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# Appendix

## YKY52\_ Non- household Wholesale Market Services



YorkshireWater

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# 1. Our purpose and principles

The purpose of our Wholesale Non-household Market Services team is to provide wholesale services to non-household retailers, non-household customers and NAVs in Yorkshire, delivering in accordance with the following principles:

- Fairness, affordability, and cost reflectivity for non-household retailers and non-household customers.
- Simple, effective, and efficient customer journeys, reducing customer and colleague effort and minimising cost to serve.
- Working collaboratively with all our customers.
- Meeting our regulatory and environmental responsibilities.
- Playing our part in reducing non-household market frictions and making the non-household market a success.

# 2. Customer and Stakeholder Priorities

We have insight into our customers' needs and priorities through a wide variety of feedback, such as:

- Industry groups such as the UK Water retailers Council (UKWRC), the Retailer Wholesaler Group (RWG) and the Independent Networks Association (INA).
- R-MeX surveys and retailer forums.
- Ofwat and Consumer Council for Water (CCW) research.
- Yorkshire Water's BR-MeX pilot (see below).
- NAV research and insight activity.
- MOSL and the Strategic Panel business plans and Market Performance Measures.

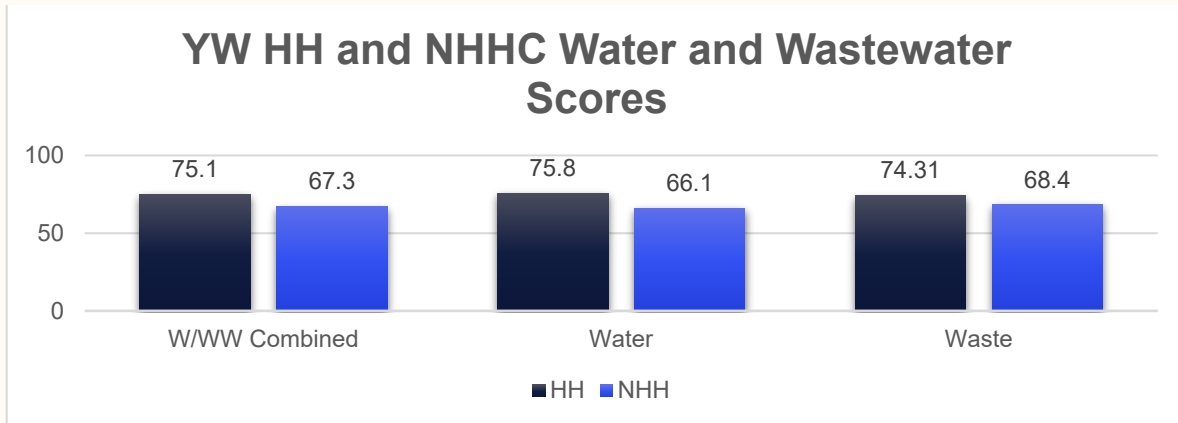
In particular, this research shows we need to deliver a consistently excellent wholesale service to all of our customers, roll out smart(er) metering across Yorkshire, and offer water efficiency initiatives, to help support resilience of supply.

1. **Excellent wholesale service** – all types of customers (retailers, businesses, NAVs) have told us they want us to provide an excellent service. This includes delivering our core services efficiently and understanding the needs and requirements of all customers (current and future), so that we can deliver excellent outcomes. This includes improved communication, better customer service, and timely resolution of issues.

Yorkshire Water commissioned a research company to complete a baseline survey of non-household customers' direct contact experience. The outcome aligns with the views of our household customer. The areas for improvement were better communication, better customer service, taking responsibility, and resolving issues.

In early 2023, in lieu of BR-MeX being fully designed, we conducted our own BR-MeX replica survey to understand our baseline performance. The results shown in the chart below show that, for both water and waste, our operational service scores for non-household customers are lower than the scores received from household customers. Although this is a slightly misleading comparison, as non-household processes involve a third-party (i.e., retailers), and non-household premises are often more complex than household premises, we recognise there is scope for

improvement in the operational service we provide to non-household customers. The results of our replica survey and learnings from it were shared with Ofwat and other companies to support the work being carried on the new BR-MeX measure.



