



Independent Networks  
Association

PR24 draft methodology consultation response  
Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham, B5 4UA

Email: [PR24@Ofwat.gov.uk](mailto:PR24@Ofwat.gov.uk)

7 September 2022

Dear Ofwat,

### **Response to: Consulting on our methodology for PR24**

I am writing to you on behalf of the independent Water Networks Association (INA), in response to the Ofwat consultation on its [methodology for PR24](#), published in July 2022. I can confirm that this response is not confidential.

The INA represents the UK's Independent Network Operators which play a vital role in heating and energising homes and businesses, as well as providing water and wastewater services. Our members have delivered significant improvements in competition, choice and service for customers in the utility market and, together, own and operate utility infrastructure and networks that provide energy, heat, power, water and wastewater to over 4 million households and thousands of businesses right across the UK. As we have previously mentioned, we recently commissioned CEPA to undertake an assessment of the 'Benefits of independent network competition in the water and wastewater sector. CEPA is currently finalising the report and we will share a copy with Ofwat once it is complete.

### **Summary of INA views on Ofwat's draft methodology for PR24**

We welcome the publication of Ofwat's consultation on its Methodology for PR24 and the continued commitment it demonstrates on Ofwat's behalf to maintaining an open and collaborative approach to the development of the upcoming price control arrangements.

We agree with Ofwat's proposal to keep network reinforcement in the price control but think it is too early to remove site-specific developer services from PR24 as the necessary preconditions that should be evident have not yet been demonstrated. As such, we do not believe that Ofwat has adequately proven that:

- incumbents are delivering consistent, high levels of service to SLP and NAVs;
- reasonable margins are available to NAVs competing to provide developer services;



Independent Networks  
Association

- regulatory barriers inhibiting a level-playing-field have been addressed; or
- competition is sufficient to protect new connections customers.

We also have concerns about the assumptions used by Ofwat to assess levels of competition in the developer services market and do not think the regulator has demonstrated that competition will provide the necessary customer protections. We therefore think developer services should be retained within the price control; and would note that removing these services prematurely could significantly impact the future development of the market.

We welcomed the introduction of D-MeX at PR19 and believe the mechanism has helped to improve incumbent performance. However, we do not agree with the Ofwat view that it is too early to consider potential changes to D-MeX on the basis that only one full year of reporting data is available. We note that the availability of data on the D-MeX is no different to the availability of reporting data for any of the incentive mechanisms introduced at PR19, so it is unclear why this scheme is being treated differently. We have identified a number of issues that we think it will be important to address at PR24 to ensure that the D-MeX delivers in line with desired outcomes.

- **D-MeX targets** should be set based on upper quartile actual industry performance observed in PR19 to incentivise companies to strive to reach the industry frontier.
- **D-MeX definitions** should be revised to address identified ambiguity with respect to the agreed service levels that incumbents should meet for a number of D-MeX measures.
- **SLP / NAV representation** in D-MeX surveys should be increased to reflect the value and volume of new connections that we deliver as well as the associated volume of services we procure from incumbents.

I hope that this letter is helpful. If you have any questions on any of the issues I have raised or would like to discuss these in more detail, please feel free to get in touch.

Yours sincerely,



**Keith Hutton**  
Chair of the INA Water Sub-Committee