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24 August 2020

Dear Sir/Madam,

### Consultation on regulatory reporting for the 2020-21 reporting year

Thank you for the opportunity to review and comment on the proposed changes to the Regulatory Accounting Guidelines. Please find attached our responses to the questions posed and any additional observations.

Overall, our comments primarily fall into three categories:

- **Clarification of definitions.** There are a number of areas where all involved parties would benefit from additional clarification regarding the definitions to assist with consistent reporting across the industry.
- **Complexity, timescales and rationalisation of guidance.** We are concerned about the complexity of the information and the increase in volume of information required. To support us in developing the processes to collect the new data, it would be helpful for us to fully understand the purpose of the data requirements. This will assist our understanding of where the data will be used and enable us to design the appropriate data collection processes. The additional complexity and volume also raise concerns regarding the proposed timescales for publication. To avoid the risk of errors caused by a company missing an important piece of guidance in relation to the publication of each year's APR, we would recommend that all supporting guidance relating to the APR should be contained in a single reporting requirements document.
- **Immaturity of reporting.** The consultation proposes the inclusion of data that is currently immature in its development. In the main we support the new requirements, such as nature-based solutions. Consideration will be required regarding the scope and timing of the requested data and the maturity of data over time.





We have identified errors within the RAGs, tables and supplementary publications that were reviewed alongside the original consultation. On occasions, we have made assumptions to allow us to provide a response to the consultation question, for example within RAG 3.12 (4.11.4/5) you refer to Table 4Y, which is not include in the proposed tables. We have assumed that this refers to Table 6D. We have noted some identified errors within Question 1 of our response. When the RAGs are finalised, this could lead to further questions or a change in our opinion. It light of this, it would be greatly appreciated if a final draft could be circulated ahead of finalisation of the RAGs.

We confirm that we are happy for our response to be published.

Should you have any queries regarding this response please do not hesitate to contact me by email on [REDACTED]

Yours faithfully,



**Kirstin Hutchinson**  
Regulatory Compliance and Assurance Manager  
Yorkshire Water



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

The table below provided a summary of our views and queries on the proposed changes to the APR tables for 2020/21 reporting year.

Table	Line	Issue
<b>1E &amp; 4B</b>	1E.9 & 4B.808	We understand that tables 4B,1E and 4I should be consistent. Our interpretation of the detailed guidance leads to some differences that we would like to draw to your attention, and we would welcome either a correction or confirmation on whether these differences are intentional. 4B.808 (Indicative weighted average nominal interest rate) and 1E.9 (Full year equivalent nominal interest cost) will be different because they use different RPI and CPI rates to calculate interest rates. Table 1E guidance <i>“RPI and CPI /CPIH should be the latest annualised March monthly figure reported by ONS.”</i> whereas Table 4B guidance is <i>“For the purposes of these calculations we expect companies to use an assumption for RPI of 3.0% per year and CPI of 2% per year.”</i>
<b>4B &amp; 4I</b>	4I.26	We understand that tables 4B,1E and 4I should be consistent. Our interpretation of the detailed guidance leads to some differences that we would like to draw to your attention, we would welcome either a correction or confirmation on whether these differences are intentional.  Table 4B will be different to Table 4I because data item 4I.26 ‘other derivatives’ (power / energy linked) does not fall into the Table 4B categories of fixed, floating, CPI linked or RPI linked instruments.
<b>4B &amp; 4I</b>	4I.4	We understand that tables 4B,1E and 4I should be consistent. Our interpretation of the detailed guidance leads to some differences that we would like to draw to your attention, we would welcome either a correction or confirmation on whether these differences are intentional.  Index linked swaps in Table 4I.4 (reported at the nominal value) will be different to index linked swaps in Table 4B Column J (Amount used to calculate nominal interest cost and cash interest payment), reported at nominal value of the swap plus indexation, so it can be used to calculate the interest cost.
<b>1E, 4B &amp; 4I</b>	-	Please clarify if the date used to calculate ‘years to maturity’ in Table 1E and 4B and ‘maturity buckets’ in Table 4I for derivatives with break dates should be the maturity date or break date of the derivative?

Table	Line	Issue
4B	-	<p>Please can you confirm if presenting undrawn RCF commitment fees on a separate line in Table 4B is acceptable?</p> <p>Per the guidance “If companies have debt instruments where the interest payable is not directly based on the principal sum outstanding (e.g. commitment fees payable on undrawn amounts in relation to a capex facility, or where interest payments are based on the notional amount indexed and not the principal sum outstanding), companies should indicate the principal sum outstanding in column K and the figure on which annualised interest costs are based in column L. If interest payments are based on the principal sum outstanding, companies should simply ensure that this figure is entered in both columns K and L.”</p> <p>Contra to the guidance “revolving credit facilities ... any additional ‘commitment costs’ can be captured in the column for unamortised issuance costs” but believe it would benefit the reconciliation of unamortised issuance costs.</p>
4B	-	<p>We’d like to make you aware, the combinations of derivatives presented in Table 4B may change from combinations presented in App20, as we choose the most appropriate level for reporting derivatives per the guidance “For the avoidance of doubt if companies are unclear or unsure as to whether combining derivatives is appropriate, companies should report each instrument individually.”</p>
4B	Column T & Column U	<p>We would like additional guidance and confirmation on whether Column T in Table 4B (“Value per balance sheet at 31 March 2021”) and Column U (“Fair value of debt at 31 March 2021”) are expected to reconcile to any other data in the APR.</p>
4B	-	<p>There appears to be an error in RAG-4.09-proposed.pdf for Table 4B, which we would like flag ahead of finalisation: “...companies should indicate the principal sum outstanding in column <b>K</b> and the figure on which annualised interest costs are based in column <b>L</b>. If interest payments are based on the principal sum outstanding, companies should simply ensure that this figure is entered in both columns <b>K and L</b>.”</p> <p>Our understanding is references to columns K and L should refer to columns I and J ( where I is ‘Principal sum outstanding as at 31 March 2021 (excluding unamortised debt issue costs)’ and J is ‘Amount used to calculate nominal interest cost and cash interest payment (might be equal or differ from principal sum outstanding)’).</p>
2B	2B.3	<p>There appears to be an inconsistency between the RAG and the tables, RAG 4.09, line 3 refers to "Service charges/discharge consents". This is referred to as "Abstraction charges/discharge consents" within the tables. Please can you clarify the correct requirement.</p>
2E	2E.5, 2E.18 & 2E.30	<p>Please could additional detail be provided within the definitions of “Diversions - other non-price control” including specific examples.</p>
2E	2E.2, 2E.6, 2E.13, 2E.19, 2E.25 & 2E.31	<p>Please can the definition of “Other contributions (price control) and Other contributions (non-price control)” be expanded to include specific examples.</p>