Source: Table WNMS2 YW Proxy BR-MeX baseline survey results

- Water efficiency services** – since the inception of the non-household retail market in 2017, there has been a lack of clarity regarding water companies’ responsibilities regarding non-household water efficiency activity. We welcome the clarity provided by Ofwat through PR24, and we are planning to address this customer need collaboratively and effectively with the aim of reducing any future demand deficit. See the water [supply and demand enhancement case](#) and our [WRMP](#) for more information on our plans in this area.
- Implementation of smart meters** – As many consumers are now used to being able to monitor their energy usage in real time, there’s an increasing demand for the same services to be available for water consumption monitoring, which is enabled through water smart meters. With the roll-out of smart meters in the water sector we (wholesalers, retailers and non-household customers) will collectively gather a rich dataset of granular consumption information. This will help customers make informed choices about their water usage, enable accurately targeted water efficiency support, and identify leakage. Smart metering covered as an enhancement is a critical enabler for all parties in the non-household retail market, and we are pleased to be working hard to make this a reality in Yorkshire.

## 3. Delivering Customer Service

### 3.1 Building on the foundations of the 2020 to 2025 period

Yorkshire Water’s Wholesale Market Services Team are active participants in the non-household retail market, and our core services include market data accuracy and completeness, operational service delivery, settlement (retailer billing and collection), and market integration and improvement. In some of the 2020 to 2025 years, we have delivered upper quartile performance across a number of key market measures; Market Performance Standards (timelines of data processing) have been consistently upper-quartile; Operational Performance Standards (timeliness of operational service requests) have been consistently mid quartile and R-MeX (Retailer Measure of Experience) a mixture of upper quartile and mid-quartile. Across all these measures, performance has improved over the pricing period.

