



South Staffs Water

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APR consultation
Centre City Tower,
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By email to: OfwatPandO@ofwat.gov.uk

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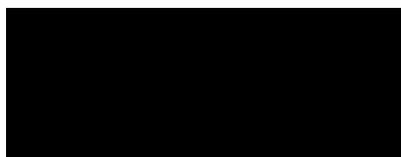
Dear Sir,

South Staffs Water response to APR consultation

Thank you for the opportunity to respond to the above consultation. Our specific responses to the consultation questions is attached to this letter.

We have a general concern on the further burden of additional information that the consultation proposes, especially on smaller water companies. This is further compounded by the proposal to bring forward the deadline for publication of the APR to earlier in July. We think that any future proposed developments in performance reporting need to be able to clearly demonstrate the need for the information and the benefits to stakeholders.

Yours faithfully,



Philip Saynor,
Director of Regulation
South Staffordshire Water PLC

Q1

What are your views on the proposed changes to the APR tables in Appendix 1?

Table	Line	Issue
1F	2	Should say 2015-20
2B 2E	2B.22 All of 2E	<p>We suggest that G&C should be separated into enhancement and base to align with the enhancement categories in table 4L. This will aid future development of cost models.</p> <p>Whilst table 2E provides granularity, it does not necessarily align with an enhancement/base split especially for projects which are not growth related.</p> <p>We suggest table 4L could be modified to collect G&C against each enhancement category line, and we'd expect this to then reconcile to tables 2B and 2E.</p>
2F	All	RAG 4.09 does not provide definitions for the new social tariff columns.
3A/3B		Note that SSC has regional performance commitments for leakage and PCC, and so we will need two reporting lines for each of these in these tables.
6C	23	MZC has been dropped as an ODI by all companies in favour of CRI. We can still calculate the metric however we would suggest that this figure is now best obtained directly from DWI annual reports, as the reporting timelines for APR are usually ahead of DWI publication where the figures are confirmed.
6C	24/25	CRI is not needed here as it is reported as an ODI for all companies. ERI is not an ODI for all companies however where it is, will be reported as such and in all cases it would be available in the DWI annual reports.

We have previously raised with Ofwat the issue of accounting for the expenditure on shared resources with other water companies and understand there are other companies who have similar arrangements.

We currently report this expenditure gross with any associated contribution reported separately. This creates two problems. First, the total gross expenditure for the industry is overstated as both companies will include the shared proportion. Second, under the assessment of costs at Price Reviews, companies who own the assets will look less efficient at the gross level.

We understand the importance of the RAGs to drive consistency of regulatory reporting and propose that table 2B/4D lines 16 and 17 should be updated to require companies to report their own share of expenditure within gross costs.

Q2

Do you think that the tables allow a comparison of performance to the PR19 business plan tables? Are there areas where this could be improved? Are there areas where we should consider deviating from the business plan formats?

Yes, we agree. We think that consistency with the PR19 business plan tables is important both for stakeholders and for companies as it allows a direct comparison of actual to planned performance.

Q3

Do you think that the transactions between the price control units, in particular for the sludge liquors which Network+ treats on behalf of Bioresources, are sufficiently transparent? If not, please give examples as to how this could be improved.

We have no comments

Q4

Are there any practical presentational issues we should consider e.g. do any tables have too many lines to publish easily? Do you have any preference for landscape versus portrait format?

We think table 4A could be difficult to publish for companies if each individual bulk has to be included. See our specific response to Q13.

Generally, we think that a portrait format is easier to read for stakeholders but recognise that some tables, for example table 1F, have too many columns to make it practical.

Q5

We are considering moving the 15 July deadline for the APR publication earlier in July so that we can more easily accommodate the in-period determinations. Would it be practical to implement such a change?

We do not agree with bringing forward the deadline for APR publication. The current deadline has already become more challenging as greater levels of detail have been added to the reporting since 2015. The proposed changes the RAGs add further disclosures to be reported.

We think that more focus should be on reviewing the in period determination process to identify areas where some of the regulatory burden for both Ofwat and companies could be reduced.

Q6

Do you agree that we should embed the ODI performance model within the annual performance reporting tables?

Yes, it seems sensible to reduce the number of additional spreadsheets if this can be easily achieved.

Q7

Do you agree that companies should report performance against the PR19 asset health long list on table 3E?

If so, should information be restricted to water companies and regulators or made publicly available?

We can only comment on the two water measures in table 3E, low pressure and unplanned maintenance.

In our PR19 customer research, and in our business plan, we explored with customers and then made our case for no longer utilising these two metrics as performance commitments. At PR19, we compiled a set of performance commitments that covers a broad range of service and asset health, with measures that are designed, as a package, to support each other.

Our low pressure risk is a single customer and has been this way for some time, and our unplanned maintenance indicator, which only had a 5% weighting in our AMP6 serviceability ODI, is now replaced by the far more useful unplanned outage performance commitment, which is financially incentivised. In summary, the two water measures listed no longer offer any valuable insight into the health of the assets in our view. Removing these metrics (from being performance commitments) was accepted by Ofwat in our FD.

The table is described as ‘shadow reporting’, however we would certainly not expect either of these measures to be useful as performance commitments in their own right in PR24 or beyond, given their limitations as described above. Therefore, on this considered basis, we do not agree that these two previous asset health measures add any value to AMP7 reporting or future reporting as asset health indicators, and as such we consider they should no longer feature.

Q8

Developer services are open to competition. Most site-specific services are contestable and can be provided by an undertaker (incumbent company or NAV), self-lay provider (SLP) or (primarily in the case of sewers) developers.