Table	Line	Issue
2E	-	The Bioresources price control is present in Table 4P. However, there isn't a corresponding Bioresources table section reflected in Table 2E. Table 2E only includes sections for: <ul style="list-style-type: none"> <li>o Water resources,</li> <li>o Water network+, and</li> <li>o Wastewater network+.</li> </ul> Please can you confirm this is correct.
2J	2J.3, 2J.8	With regards to 'other' assets that we would work on for Network Reinforcement, please can you confirm confirmation if this includes the costs of installing bulk meters (and associated assets) at boundaries of NAV networks to monitor the import of water and manage our network. We are seeking confirmation that this classified as 'reinforcement' (unless there has been upstream network enhancement delivered).
3B	Block H	We would like to see further detail on the classification and reporting guidelines for 'Spot repairs or relining undertaken on sewer and not included in reported sewer collapses' so we can ensure that there is accuracy and consistency in our reporting and across the industry.
3C	3C.1	The description within RAG4.09 states "The name of the abstraction site. This can be anonymised if it is necessary for national security reasons." This does not correlate with the line "Annual customer satisfaction score for the customer services survey." We would like to draw this to your attention so that the RAGs can be updated with the appropriate definition.
4B	-	We note that Totex analysis is replaced by detailed analysis of debt. We would appreciate confirmation that there is no longer a need to report 'Transition expenditure' (formerly 4B.6) separately, or clarification on where else this might be captured.
4F	-	We would like the definition "directly attributable costs only" to be expanded to provide further clarification.
4F	-	We would like an expanded definition to provide more clarity on the definition of a "major project".
4F	-	These tables require expenditure "by purpose". We would like to see this term expanded on to assist with appropriate reporting. Also, we would welcome clarification on the situation where: if we were to have more than one major project serving the same purpose within the region, if these costs be aggregated into a single line.
4F	-	We would welcome confirmation regarding whether this table captures only enhancement or growth projects and costs or, should this include base projects and costs.
4F	-	Please clarify if the reporting lines in the Opex and Capex sections are the same or are they independent lists of projects.
4L	4F.3 & 4F.9	Please provide greater clarity on the definition of "on-site costs".
4L	4F.5 & 4F.11	Please provide greater clarity on the definition of "off-site costs".
4M	4M.1 & 4M.7	Yorkshire Water does not construct sewers and the only income to present here would be from s.104 adoptions. Can you confirm this is correct?
4M	4M.3 & 4M.9	Can you confirm this is the sewer requisition cost and the off-site element of the s.104 adoption.

Table	Line	Issue
4M	-	Please can you clarify the definition of ‘off-site costs’ and ‘on-site costs’ within this table.
4M	4M.15	‘‘Sludge enhancement growth’’. For completeness, should this line be included within the ‘‘Growth capital expenditure by purpose’’ lines of the table rather than ‘‘Enhancement capital expenditure by purpose’’?
7C	7C.6 & 7C.7	Please can you confirm that this line is the breakdown of the gravity collapses and rising mains within the Sewer Collapses as reported in Table 3A.
7E	7E.17 & 7E.20	Within RAG 4.09, the reporting line ‘Number of intermittent discharge sites with event duration monitoring’ is 7E.17, however within the proposed table this is 7E.20.

### Other general comments

#### RAG 3

We have identified errors within RAG 3 and have made the following assumptions.

RAG 3.12 paragraph	Summary of assumption
4.11.2	‘‘Tables 4L and 4Q require companies to provide details of the expenditure and related benefits delivered through their internal interconnection programmes.’’ Tables 4L and 4Q have not been provided or have been removed. We have reviewed this on the assumption that this is table 6B.
4.11.3	‘‘Table 4P requires companies to report their total annual leakage’’ this is not a reflection of information requested in 4P. Also, ‘‘Expenditure on non-price control diversions.’’ We have assumed this is the data requested in 3B.
4.11.4/5	This references Table 4Y. This has not been provided within the proposed tables. We have reviewed this on the assumption this refers to Table 6D.
4.14.4	There is reference to guidance in paragraph 4.15.2. This paragraph has not been provided.

As stated within our last two APR returns, ‘We have continued to allocate capital costs using PACE allocation rather than principal use as we still believe that this is the most accurate way to report capital expenditure to meet Ofwat’s cost allocation principles.’ As the definition on principal use has not changed in the consultation guidelines, we will continue to maintain our position on the use of PACE allocation in future reporting. Further information on our approach is detailed within our accounting separation methodology statement.

We would welcome additional clarification for RAG 1.09, 4.4. Derivatives and whether ‘‘adjustments’’ denotes XVA adjustments made to the MtM of the swap to derive their fair value, or whether it means fair value ‘‘movements’’, as provided in the P&L. If adjustments are intended, please confirm how this information should be presented.

In RAG 3.12, paragraph 4.17 states: ‘Where the nature of other derivatives results in an inability to provide this information prevents a full reconciliation with Table 1C, companies should provide a

note explaining why'. We assume this should read: '... results in an inability to provide a full reconciliation between Tables 4I and 1C...' please can you confirm if this is the case.

The addition of BON codes in the 2019/20 APR was welcomed. We consider that it would be useful to continue this into the new tables for 2020/21 and beyond. This would help in tracking changes between years when line numbers change. It would also support tracking information between submissions.

