

OFWAT Consultation: Methodology for PR24

Appendix 3: Developer Services

Consultation Questions

Q1. Do you agree with our proposal to include network reinforcement in the network plus price controls at PR24?

We would seek further clarification in regards to this question and would embrace consultation with the relevant stakeholders.

Q2. Do you agree that the inclusion of network reinforcement in cost sharing would be enough to manage uncertainty around the volume and mix of network reinforcement work to be delivered?

This would have the potential to be supported, if sight was afforded of network upgrades, planned works and likely commercial impacts in advance of sites being promoted through the local plan process.

Q3. Do you agree with our proposal to remove wastewater site-specific developer services from the wholesale wastewater network plus price control?

We do not agree that waste water site specific developer services should be removed from the price controls, because we still feel that there is further work to do from the perspective of the house building sector. Whilst there is a clear uptake and market share growth of NAVs and SLP's this appears only to be occurring in certain geographical pockets, removing price controls here could potentially lead to SLP's and NAV's becoming uncompetitive options to developers. In addition D-Mex is still very much in its infancy and removing this and other performance related incentives could potentially adversely affect, the levels of service afforded to house builders.

Q4. For water site-specific developer services: a) Do you agree with our proposal to exclude new developments of more than 25 properties from the wholesale water network plus price control at PR24, but with transitional arrangements for companies with low levels of competition? b) Do you think that new developments of 25 properties and below should remain in the wholesale water network plus control or be removed? If they were removed from the price control, what alternative protections could we introduce to protect developer services customers from potential monopoly power?

- (a) We do not agree that water site specific developer services should be removed from the price controls as previously stated. We still feel that there is further work required, from the perspective of the house building sector. Whilst there is a clear uptake and market share growth of NAVs and SLP's this appears only to be occurring in certain geographic pockets, removing price controls here could potentially lead to SLP's and NAV's becoming uncompetitive options to developers. In addition D-Mex is still very much in its infancy and removing this and other performance related incentives could potentially affect the levels of service afforded to house builders
- (b) We believe all sizes of development should be protected by price controls given the reasons listed above. In addition. If predictable costs are to be provided by companies, they must be first accompanied by transparent and robust evidence disclosure.
PR24 could make this a mandatory annual requirement?

Q5. Do you have any views on any other aspect of our developer services proposals in this appendix?

Within the proposals as set out within Appendix 3 - Developer Services, we feel it is important to retain price controls within emerging sub sectors such as the SLP and NAV markets given their relative infancy as compared to incumbent water companies. Within Appendix 3 having reviewed the geographical spread of SLP's and NAV's it's clear that whilst in some areas the uptake of these alternative services is growing, however in others this is not and by retaining the price control measures along with D-Mex we feel that this will aide competition and overall performance of both Incumbent water companies as well as SLP's and NAV's. In addition to this we also feel it is important to recognise the innovative performance of some water companies in relation to incentives for water saving measures and water efficiency credits. Over the last 12 month period

we have seen polar opposite approaches to water scarcity within the sector from water companies. We commend the approach of incentives for developers to reduce water consumption in new homes as opposed to approaches which appear to use the planning system to slow development down and include water efficiency targets for the long term gain of specific water companies.

Appendix 9 (“*setting expenditure allowances*”) – Ref page 121..., Nutrient Neutrality

Please refer to our accompanying report in regard to our response to this subject.

“OFWAT PR24 – Nutrient Neutrality”

Persimmon PLC (On behalf of our 28 Operating Companies in England & Wales)

7th September 2022