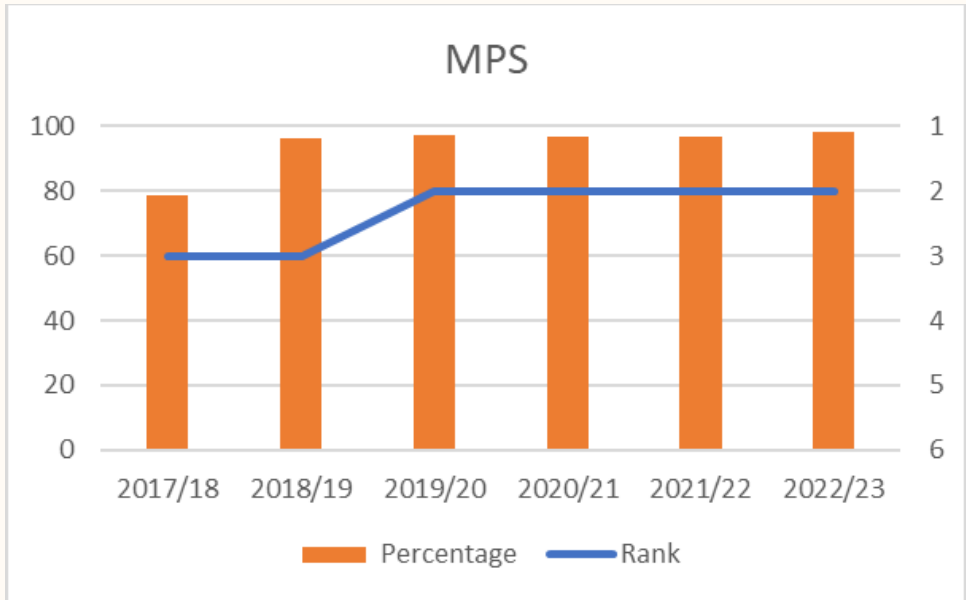


Figure 1: Source: Table WNMS3 Market Performance Standards MOSL

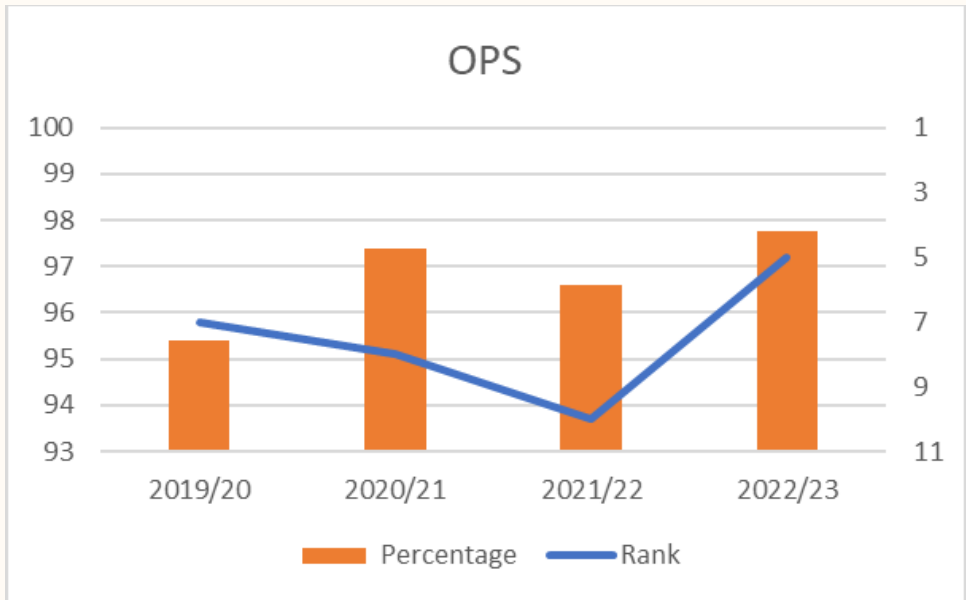


Figure 2: Table WNMS4 Operational Performance Standards MOSL

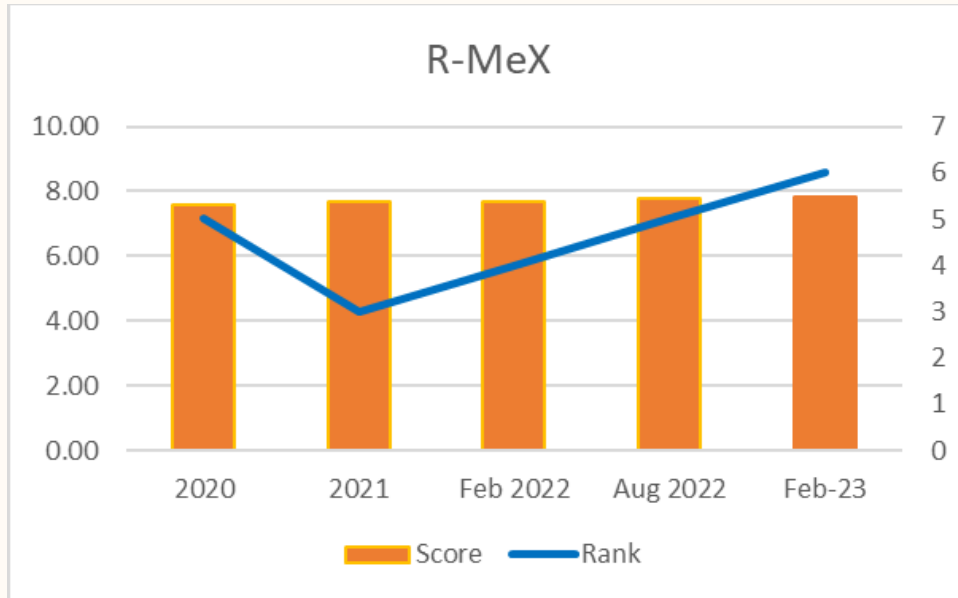


Figure 3: Table WNMS5 R-MeX Survey Results MOSL

To deliver this strong performance we have focused on the following:

**Systems**

We have developed automated market integration to the Central Market Operating System, and the market Bilateral Hub. In 2022, we relaunched “RIO”. This is a market-leading event notification for retailers, and a key commitment made in our PR19 plans which received very positive feedback in the R-MeX survey in February 2023.

**Processes**

As the market processes have been launched and developed, so have our internal processes, which are designed around the market codes. A focus on our efficiency and customer outcomes is helping to deliver great performance scores.

**Collaboration**

We have a joined-up approach with key stakeholders such as our field and operational colleagues, service partners, retailers, other wholesalers and CCW, to help deliver great customer service and support resolving market frictions. For example, in 2022-23 we worked with independent economics consultancy Economic Insight and non-household retailer Business Stream to carry out an independent study on vacant properties in the NHH retail market. [Vacant NHH Properties Analysis Market Improvement Fund Project](#)

**Market engagement strategy**

We are active participants in the market, supporting MOSL and the Strategic Panel, and participating in the RWG sub-groups including chairing the RWG Drought Group.