We would like to understand the impact of line 2 within Table 1F. The guidance appears to be indicating that the value which should be included is the additional return from the PR14 accounting for past performance, which would then be shown as an additional amount of return on equity in AMP7 to Shareholders over the base return. If we have understood this correctly to be the case then this would in effect be a 'double count' of the return that shareholders are receiving, as these additional returns were included in table 1F within the 2015-20 reporting period, and therefore already attributed to the returns to Shareholders in AMP6.

Question 2. 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?

We believe that both tables contain the same information, logically presented and do not have any concerns with this format continuing.

The inclusion of BON codes between APR and PR19 or PR24 tables would assist with consistency checks.

Question 3. 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.

Yorkshire Water ensures that major transactions between the price controls are transparent and are disclosed by type and value in the accounting methodology statement. For example, the cost of treatment of water sludges at a sewage treatment works and the use of water at a sewage treatment works are included on page 335 of the YW APR (within appendix 3 Accounting Methodology Statement). We note that the guidelines within RAG 2.15 "remind companies to include recharges such as...water sludges at a sewage treatment works; and ...use of water at a sewage treatment works".

It would be helpful for major transactions such as these and liquor treatment are included in a new mandatory table, perhaps within the accounting methodology statement, to ensure consistent disclosure. The values are helpful in themselves and could include additional granularity as to how the recharges have been calculated. For example. whether incremental, marginal or market price has been used. Inter-price control charges need to be comparable in calculation.

In terms of sludge liquors which Network+ treats on behalf of Bioresources, we would prefer additional disclosure because the calculation methods and data points available offer very different results. The introduction of charges from Network+ to Bioresource for liquor treatment does create an incentive to improve the wastewater business to drive further efficiency and also ensure that both price controls are independent, especially where there are co-located sites. Some central rules to ensure consistency in the approach for the recharge across the whole industry are needed and should be agreed. For example, the values can fluctuate significantly if Mogden is used compared to an incremental cost-based approach. Bioresources will not be a level playing field without consistent industry recharges.

Question 4. 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?

Working with our design agency we have recreated each proforma table using our current design language and exported the output to PDF using the same process for producing our APR. We have considered both landscape and portrait options when recreating the tables as well as breaking larger tables into smaller tables. This has allowed us to identify any presentational issues with the proposed proforma tables.

The tables below list our findings and recommendations for each proforma table.

Table	Our findings
<b>Table 1A</b>	No issues, this table fits in A4 portrait format.
<b>Table 1B</b>	No issues, this table fits in A4 portrait format.
<b>Table 1C</b>	This table has too many rows to fit onto a single page and therefore as the table currently stands, we would need to split this table across two A4 pages in portrait format, which would be fine for presentation and readability of the APR.
<b>Table 1D</b>	No issues, this table fits in A4 portrait format.
<b>Table 1E</b>	No issues, this table fits in A4 portrait format.
<b>Table 1F</b>	This table has too many rows to fit onto a single page. The table needs to be split across two A4 pages in landscape format. We think it would be helpful to consider how this table could be created to be presented as two portrait tables.

Table	Our findings
<b>Table 2A</b>	No issues, this table fits in A4 portrait format.
<b>Table 2B</b>	This table has too many rows to fit onto a single page and therefore as the table currently stands, we would need to split the table across two A4 pages in portrait format, which would be okay for presentation and readability of the APR.
<b>Table 2C</b>	This table has too many rows to fit onto one page. The table needs to be split across two A4 pages in landscape format. We think it would be helpful to consider how this table could be created to allow it to be presented as individual tables that would fit on a portrait page.

<b>Table 2D</b>	No issues, this table fits in A4 portrait format.
<b>Table 2E</b>	This table has too many rows to fit onto one page. The table needs to be split across two A4 pages in landscape format. Consider splitting table.
<b>Table 2F</b>	No issues, this table fits in A4 portrait format.
<b>Table 2G</b>	No issues, this table fits in A4 landscape format. Consider splitting the table.
<b>Table 2H</b>	No issues, this table fits in A4 landscape format. Consider splitting the table.
<b>Table 2I</b>	This table has too many rows to fit onto one page. Table needs to be split across two A4 pages in portrait format.
<b>Table 2J</b>	No issues, this table fits in A4 portrait format.
<b>Table 2K</b>	No issues, this table fits in A4 portrait format.
<b>Table 2L</b>	No issues, this table fits in A4 portrait format.
<b>Table 2M</b>	No issues, this table fits in A4 portrait format.
<b>Table 2N</b>	No issues, this table fits in A4 portrait format.
<b>Table 2O</b>	No issues, this table fits in A4 portrait format.

Table	Our findings
<b>Table 3A</b>	This table has too many rows to fit onto one page. The table needs to be split across two A4 pages in landscape format. Consider splitting table between common and bespoke PCs. Consider shortening the headings as hyphenation would have to be used on more occasions.
<b>Table 3B</b>	This table has too many rows to fit onto one page. Consider splitting into individual landscape format tables as the headings are varied.
<b>Table 3C</b>	No issues, this table fits in A4 portrait format.
<b>Table 3D</b>	No issues, this table fits in A4 portrait format.
<b>Table 3E</b>	No issues, this table fits in A4 portrait format.

Table	Our findings
<b>Table 4A</b>	No issues, this table fits A4 portrait format.
<b>Table 4B</b>	This table has too many rows and columns to fit onto one page. Consider splitting this table into two landscape format tables.
<b>Table 4C</b>	This table has too many columns to fit onto a single page. Consider splitting this table into two portrait format tables.
<b>Table 4D</b>	This table has too many rows to fit onto one page. The table needs to be split across two A4 pages in landscape format. Consider splitting this table into two landscape format tables.
<b>Table 4E</b>	This table has too many rows to fit onto one page. The table needs to be split across two A4 pages in landscape format. Consider splitting into two landscape format tables.
<b>Table 4F</b>	This table has too many columns to fit onto a single page. Consider splitting the table into two portrait format tables.
<b>Table 4G</b>	This table has too many columns to fit onto a single page. Consider splitting the table into two portrait format tables.
<b>Table 4H</b>	This table has too many rows to fit onto one page. Table needs to be split across two A4 pages in portrait format.

