

Introduction

United Utilities Water (Uuw) welcomes the opportunity to respond to this consultation. The North West is home to a vibrant competitive market for developer services. Uuw has over many years taken positive steps to support an effective market and we look forward to contributing further as the market evolves.

Although the data that is proposed to be collected is extensive and would be likely to require significant effort to collate, our analysis shows that we can provide a large proportion of the data requested with a high degree of confidence. This available information includes the number of projects, properties, connections and length of main laid. In addition we can also provide the number of quotations separated by work type, development size and third party participants. We believe that collation of this information will enable a greater understanding of how the market is operating.

There is some data that is being requested that is more difficult to provide, particularly in relation to historic data, including network reinforcement, wastewater activity and SLP/NAV activity. We have outlined the issues with specific data items within the body of the response below. To provide this data, significant assumptions will need to be made, including an element of management judgement in some cases.

We would have a low degree of confidence in data sets that have been retrospectively generated, and believe that removing these areas from the data request would not significantly harm the usefulness of the data in understanding the operation of the market. The proposed reporting requirements in relation to network reinforcement are likely to prove a particular challenge as network reinforcement is not always specifically assigned to individual developments.

At the workshop on data gathering, held 13 July, an alternative approach to reporting was discussed. This proposal was to report connections completed in that year, as opposed to reporting only those developments completed within the year. This approach would require reporting on more developments as individual connections being made within that year. We do not support this alternative approach, as it would lead to greater requirements on reporting without any substantive benefit.

As long as individual companies define what is contestable, there will be variation in the data. This may mean that direct comparison between companies may limit the usefulness of the data collected. The requirement to publish an annual contestability summary provides a useful view of comparative scope of contestability. We consider that there is merit in developing a wider contestability summary to include connections made under s45 of the Water Industry Act. This would provide greater clarity to developers and other stakeholders as to the activities contestable within an area.

We have addressed each of the questions within the response below.

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?

There are problems in completing the proposed data request for 2021-22, and for the historical data request for 2020-21 the challenges will be significant.

For the 2021-22 data request, the main areas difficulties relate to:

- Network reinforcement
- Wastewater activity
- Data on the value of SLP/NAV activity

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The proposal to collate, validate and return historical data by September 2021 is very challenging. The data request will require an interrogation of each individual development scheme going back over a number of years. Methodologies will need to be developed and assured as without this data will not be able to be refer directly back to existing regulatory reporting tables. Therefore we would ask that a longer timeframe is considered for the 2020-21 data.

2. 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?

We would suggest that a longer timeframe be considered for the 2020-21 data of December 2021 due to the complexity of gathering and interpreting the data.

We propose that the following areas could be considered for removal from the data request without inhibiting the ability to understand the state of the market:

- **Network Reinforcement**

It will be challenging to match data on network reinforcement costs to a specific development site as the information is not already recorded at this level. To collate this data will therefore require a number of assumptions to be made. Network reinforcement tends to require investment ahead of need, which will typically mean before all the connections on a particular development have been completed. A significant period of time could have elapsed between the expenditure and when infrastructure charges are collected. Some network reinforcement will have been funded directly by the developer under the Discounted Aggregate Deficit (DAD) regime/charging arrangement and not via infrastructure charges.

Often network reinforcement is undertaken providing a service to a number of separate developments in the same area. Assumptions will need to be made on apportionment of network reinforcement costs across different developments.

Network reinforcement falls outside of the contestable work described within this consultation and therefore not having this information should not hamper understanding of the contestable market.

- **Wastewater data**

The vast majority of developer services wastewater work in the North West is not completed by United Utilities. For FY21 United Utilities provided five quotes for s98 sewer requisition work and undertook no contestable wastewater activity on completed sites. Wastewater adoption timescales do not align to water connection timescales and sewers may not be adopted and therefore complete at the time of reporting. An understanding of company activity in the area can be gained from quantitative D-MeX data for s98s (number of transactions). Given the limited data and highly competitive nature of wastewater connections we would suggest that this information requirement could be removed.

- **Data on the value of SLP/NAV activity**

The proposed information in relation to NAVs (Developments/properties served by a NAV – Wastewater) is not data that we currently ask for or hold. Collection of this data would depend on NAVs agreeing to provide the data and we could not require them to do so. Any data where we would be solely reliant on the good will of NAVs, would be best collected from NAVs.

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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 would request that further clarity is provided to the following:

- Guidance on how network reinforcement should be allocated across completed connections for all companies would be welcomed. Our current assumption would be for investment to be apportioned based on the size of development (number of plots).
- The definition of majority and minority provider asks that we define this by the party that has undertaken the greatest value of contestable works, we would not have a view of the value of work undertaken by a third party and therefore would struggle to reach a definitive conclusion. For most sites this would not be an issue as the proportion of work undertaken is clear, but we may have to assume an answer where it is unclear. Our assumption would be to split sites based whether the sites was a statutory requisition (we are the majority provider) or delivered by SLP (we are the minority provider).
- It would be useful to have a clear definition of what constitutes a completed development. Our working assumption is that a completed development would only refer to that phase of development from a water perspective.
- The proposed data request asks for data to be split by work type, including splitting out diversions (section 2.1). The pro-forma does not contain any reference to diversions. We would welcome further clarity on what is required in relation to diversions.

We would welcome the opportunity to provide detail as to our interpretations of the reporting requirements.

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

We capture data on communication pipes for connections off new mains and existing mains. We do not capture the length of communication pipes from new mains laid by self-lay providers. For a mains laying scheme, the work between the existing main and site boundary will often be within the highway and therefore 'made' or 'surfaced' ground, the on-site work will usually be in unmade ground by nature of the construction process. The length of communication pipe will be informed by the developer's layout and mains design.

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

There may be a benefit in understanding the type of work that the water company is commissioned to undertake, such as lay only, excavate and lay and reinstate. We consider that these characteristics would be helpful to understand the varying levels of competition nationally. This could also help identify particular costs that one water company may be facing compared to others in regard to its own delivery provision, for example mix of work (mains versus connections), scale (size of development and lengths of mains) or complexity of work.

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

The information already available on the length of mains laid by the water company compared to SLP is extremely helpful in understanding the varying levels of competition nationally.

We could provide data to understand work carried out specific to each local authority area. For example, the split of work carried out in an area by us compared to SLP. This data may help develop an

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understanding of the type of contestable work that a water company is asked to carry out in different geographical locations such as predominately urban or rural areas.

We could provide information on the proportion of the work that we complete that is lay only (excavated by others).

We would be happy to discuss the information that could be provided further.

7. 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)?

There could be benefit from collecting the developer services data as a table setting out each completed development and the details of that development. This would allow for greater flexibility and consistency of segmentation to understand the market.