**Value-added services**

We provide a market-leading meter reading service, offered to all retailers. Our service has been the source of extensive positive feedback from retailers as well as MOSL, through offering a service with a high success rate which helps retailers deliver great customer service and accurate billing to their customers. We also offer granular consumption data sharing services to retailers, and directly to non-household customers, where we can provide enhanced views of their consumption. We have also recently developed a Water Emergency Services Agreement which is now offered to all our NAVs to support their customers during an incident.

**Performance Excellence**

A continuous improvement culture is supported by embedding Talking Performance in the team, empowering our people to take ownership of the issues that mean the most to our customers, day-to-day. Wholesale Market Services has been one of the pilot areas of a new Performance Excellence framework being rolled out across Yorkshire Water.

**R-MeX Improvement Plan**

Currently a reputational measure only, we have consistently created improvement plans on the feedback gained through the R-MeX surveys to ensure we deliver an excellent service for all our retailers and non-household customers, and act on or address any constructive feedback we may receive. Our R-MeX score has improved over time from 7.60 out of 10 in 2020 to 7.83 out of 10 in 2023. One example of a success during this period was the introduction of the new Retail Information Only (RIO) Portal. Some retailers described this as industry-leading in the way it provides notification of planned and unplanned works, and provides detailed information on trade effluent sampling. This is one of many incremental improvements delivered in the 2020 to 2025 period.

While prioritising delivery in the 2020 to 2025 period, we have also been mindful of the cost of providing our services and have sought to benchmark our costs with that of other water companies. However, benchmarking on cost is not straight forward as APR financial tables do not provide granularity of wholesale market service costs. To address this, Yorkshire Water led a detailed benchmarking exercise with five other UK water companies in early 2023. The scope of this benchmarking covered operating costs, service, people, process and systems. A benchmarking framework was developed, led by Yorkshire Water in collaboration with the other water companies. A series of workshops were held to agree the benchmarking framework and populate it with data, and a challenge session was held to normalise any outlying data.

The results of this benchmarking were that, out of six water companies, Yorkshire Water was assessed as above average for cost efficiency, above average on overall service (see [Data Table WNMS1](#)), and average for systems, data accuracy and level of process automation. The benchmarking results identified that there is a trade-off between service, levels of automation and cost, which suggests better systems lead to reduced operating costs and better service. There are limitations to the framework, as it does not incorporate Ofwat’s established econometric modelling, and does not provide granularity of wholesale market service specific opex and capex costs.

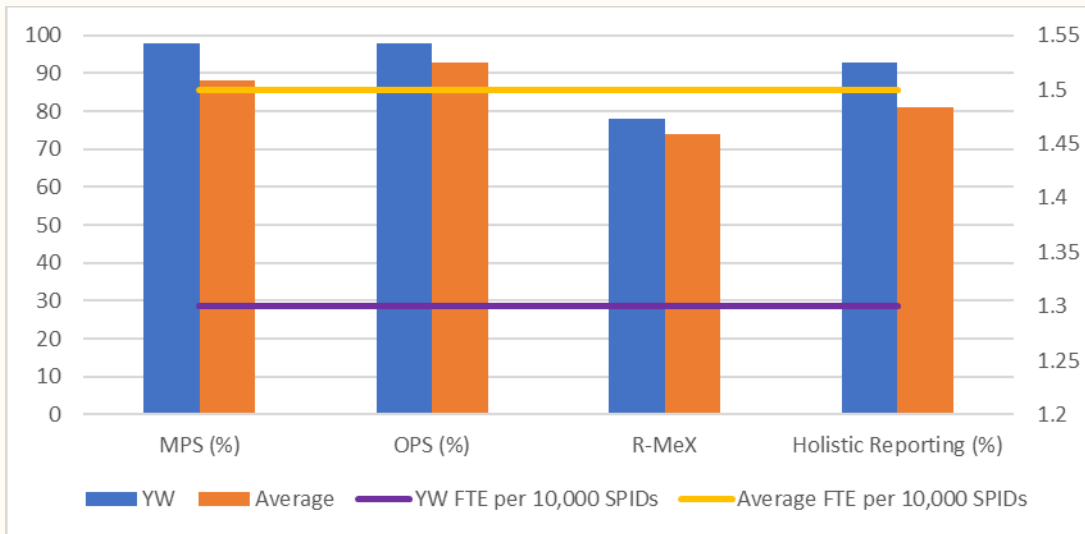


Figure 4: Table WNMS1 YW benchmarking activity

### 3.2 2025 to 2030 improvements

The new pricing period will bring an increase in base costs. We will require additional expenditure in order to deliver the required performance levels set out in the two new Performance Commitments (BR-MeX and Business Demand).