<b>Table 4I</b>	This table has too many rows to fit onto one page. The table needs to be split across two A4 pages in landscape format.
<b>Table 4J</b>	This table has too many rows to fit onto one page. The table needs to be split across three A4 pages in landscape format.
<b>Table 4K</b>	This table has too many rows to fit onto one page. The table needs to be split across three A4 pages in landscape format. This would be difficult to read and follow in the APR printed document format.
<b>Table 4L</b>	This table has too many rows to fit onto one page. The table needs to be split across five A4 pages in landscape format. Consider splitting into individual landscape format tables.
<b>Table 4M</b>	This table has too many rows to fit onto one page. The table needs to be split across five A4 pages in landscape format. Consider splitting into individual landscape format tables.
<b>Table 4N</b>	No issues, this table fits in A4 portrait format.
<b>Table 4O</b>	No issues, this table fits in A4 portrait format.
<b>Table 4P</b>	No issues, this table fits in A4 portrait format.

Table	Our findings
<b>Table 5A</b>	No issues, this table fits in A4 portrait format.
<b>Table 5B</b>	No issues, this table fits in A4 landscape format.

Table	Our findings
<b>Table 6A</b>	This table has too many rows to fit onto one page. The table needs to be split across two A4 pages in portrait format.
<b>Table 6B</b>	This table has too many rows to fit onto one page. The table needs to be split across two A4 pages in portrait format.
<b>Table 6C</b>	No issues, this table fits in A4 portrait format.
<b>Table 6D</b>	This table has too many rows to fit onto one page. The table needs to be split across two A4 pages in portrait format.

Table	Our findings
<b>Table 7A</b>	No issues, this table fits in A4 portrait format.
<b>Table 7B</b>	No issues, this table fits in A4 portrait format.
<b>Table 7C</b>	No issues, this table fits in A4 portrait format.
<b>Table 7D</b>	This table has too many columns to fit onto a single page. Consider splitting the table into two portrait format tables.
<b>Table 7E</b>	No issues, this table fits in A4 portrait format.

Table	Our findings
<b>Table 8A</b>	No issues, this table fits in A4 portrait format.
<b>Table 8B</b>	This table has too many rows to fit onto a single page. The table needs to be split across five A4 pages in landscape format. Consider splitting into individual landscape format tables.
<b>Table 8C</b>	No issues, this table fits in A4 portrait format.

<b>Table 8D</b>	No issues, this table fits in A4 portrait format.
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Table	Our findings
<b>Table 9A</b>	No issues, this table fits in A4 portrait format.

Question 5. 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 have considered the practicality of changing the date and have identified 3 areas of concern:

*Consistency with other reporting:*

Our main concern regarding a change of date in publication is aligned with other supporting information that the APR relies upon. For example, the APR will report on information published from the Drinking Water Inspectorate (DWI) and the Environment Agency (EA). If publication of this information is not aligned there is a risk of presenting information that is inconsistent with other external reports. Also, the APR is aligned with the publication of the Annual Report and Statutory Accounts, and a difference in publication dates risks differences in the data emerging between the various publication dates.

*Complexity and assurance:*

Another concern links with increasing complexity, assurance and timescales. As the reporting requirements for the APR continue to grow, bringing the submission date forward reduces the time available for assurance checks on the data. Our processes would need to be redesigned to support an earlier publication date, and although this can be done, consideration should be given to whether this should be done in the first year of a new AMP when there is significant complexity and increase in the data request.

*Customer accessibility:*

Finally, we engage with our customers to make sure that we deliver an APR that is accessible to them and presented in an engaging way. To support what our customers want, we provide additional publications and animations which accompany our APR. These additional publications and animations encourage engagement from our customers with our performance. A much shorter publication timescale risks our ability to deliver all of the added value content that supports our APR publication and that has been requested by our customers.

Question 6. Do you agree that we should embed the ODI performance model within the annual performance reporting tables?

We believe that the ODI performance model should remain separate from the annual performance reporting tables. As a standalone model it can be used more effectively internally in conjunction with other ODI models we have in use. We believe that its inclusion within the APR tables add further complications of data input by introducing calculations to what is primarily an input spreadsheet.

Question 7. 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 would welcome further discussion and consultation on the measures proposed for inclusion and we would like to see how the standardisation of information provision against more detailed definitions could be put in place. We would like to consider these measures as a whole package in the round and include customer and wider stakeholder views on the measures included. We would also like to ensure these align with the wider work on asset health and resilience.

Question 8. 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 are satisfied with Table 2N but would like to request a clear definition of 'connection' and 'property' to ensure that our reporting is accurate and consistent. For example, there may be one combined sewer connection under S106 that serves one hundred new properties, therefore for reporting purposes is it one connection but 100 properties.

In addition, on Table Line 2N.4, please can you provide a clear definition of SLP for wastewater connections. In practice, all wastewater connections are completed by another party (not Yorkshire Water Services) and therefore all connections could be classed as 'SLP'. Please can you clarify this.

As per our previous comments in question 1 regarding Tables 4L & M, we would like to ask for further clarification on the points raised.

Question 9. 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 believe we should use the net revenue in the reconciliation table as this is the revenue we receive (after discounts). The gross IC revenue figure is not what we charge for but is a nominal revenue we would receive if no developer had attracted the IC environmental incentive i.e. the gross figure is not the billed amount.

Question 10. Is there scope to rationalise the number of areas where we ask for specific assurance?

We consistently review and improve the way in which we apply assurance to our activities. We assure the entirety of the submission but use a risk-based approach to make sure that we concentrate on areas that are at high-risk and important to our customers. We review our assurance practices regularly to make sure we adhere to any regulatory requirements and deliver an adequately assured and compliant Annual Performance Report. It is important to us that we are transparent and we own the data that we provide. Our Board drive this culture and message throughout Yorkshire Water. We agree with the proposals in the consultation regarding the Board Assurance Statement and welcome the flexibility of approach.

