectation needs to be very clearly defined. Please clarify what is meant by financially closed. There can be a significant delay between a project being completed on site, and the final account being agreed, and accruals unwound. This usually takes at least 3-6 months after completion date on smaller jobs, but on larger jobs can take over a year. We propose this is amended to “completed on site” to align with the properties being reported once connected. This does however mean the financial costs would include accrued values but would make the data provided more timely.
- 1.13 If Network reinforcement is left in the request, then additional clarity will be required as to how this is to be treated in relation to completed jobs, as the requirement for reinforcement is often not just linked to one development but several which will complete at different times. Also, network reinforcement is not quoted to customers under current charging arrangements in England but would be included in customer charges prior to 2018. It may not be clearly separated out on jobs that were completed under charging arrangements prior to Apr18. Since we do not quote for network reinforcement at the time of creating customer quotes, we will be unable to complete Network reinforcement section on the quotation data tables.
- 1.14 Please confirm that the value of adopted assets is to be excluded (e.g. only to include the water incumbent’s expenditure, rather than fair value of asset adopted). Do we include waste consents if the waste dataset is still required?
- 1.15 When assessing who has carried out the largest element of contestable work, the incumbent will not know the SLP/NAV’s actual cost. Please could Ofwat provide additional guidance as how to make this determination. We would propose using a valuation consistent with our estimate for adopting the assets laid (e.g. fair value).
- 1.16 Overhead should be clarified as water incumbents only and not those built into contracts.
- 1.17 Quotes not accepted could be open to interpretation. The criteria for this needs to be very specific e.g. 6 months from issue (which is our validity period) and not accepted. Some quotes may still be within the validity period if the submission deadline is kept to w/c



20th Sept and guidance on how to treat these should also be included. This could create an even bigger issue if the data is provided in line with the APR next year

- 1.18 There are some instances where the incumbent may allow a small element of non-contestable work to be carried out by a suitably accredited SLP. There is nowhere in the tables to enter this. Please could Ofwat advise how to treat this in the submission.
- 1.19 The definition of property banding should be updated to include “or equivalents” to account for developments such as factories or office blocks.
- 1.20 Could Ofwat advise where to include the cost of producing the quotation such as application, design and requote costs and revenues. It may not be possible to link these costs directly to each job and so this is an area we may need to use apportionment methodology.

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

- 1.21 This data is only partially available for the water data, and not for waste. For water we would have to apply an apportionment where we do not hold the data.

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

- 1.22 A significant portion of our water jobs are on a schedule of rates and are therefore not variable based on development characteristics. The only parameters are length and size of pipe required, and the surface that we are digging in.

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

- 1.23 Ofwat should consider asking companies about the impact of Covid on 2020-21 activities. We noticed a significant reduction in our connection’s activity, which was even greater for SLP’s, impacting the market share of these activities. Completed connections in 2020-21 is therefore unlikely to provide a representative picture of competition in the market.

Q7: 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)?

- 1.24 The format may need tweaking to accommodate any changes driven through this consultation, but we are substantively happy with the proposed format.