We have been actively participating in the design of future performance incentivisation. Activities so far have included:

- We co-chaired a series of workshops on the PR24 draft methodology with retailers, other wholesalers, Ofwat and MOSL, to ensure our plans catered to the wider needs of the market.

- We attend Ofwat workshops on the development of BR-MeX.
- We conducted a BR-MeX pilot which was shared with Ofwat working groups.
- We are members of the Market Performance Framework (MPF) Advisory Group, helping to ensure the market delivers value, customers receive excellent service and water efficiency is core.
- We also have membership of MOSL's metering committee, helping to shape the future of metering in the non-household market.

This provides us with a good foundation to understand what our stakeholders and customers expect from us in the 2025 to 2030 period.

### Digital improvements

System improvements will include maintaining and improving automated market integration between our systems and the Central Market Operating System, and market Bilateral Systems. As the market systems develop throughout the 2025 to 2030 period, we will maintain our existing automation and integration with them through our in-house and supplier-provided systems. As the market operator MOSL improves market processes, we will leverage these market improvements to drive efficiency and service improvement.

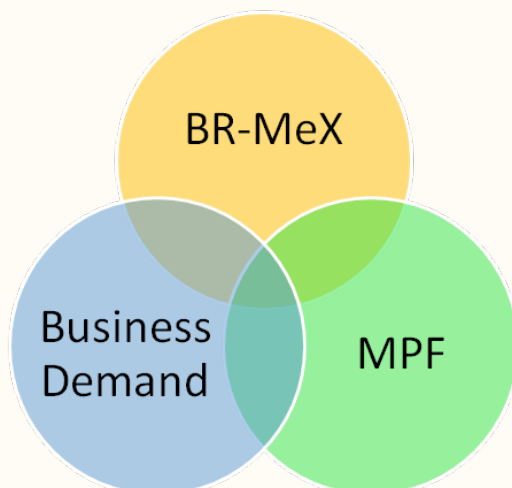
We will also leverage the larger Yorkshire Water Management Interaction Management programme being delivered in the 2020 to 2025 period. It will deliver a better customer experience, reduce time to respond and cost to serve while providing multichannel contact routes and timely progress updates. This will also enable us to deliver benefits in retailer and non-household customer service processes, and cost savings. The benefits will support improvement in service and efficiency which will continue into the 2025 to 2030 period.

With the implementation of smart metering due to ramp up during the 2025 to 2030 period, we will review our non-household meter reading service and additional granular consumption data services to ensure they remain relevant and meet the needs of our retailers, non-household customers and other stakeholders. The increase in visibility of granular consumption data will be a very useful tool for the whole market by boosting the number of actual meter readings in the market, recognising irregular consumption patterns to deliver associated water efficiency opportunities, and identifying leakage.

We will seek to utilise market-wide data sets to help us make informed proposals around improving how the non-household retail market operates. We will lobby the market to focus on enhancements to systems and processes with a view to driving improved outcomes for non-household customers and ultimately ensuring the success of the non-household retail market.