At the moment our Board review and approve a Board Assurance Statement, a statement on Company Direction and Performance, the Risk and Compliance Statement and the Sufficiency of Financial Resources Statement. With regards to rationalisation of specific assurance, we believe it might be helpful to incorporate all Board approvals and statements into one or two overall statements or to review the requirements of each of the statements to try and reduce any duplication between them so we are not saying the same thing in different ways.

With regards to rationalisation, we would also like to comment on the various number of documents that need to be reviewed, understood and delivered against to ensure a compliant APR is produced. To deliver our APR we must refer to several guidelines, publications and Information Notes which often partially supersede previous notes and replace elements of other guidance. We believe that this brings with it an element of risk to the overall assurance we provide and hinders a full and easily accessible understanding of the requirements. This also brings risk and potential hinderance to new assurance providers, employees and partners with innovative solutions, but no holistic reference to a 'complete guidance'. We believe it would be helpful, and reduce the risk of error, if guidance was consolidated to less points of reference. This could incorporate version history or the existence of a version with tracked changes similar to that maintained by the FCA.

Question 11. 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? Are there any other useful metrics for property and customer numbers which we should specify?

We have no concerns to collating this information within a single table. Several other metrics are dependent on these numbers and so it is important that the information within the table is transparent and accessible to all data providers.

Within the water balance calculation, there are a number of other metrics that we use that may be beneficial in including in a key supporting information table. However, we are mindful of adding further reportable measures to this table and would welcome clarification of the purpose of any metrics added.

Question 12. 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?

Yorkshire Water has a robust approach to calculating network storage as we have proactively mapped our network. We would welcome greater consistency across the industry and to understand if other companies have similar methodology and confidence in their data. This would help standardise this measure.

For consistency, we ask for clarification that this measure is defined as the full volume of each pipe. Due to the gradients of the sewer it would be unlikely that all the pipes would be full capacity and prior to this occurrence there would be other effects, such as external flooding.

Question 13. 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?

We do not believe that the provision of such granular data would be practical to achieve and would like to better understand the value which would be achieved from doing so. We would also question whether the commercial nature of the information would be compromised if it was included at a granular level.

Question 14. 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 are happy with the proposals to Table 2F. We would welcome clear purpose for further information measures being added.

Question 15. 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 believe that the definition given for indirect reuse is reasonable, so long as the key words – “purely for the purposes of” – are retained. There must be a clear differentiation made between such circumstances, and those where treated effluent is discharged coincidentally to a watercourse from which an abstraction is also taken. This situation is a natural consequence of the water cycle within catchments and it would be inappropriate to include these under this definition.

Question 16. In section 8 we have included new data requirements for Bioresources. Should we collect more data to support the Bioresources market?

We believe that we could also report total solids and settled Chemical Oxygen Demand (COD).

It would be helpful for Ofwat to clarify whether the only liquors that should be accounted for are those from imported sludge, or if it should include those from indigenous sludge.

Question 17. 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?

As this is an emerging area, we would welcome further discussion and consultation on this matter in line with the recent Ofwat consultation on the potential workings of the Innovation Fund and Competition.

Our review of the new data table shows that it seems to capture what would be required. We agree to the commentary expectations.

With regards to the table, we would suggest that within the definition of 9A.1 it should be clear on whether the input should be as per the Final Determination for the five-year period or as per the Final Determination for the current reporting year. At present, this could be translated either way. We would also suggest that the title for 9A.1 is amended from 'allocated' to 'allowed', as allocated makes us think of what has been allocated back to us through the bidding process.

Further clarification would be welcomed on 9A.3 regarding royalties. We would welcome a greater understanding of how this works in the fund and how this should then be reported.

The data table column heading shows current year. Consideration may need to be given on how we present funding that may go across multiple years, depending on how this aligns with the workings of the fund.

The data table currently asks for information on shareholder funding but we believe this could be confusing and could diffuse the intended focus on innovation funding pot reporting. If this is to be included on this table, we would suggest that overall totex innovation funding is also presented on this table. We believe that either the table should only report on the innovation funding pot or should report on innovation funding overall. Also, the term shareholders should be clarified as to whether this is investors or wider stakeholders as there was some discrepancy in translation of the definition whilst we discussed this internally. We are targeting multiple sources of external funding for our innovation projects and so this could fall under the shareholder lines.

Overall, the proposed requirements look to capture the information that would be required to support the reconciliation process. However, this does need further reflection, review and consideration alongside increasing knowledge of the potential workings of the fund. For example, in its very recent decision document Ofwat states "Foreground IPR royalties earned by water companies and water retailers in other sectors in England and Wales will be shared with water company customers (in proportion to the funds that customers have contributed to the project). This includes where there are joint bids." Given customers of more than one water company is very likely to fund a particular innovation of that water company, any foreground IPR royalty revenues

due to be shared with customers will need to be shared with customers of more than one company. We believe field 9A.3 should be redefined as “non-price control revenue shared with the innovation competition (e.g. royalties) - Other revenue from appointed activities, not covered by the price control that is collected by the company and is allocated with the innovation competition fund. i.e. this will exclude shares of royalties revenues retained by the company”.

Question 18. 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?

These requirements are not applicable to Yorkshire Water as we are not a small company. We have no strong views on these new reporting requirements, but the suggestions look sensible and reasonable and will still allow for industry wide comparisons on key metrics.

Question 19. What are your views on how we should collect the information to calculate the bilateral entry adjustment?

We would welcome further consultation and a more detailed conversation at a later date as views on the bilateral market and then associated data collection are still being considered and formed. There may be more understanding to provide comment on this in next year’s RAG consultation, still allowing development before the information is to be published in APR23.

Question 20. 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 tCO<sub>2</sub>e) for both water and wastewater? Could this be done for both operational and embedded emissions?

Yorkshire Water’s response is broken down into the key comments and questions highlighted in the Ofwat consultation and our understanding. In summary we feel there are three key points:

- There is a need for careful consideration and alignment on methodologies nationally before introducing new requirements.
- We see a vital need to share best practice in data but more so in terms of process and procedures to maximise the benefits across the whole industry.
- Reporting must be consistent and in a format that all our stakeholders can understand and follow.