We are introducing a new table 2N for developer services to measure the level of third-party activity in areas served by incumbent companies. This should enable us to measure that activity in a way that ensures the information is insightful and consistent. It will provide an insight on how competition in developer services is evolving over time.

We have also added granularity for our cost information for growth-related expenditure in tables 4L and 4M. We propose a re-definition of our cost lines to capture the main elements of growth activities, and to capture specific on-site and off-site costs separately.

We welcome comments and views on our proposed approach.

We agree with more granular reporting of new developments.

Q9

We currently calculate the reconciliation in table 2K using infrastructure charges before any efficiency discounts. We are aware of some views that this should be changed to use infrastructure charges after discounts.

What are your views on this?

We agree that the reconciliation should use infrastructure charges after discounts. We recover infrastructure charges to pay for network reinforcement work and so where discounts apply this means that the demand on our network is lower so we need to invest less.

Q10

Is there scope to rationalise the number of areas where we ask for specific assurance?

We have not identified any areas to rationalise.

Q11

We currently collect information on property and customer numbers, including voids etc, in various places in the APR. We could move all of this information into a single table – what are your views on this?

We agree that it is worth consolidating all property and customer number counts into a single table. We consider it may best fit into table 2F alongside revenue and social tariff counts.

Are there any other useful metrics for property and customer numbers which we should specify?

We consider it may be worth splitting voids into the same categories as properties, reporting the split between measured and unmeasured.

Q12

Table 4U line 23: Total volume of network storage.

We are aware that companies have had difficulties completing this item and are concerned that this may mean there could be inconsistencies across the industry.

How might this definition be improved to avoid ambiguity and improve consistency of reporting?

We have no comments

Q13

Strategic water resources – we have included more granular information on bulk supplies revenues and volumes in our proposed table 4A in order to promote trading activity. Currently, for cost information, we have a single line for third party costs, of which bulk supplies is a constituent. We asked companies to forecast individual costs for new bulk supplies in their PR19 business plans. Is it practical to disclose granular cost information for bulk supplies?

As one of the main purposes of this table is around water trading, we think that this table should only set out those new bulks eligible for the water trading incentive.

Q14

Social tariffs – we have proposed additional information to table 2F. Is this sufficient to provide a view of company activities in this area? What additional information should we consider adding to this table?

We do not think that collecting the information is best set out as extra columns to this table.

Companies completed an information request on social tariffs. A new table could be included in the APR in this format.

Q15

We currently have a source type for direct effluent reuse. This is where treated effluent is diverted to network plus price control activities (either via a raw water transport asset, raw water storage asset or to a water treatment works for further treatment and treated water distribution). We define direct reuse as when the effluent does not return to the environment or to the water resources price control activities (abstraction asset before entering the water treatment works).

Although we consider indirect effluent reuse as being where an effluent discharge is diverted to a location (environment or water company water resource asset) purely for the purposes of abstraction for treatment and treated water distribution, we do not include this currently in the reporting of costs or sources.

Where do you currently report these sources and costs? If we were to introduce an indirect reuse source category do you agree with our definition above?

We have no comments

Q16

In section 8 we have included new data requirements for Bioresources. Should we collect more data to support the Bioresources market?

We have no comments.

Q17

We are introducing a new table 9A for the reporting of issues relating to the innovation competition. This is to collect the information required for the 'PR19 Innovation funding reconciliation model' in a format that will also provide stakeholders with relevant information to monitor how the company is performing against its allocated innovation competition fund price control revenue. We propose in section 3.16 of RAG 3.12 that companies provide commentary on its innovation competition spend.

Do the proposed new table, line definitions and commentary requirements capture the required information to support the reconciliation process? What additional information should we consider adding to this table?

We have not identified anything missing to support the reconciliation process.

Q18

We propose new reporting requirements for small companies:

- a. Customer-focused performance summary,
- b. Per capita consumption (PCC),
- c. Leakage; and,
- d. Financial security.

What are your views on these proposals?

We have no comments

Q19

What are your views on how we should collect the information to calculate the bilateral entry adjustment?

We think that it would be better to have a new table from 2022-23 to collect this information rather than adding additional lines to table 5A.

Q20

We highlight proposals for Greenhouse gas emission reporting in section 4 'Future developments in performance reporting'.

To what extent do you agree or disagree with these proposals and why?

Could companies publish annual gross and net greenhouse gas emissions (in tCO₂e) for both water and wastewater? Could this be done for both operational and embedded emissions?

We support Ofwat's approach to work with the industry in developing the reporting of greenhouse gas emissions. We will provide our views further as reporting requirements develop in this area.

Q21

We highlight proposals for nature based solutions reporting in section 4 ‘Future developments in performance reporting’.

- **To what extent do you agree or disagree with these proposals and why?**
- **Which type of nature based solutions do you think should be included in any reporting, and how could they be reported against?**
- **What work do you think is required to establish relevant baselines?**

We have no comments on this area at the moment. We will provide our views as this area progresses.

Q22

We highlight proposals for household bills reporting in section 4 ‘Household bills’.

- **To what extent do you agree or disagree with these proposals and why?**
- **What additional information on household bills do you think should be included in the APR?**

It is unclear from the consultation whether this would be the reporting year actual or the projected average bill for the following year calculated at the time that charges were set and used in our communication with stakeholders. We think that the latter is the most relevant to customers.

We also think that the level of information proposed is excessive and we are unsure what problem Ofwat is seeking to solve with this level of reporting.

Companies already submit information on the average bill calculation to Ofwat as part of this process. There is also a requirement to set out the change in bills for a wide number of customer groups in the associated assurance statement. We think that this information is sufficient and provides transparency to customers on how their bill is likely to change each year.

If there is any additional disclosure on household bills we think it would fit better as part of the annual charges process so that it is timely and more visible to customers.