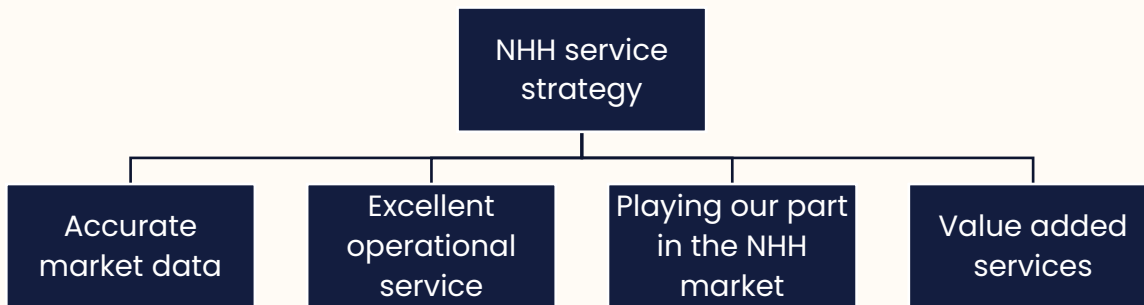
### Service improvements

During the 2025 to 2030 period, the core services to retailers, non-household customers (micro, small, medium and large) and NAVs will continue to benefit from continuous improvement, as we strive to meet our multiple performance measures (BR-MeX, Business Demand, Market Performance Framework).





Our NHH service strategy is shown below:



### **Accurate market data**

We will ensure market data is updated on time with an excellent level of quality. We will support MOSL with wider market data improvement activity.

### **Excellent operational service**

We will provide a timely and quality operational service to retailers and non-household customers.

### **Playing our part in the NHH market**

We will support MOSL and the Strategic Panel with delivering a thriving NHH market and aim to align with the RWG good practice guides.

### **Value-added services**

We will adapt and develop our value-added services to meet and exceed our customers' expectations, for example, smart meter reading services and water efficiency services.

We will continue to make improvements in our service performance delivered through our approach to continuous improvement and performance excellence, as evidenced in our 2020 to 2025 improvements.

This will be achieved through our strategic pillars of creating engaged, high performing teams, the continued operation of the Performance Excellence Framework, and taking a joined-up approach across Yorkshire Water and the industry. Yorkshire Water will continue to offer strong support to MOSL and the Strategic Panel in driving a successful and thriving non-household market in Yorkshire. We will also look to support the RWG in the aim of standardised and consistent policies across all water companies. This will improve ease of operation within the non-household retail market and drive excellent outcomes for our customers.

During the 2025 to 2030 period, new services will be offered to retailers, including water demand reduction services such as smart metering. The details of these new services are covered in the Water Supply and Demand enhancement business case and WRMP. The new services will be consulted on, and we will work in collaboration with other wholesalers and retailers to establish these in such a way that they drive improved customer outcomes whilst minimising market frictions, aiming to strike the right balance between innovation and consistency. With the introduction of BR-MeX, we will have a joined-up approach with our Customer Experience, Water and Wastewater colleagues, ensuring the voice of the non-household

customer is heard, and supporting delivery of their key customer service improvements as detailed in Chapter 8.

We will also work to maintain strong relationships with our retailers through contract management meetings and regular data, settlement and operational service forums. We will continue to act on the feedback we receive through BR-MeX, using it to support our goal of creating a thriving Yorkshire for retailers and non-household customers. Furthermore, we will seek to continue our collaborative work within industry forums such as the RWG and other key MOSL forums, to support the reduction of market frictions.

**Growth**

We expect a marginal decline in the number of non-household properties over the 2025 to 2030 period, from 140,860 in 2022/23 to 139,870 in 2029/30. Further detail can be found in the PR24 data tables (SUP1A & SUP1B). This change over time is immaterial and will not affect our plans for the 2025 to 2030 period.