## 1. Strengthen the sectors approach to climate change mitigation and adaptation

Yorkshire Water agree mitigation and adaption are clear priorities that need considerable further attention across the water industry. Our customers and stakeholders have shown strong levels of support for further action in our research and engagement. This is critical to the affordability and resilience of essential public services. There are complex issues and varying levels of maturity in different aspects of a water company's carbon footprint that need careful consideration to ensure effective approaches that truly support desired outcomes for society. Any new approaches should be founded in a solid understanding of latest developments by water companies, individually and collectively, and by the Environment Agency and other stakeholders in the sector who have also escalated their focus on carbon reduction. An aligned, collaborative approach can deliver great benefits.

Yorkshire Water has made substantial progress on both adaptation and mitigation in recent years, and we are further escalating our focus. The focus of our response is on mitigation and measuring greenhouse gas emissions. As well as our leadership in the national public interest commitment for net zero, we have also introduced bespoke performance commitments to reduce our operational and capital emissions, as well as various commitments linking to overall resilience. Having matured our carbon accounting and decision-making methodologies, we are keen to share our learning to help inform an effective national approach. The capital target is set over the 5-year period to reflect some of the issues highlighted in more detail in our consultation response. We also have several internal governance structures, strategies, plans and internal KPI's to drive further efficiencies.

While data and reporting are vitally important, we see an equally important need to collaborate nationally to develop best practice, pilot and deploy at scale new innovation and technology. Also to understand how we can work strategically to best support the UK to further reduce emissions. Yorkshire Water would like to work more closely with the regulator to drive policy and technical change to support a low carbon future for everyone; the water industry is rich with further opportunities to reduce emissions and improve other areas of sustainability.

To deliver effective carbon reduction we have found it is essential to tailor different approaches to each element of our carbon footprint, typically using the categories of the best practice Greenhouse Gas Protocol. For each category of emissions, any organisation has different levels of maturity in accounting and decision making, as well as varying ability to influence change. Yorkshire Water have direct control over its Scope 1 and 2 emissions through efficiency, procurement and behaviours (Sometimes called operational emissions). This has therefore been a long-standing priority for action, successfully delivering substantial reductions over recent years. We and the sector are already escalating out efforts to go further as part of the net zero public interest commitment.

In Scope 3, the Greenhouse Gas Protocol identifies 15 categories of emissions, some of which are more relevant to the water industry than others. Of our Scope 3 emissions, we are currently most focused on those associated with our capital maintenance and improvement programmes (sometimes called embedded emissions). While these are important, we can only influence these through our supply chain and there are challenges in collecting data, reporting consistently and reducing embedded emissions. Yorkshire Water has conducted a study to assess its scope 3 emissions to inform our new carbon strategy. We found waste is an important area, and customer

use of water is by far the most significant area of emissions associated with water and wastewater services. We will imminently be publishing a case study on this project and would be happy to explore this further with Ofwat.

We are also focused on the carbon associated with our large land estate. We have developed a land carbon accounting and modelling tool to help inform our land management decisions. We are sharing this with UKWIR for national development and standardisation, and we are sharing it with other land managers in Yorkshire to support collaboration. A priority here is to mature the scientific evidence of land carbon to support fully effective decision-making. We are also exploring important questions about how to manage carbon off sets, both on our land and more widely.

We would welcome the opportunity to work with Ofwat to share the insight from our recent advances to help shape the most effective approach in the industry to different aspects of the carbon footprint. We recognise further exploration and development is needed before introducing further reporting or other requirements.

We would also propose a wider assessment of data to report sustainability and factor in decisions, using the six capitals process which we, and now other water companies, are developing. Yorkshire Water would welcome further discussions on how this process could work for the wider industry with Ofwat.

## **2. The need to monitor greenhouse gas emissions and progress in a consistent way**

Yorkshire Water agree to consistency in reporting of all greenhouse gas emissions. The industry has led the way by developing the Carbon Accounting Workbook (CAW), which accounts for Scope 1, 2 and the most relevant of the Scope 3 emissions. The industry's approach has enabled high quality and aligned carbon reporting on the emissions for which we have most control. While there are options to add data, such as tree planting or peatland restoration off sets in the latest CAW, this does not include a net figure for the entire land holding or land management activity of a company and therefore could be misleading. Yorkshire Water are developing their land carbon model with UKWIR to support a robust, standardised approach for the sector, but more development is required.

In terms of capital emissions, the CAW currently has no capacity to record these emissions in a consistent way. This is also true of wider scope 3 (supply chain emissions). There are several challenges to be able to report this data in a consistent manner. Firstly, a national scope and boundary would need to be established with an agreed set of principles. Secondly, we would like to see principles and best practice shared, such as our experience with PAS2080 and data capture, to develop consistency prior to reporting. Thirdly, there is a lack of reliable data for some scope 3 emissions such as chemicals, an area we have also started to explore.

## **3. Making data available through portals such as the discover water website**

Yorkshire Water agree with making data available on public websites and/or other reports. It is important to recognise that the data must be consistent in terms of scope, boundaries, emission factors and methodologies to avoid confusion with stakeholders.

#### **4. Recognise the progress and context of the net zero commitment.**

Yorkshire Water would welcome a national standardised approach that shows progress against the net zero commitment. The Water UK carbon working group have recognised this need for development after the immediate focus on the national route map to net zero has been completed.

#### **5. Include information about greenhouse gases in the APR**

Yorkshire Water already report its annual operational emissions and total energy use in kWh, in its annual report and financial statement, in line with legal requirements. The reporting uses both a market and location-based methodology to reflect both overall reductions in emissions and choices made via procurement of certified green energy. Yorkshire Water would be open to exploring how further benefits could be reporting greenhouse gases in the APR while avoiding unnecessary duplication and ensuring alignment with other reporting to avoid potential confusion.

