

NES NARRATIVE DISCLOSURE ON MARKET ACTIVITY

INTRODUCTION

This narrative accompanies our 2018/19 Bioresources Market Information publication on our website and our separate report to Ofwat concerning Market Activity.

ASSURANCE

Our approach to independent assurance of our Bioresources Market Information is consistent with that adopted for other regulatory publications, notably the Annual Performance Report (APR) and Cost Assessment publication. Our Internal Audit team have performed a review of the information provided by management for the purpose of providing assurance to the Directors and the Audit Committee Chairman that the data to be published has been produced in accordance with the guidance provided by Ofwat.

Based on the results of their review our Internal Audit team have confirmed that no exceptions or issues were noted. The data reported in all of the tables has been reconciled to supporting documentation and to data taken from our corporate systems. The data is also consistent with that used in the preparation of our APR and Cost Assessment submissions, the assurance for which is detailed in our 2018/19 Data Assurance Summary document. Where an estimated approach has been adopted our Internal Audit team have confirmed that the assumptions made are appropriate and in line with the guidance provided by Ofwat.

BIDDING ACTIVITY

Our service continues to be provided by our own bioresources business, this being the most efficient in terms of operational expenditure of all the water companies operating in England.

We continue to review current processes to make sure they are economic and meet our regulatory requirements within the new bioresources price control.

MARKET SHARE

In 2018/19 we have continued our AAD operations at Bran Sands (commercial, trade and domestic) and Howdon (domestic) sludge treatment centres.

As reported in our 2017/18 narrative we ran a tender process for a recycling-only contract. This was awarded to Veolia Water Organics Recycling Ltd and commenced in November 2018 (2018/19), for five years. Veolia is contracted to locate and agree agricultural sites for the spreading of the AAD product. The transit of this product occurs in-house. However we also continued our contract with 3R for transport services when we require assistance in transportation to ensure timely distribution.

We continue to maintain a strong working relationship with our neighbours at Yorkshire Water.

RISKS, ISSUES AND BARRIERS

We are committed to developing our market share and will continue to highlight any risks, issues or barriers.

One area that continues to be a barrier is regulation with bioresources and organic waste being treated and recycled under different legislation. The trading and treatment of organic waste through our existing bioresources business would mean additional costs and administrative burden being applied to all our bioresources in recycling them to land.

NES BIORESOURCES

We are committed to full compliance with the Biosolids Assurance Scheme (BAS). This can be seen as a potential instrument towards a common legislative approach in the future as BAS greatly values the land-bank in maintaining healthy soils.

ENGAGEMENT ACTIVITIES/INITIATIVES

We continue to investigate the potential for long-term treatment contracts for bioresources arising from neighbouring water companies and to maintain our industry leading position as the most efficient bioresources company in England.

We have actively engaged with Yorkshire Water in their 2018 Bioresources Market Testing of the collection, treatment and recycling of bioresources to offer them resilient, innovative and efficient solutions. This activity has been led by our Commercial team, who together with our Bioresources Management team, have vast experience and expertise in the development, installation and operation of innovative, resilient and specialised solutions.

We also continually look for other opportunities, such as in fleet management services, continuing to optimise our current bioresources service and looking for additional options to recover energy. We now have the Standard National Open Operators Licence (O licence) and are able to actively look to operate for hire and reward using our bioresources fleet.