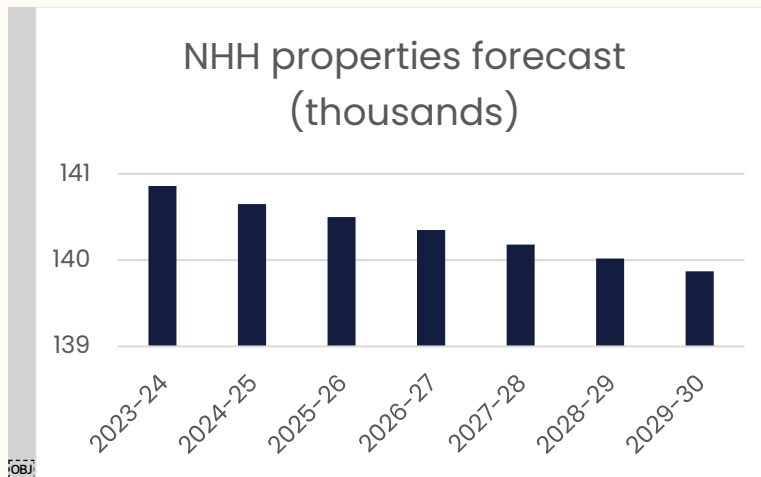


Figure 5: Source: Table WNMS6 data taken from WRMP forecasting as of Jul 23

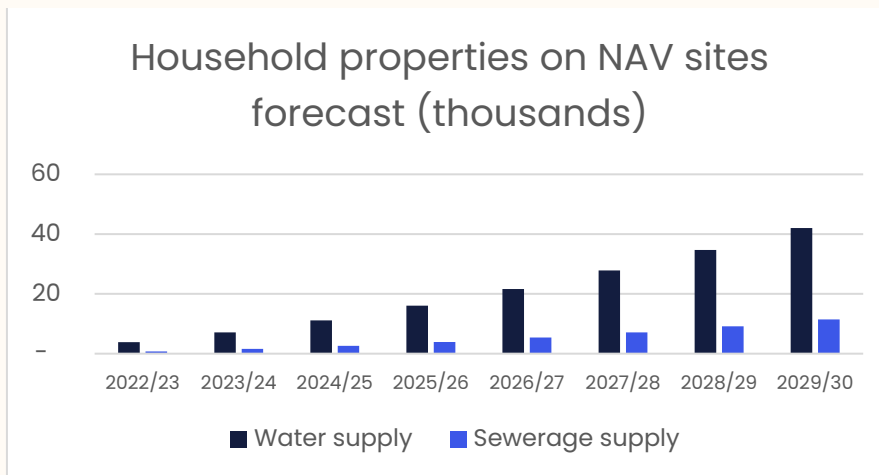


Figure 6: Source: Table WNMS7 data taken from Developer Services forecasting as of Jul 23

We expect the number of NAV operators, NAV sites and connected properties at these sites to continue to grow as the NAV market continues to mature. We will adapt to the market as it develops and ensure our resourcing increases to meet the growing needs and complexity of the NAV market (bulk charge setting, wholesale billing, collection and customer services, query resolution, water demand/wastewater management incentivisation). We forecast the number of live NAV sites in Yorkshire to increase from 63 as at 31 March 2023 to 690 by 31 March 2030. We expect the number of households on these NAV sites to increase from 3,839 as at 31 March 2023 to 42,058 by the end of 31 March 2030, plus the adoption by NAVs of more sites with non-household customers. Together, these increases represent a 1096% uplift in activity from 31 March 2023 to 31 March 2030. In order to deal with the complexity and volume of NAV sites, we will establish a new billing solution for NAVs through base funding such that we will remain

efficient and effective whilst continuing to provide an excellent service and exploring opportunities for other value-added services.

### Supporting small businesses

We understand the challenges for micro and small businesses and have a joined-up approach with our retailers to support them. With the introduction of the new BR-MeX measure, they will have an equal voice through customer insight surveys that are fed into our service improvement plans. Through the new business demand performance commitment covered in Chapter 7, we will support businesses to reduce water and utility bills via tailored water efficiency initiatives. We will support a thriving Yorkshire, that is right for our non-household customers, no matter how small they are.

### Supporting NAVs

The NAV market is growing in Yorkshire and NAVs as customers have unique needs which we will continue to serve. We will adapt our service offering to NAVs to ensure we continue to meet their needs. We will continue to work in collaboration with NAVs (including via the Independent Networks Association), Ofwat, and the wider sector to develop best practice ways of working and a greater commonality of commercial arrangements and pricing structures in the market. As NAV sites deploy more at scale into the 2025 to 2030 period, our respective operational teams and working arrangements will become more interwoven, as both wholesalers and network owners operate together to serve relevant customers in the Yorkshire region. We will continue to engage with all active NAVs on how we can best streamline our services and interfaces to ensure customers served by NAVs are not faced with a deficit in service quality due to an alternative monopoly being their water and/or wastewater supplier.

### BR-Mex

Service improvements for base vs enhancement are covered in [Chapter 8](#) and there is no specific enhancement in the plan, although there will be service benefits delivered through enhancements regarding Business Demand, below.

### Business Demand

Demand reduction improvements for base vs enhancement is covered in [Chapter 7](#). There is enhancement included for smart meters and business demand reduction initiatives. Business demand reduction initiatives to be taken forward are reliant on the WRMP and the enhancement business case.