Yorkshire Water would prefer to see effort targeted at improving reporting methodologies and consistency over reporting the same data in an additional publication.

#### **6. Add reporting into the APR in the context on net zero**

Yorkshire Water would support reporting the progress against the net zero commitment, but it would be useful to integrate in our own annual reporting and on the discover water website rather than creating a new reporting source for stakeholders.

#### **7. Could companies provide annual gross and net greenhouse gas emissions in tCO<sub>2</sub>e for both water and wastewater and for both operational and embedded emissions**

Operational and embedded emissions are quite different and not easily comparable. In terms of operational emissions, as stated above, we already report emissions based on market and location-based methodologies, in line with best practice standards using the CAW to ensure consistency. We would support reporting of gross and net emissions for operational carbon providing it is defined using the net zero commitment approach. Some Scope 3 emissions such as outsourced emissions are already included in this approach.

Embedded emissions face many more challenges to report in terms of both gross and net values. For capital emissions where should the carbon, and or indeed any carbon reduction be measured? This in turn is linked to long timescales between design stage and build stage which may make annual reporting inconsistent or even meaningless. Yorkshire Water led on the introduction of a standardised approach for operational emissions and are exploring potential to align on capital emissions too. However, this runs to the heart of companies' individual asset management processes so again it is harder than for operational emissions. Yorkshire Water have had a long-standing drive to reduce capital emissions, but it has taken time to mature the data capture and decision-making processes. To reduce emissions both from building assets, operating and disposing of them to be near net zero will require a fundamental change in the way water companies operate such as moving to blue green solutions. This move will require the removal of long-standing industry and policy barriers to move at pace. Yorkshire Water's Scope 3 emissions data is difficult to obtain from suppliers, many of whom are concentrating on their own operational emissions. For example,

Yorkshire Water has found many inconsistencies when conducting Scope 3 analysis on chemicals use. Many studies on Scope 3 emissions are at an industry association level so you cannot compare or reduce emissions by using different suppliers easily. If careful consideration is not given to the methodology as to how the raw data is converted to transparent reporting the data could be easily manipulated or misinterpreted to become meaningless.

Yorkshire Water see the need to show leadership on emissions relating to capital carbon. Developing reporting and decision making in this area should be a priority for the whole industry, but it should not delay or confuse efforts around the current net zero work. It should be noted that Yorkshire Water are more advanced than many companies having developed a performance commitment in this area to PAS2080 standard. We are more than happy to share our experiences to support the wider industry, but this has taken significant time in terms of developing data and decision-making processes. But given the timescales it took us to fully embed the processes we do not feel many other companies will be in a position to report emissions from capital projects.

Prior to including emissions from capital programmes in reporting or developing KPI's targets within any external reporting we would prefer to see a national approach were all companies can agree consistent scope, boundaries and methodologies. Also, development of a route map to reduce capital emissions identifying what the key issues are in relation to capital carbon and supporting redesign of our industry to move to fully low carbon business. This Yorkshire Water see no reason why this can't be achieved in parallel but separate to the current net zero route map, but our view is this may not be achievable until 2024/25.

**8. In order for further understanding and to demonstrate progress towards net zero should there be a further breakdown of this data for example by source (grid electricity, process emissions etc), and by greenhouse gas type?**

In broad terms we agree there should be a further breakdown of operational emissions into key business areas and emission types. We would prefer a consistent approach for all public reporting that meets the net zero commitments and avoids confusion with stakeholders, this would include updating the CAW to ensure suitable breakdowns of emissions. However, while we already report as tCO<sub>2</sub>e it may be useful to engage with stakeholders who use the APR report and assess the value of reporting the different emissions as we would want to avoid any confusion regarding the reporting of emissions.

Question 21. 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?

**1. To what extent do you agree with these proposals and why?**

We agree with the proposal but believe it needs considered development by working collaboratively with the industry. A first step is to determine a clear definition, in a similar way to that developed for resilience several years ago. A well-crafted definition will help determine which type of nature-based solutions should be included and ensure a thorough baseline is developed. OFWAT should be clear on how NBS contribute to overall Governmental strategies such as the DEFRA 25 year plan, as well as relevant supporting assessments such as natural capital accounting and biodiversity net gain.

In addition, thinking through the measures of the wider benefits will also help determine which type of nature-based solutions should be included. So, proposals of what how and wider benefits should be measured would greatly help the working definition and improve consistency.

As well being able to measure the extent of NBS happening across the industry, inclusion in reporting should provide an important data point for PR24 to help improve the cost assessment and outcomes approach in the next price review. As such, reporting should align with other areas that companies are already conducting similar assessments (for example the Yorkshire Water 6 Capitals Accounting process).

NBS are still developing and there are several attributes to consider and reflect in their regulation and monitoring. They may fail so regulation needs to encourage considered risk but not penalise failure as that may lead to deployment of safer engineered solutions and inhibit innovation. They may deliver benefits more slowly than engineered solutions, so regulation needs to give NBS time to work as natural systems take years to recover. Current regulation of engineered solutions has measured delivery of the output, such as the completion of a treatment works and not the recovery of the natural system within a river. The diurnal, seasonal and year to year performance of NBS may vary and will need more sophisticated environmental understanding and monitoring to use the environmental management to address environmental challenges. NBS may not need to be as effective 365 days a year but they do need to be effective at the critical acute periods. A more sophisticated environmental regulation would help stimulate NBS. For example, presently the WFD as a driver allows the ability to undertake a catchment-based approach to delivering a NBS, whereas the UWWTD is not flexible enough to deliver similar solutions. Typically, NBS are lower cost than end of pipe solutions, but can generally only be used to address WFD requirements rather than UWWTD requirements. By capturing the NBS in terms of costs, benefits delivered and primary legislative driver, it will enable a more sophisticated enhancement cost modelling approach to be developed

The long planning timescales of the water industry can be an issue in inhibiting NBS which should be factored into the procedure for reporting. For example, an idea arising today may need to wait until PR24 for regulatory support. These sorts of timescales are often too long for partners whose view of

planning may be 1-2 years so we and our regulators need to be able to respond more quickly to seize NBS opportunities. NBS partnerships may also tend have longer gestation periods whilst common ground and a plan to work is collaboratively developed and resources secured. Delays in resources may be beyond control or partners and a delay may terminate a very good project so NBS would be helped enormously by regulatory flexibility on delivery dates, particularly given the often length delay between investment and full benefit that can occur when working with NBS. It is likely that standard cost models between regulatory drivers and operational maintenance will need revision for reporting on NBS given their likely need for more regular and proactive maintenance compared to engineered solutions.

## **2. Which type of nature-based solutions do you think should be included in any reporting, and how could they be reported against?**

We welcome the focus on NBS and agree that there are a very wide range of examples. We believe a clearer definition will help determine what projects will fall within scope to improve the quality, consistency and usefulness of NBS reporting.

In answering the NBS monitoring question we have been mindful of the IUCN definition of NBS as “actions to protect, sustainably manage, and restore natural or modified ecosystems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits”. We would go further than this and believe that ecosystems created not just restored to deliver NBS would fall under the reporting (for example a new wetland built on an ecologically sterile site).

Monitoring is one tool to promote the deployment of NBS but there are regulatory aspects that may slow down or inhibit their adoption that also require consideration.

It is also important that, whilst the wider benefits may be monetised, it is not always the best option in assessment of solutions. The comparative merits may be more accurate and enough to make decisions. The wider benefits may be non-financial and may fall beyond a water company, for example a contribution to wider society or a contribution to multi agency challenges where there is not a direct link between cost and beneficiary. Either way they need to be recognised in the economic regulatory regime.

Monitoring should not be as simple as the number of projects because they can vary in scale so much from a simple low technology alteration to a stream channel such as the removal of a small barrier to fish migration in a day or so, to the restoration of thousands of hectares of upland peatland water catchments over a decade. How and when these should be reported needs definition. Equally a lot of NBS needs continual effort to sustain the benefits such engagement with farming for catchment management of water quality parameters. Monitoring need to recognise sustaining the benefits as well as the addition of new schemes, and the associated regulatory regime needs to allow for maintenance of NBS previously delivered so that the benefits continue to be realised.

There are a number of performance commitments in the industry that attempt to measure and incentivise the use of NBS. While some companies have developed PCs to capture the benefits delivered by these types of activities, these approaches are still relatively new and require further

development. As NBS are bespoke to the specific regional circumstances, it would obviously be inappropriate to adopt a comparative performance approach based on simple output measures (such as number or scale of NBS). However, having a common understanding and reporting approach, driven through the APR could help to standardise the measurement and incentivisation of performance of NBS for the next price review process.

We believe reporting should make consideration to the fact that NBS are often delivered as part of a project blended with traditional solutions, and also that water companies can both pay for NBS to be delivered by others, and equally can also be paid to deliver NBS. Reporting should also define the scope of the NBS reported upon, particularly whether they are within the remit of a water company to deliver as part of their regulatory duties or whether they are additional measured being implemented on a discretionary basis by companies to create additional social and environmental benefits.

On a technical level, potential factors that could assist in capturing relevant data for NBS reporting could include:

Cost of NBS – Lots of NBS are multi-partner activities, with collaborative funding approaches. Reporting needs to make sure that however information on costs is captured, it takes account of the whole financial value of a scheme including any funding leveraged as well as the contribution from the water company.

Output measures – information on the number of NBS, type (if it can be categorised), and duration should be captured. Similarly, if relevant/possible quantifying the NBS in terms of metrics such as Hectares/Kilometres would also be desirable

Outcomes (or benefits/values) – also important that measurement includes the impact of the NBS. There has been a recent UKWIR report looking at how to value natural capital, so adopting a common framework for quantifying the benefits would be sensible.

Present ongoing NBS activity at Yorkshire Water includes but is not limited to river restoration, fish passage, constructed wetlands, reed bed remediation, natural flood management, catchment based nutrient mitigation, catchment-based sediment mitigation, peatland restoration. The diversity of NBS highlights the need for further consultation and standardisation of reporting. At this stage we would recommend focusing on the principles behind reporting which may lead to more fine scale metrics in due course, where aligned with other existing accounting measures.

### **3. What work do you think is required to establish relevant baselines?**

This question is largely dependent upon the above answer. However, we believe that due to the present poor definition and variable accounting measures for NBS, baselines should be company specific to allow measure of change over time, rather than being between companies. Reporting should also take into account the differing maturity levels of water companies working with NBS so as to not penalise companies who have already delivered a large number of these projects with an associated high baseline for future comparison.

We believe that baselines should reflect the varying maturity timescales of NBS projects, including those in the concept stage, those undergoing trials and those already established. Baselines should pay reference to their desired outcome, the form the NBS is taking, the stakeholders involved and funding mechanisms, objectives and what has been achieved (if already in place). This could be calculated via measures such as Natural Capital or 6 Capitals accounting, however this will need to consider the varying maturity of companies doing this.

Baselines should also take into account that water companies may both be funding NBS to deliver ecosystem services (e.g. Wetland creation) or may themselves be recipients of funding to deliver services (e.g. NFM).

Question 22. 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?

We accept the proposal to report household bills in section 4.4. However, it is not clear what the benefits are of doing so, not least because reporting this way requires significant effort. The drivers of customers falling into arrears are not based purely on bill value, if this is what is meant by bill deciles. Customer groups can be segmented in many ways and we are interested to understand the insight that could be gained from bill value deciles. Reporting in the categories expressed in table 2F makes more sense but is still not straightforward. Information for average bills is routinely captured but we will need further clarity on definitions, in particular statistical deciles.

Capturing arrears in the way proposed requires time, resources and accuracy cannot be guaranteed without further information and analysis. Whilst we also capture arrears information on an ongoing basis, the proposal in point 3 is to capture information based on deciles at any point in the year. It may not be possible accurately provide this new information retrospectively. In order to capture information in this way going forward we would also require a clear definition of arrears for each customer group to ensure consistency with other water companies. As the information is not currently captured it will be necessary to develop a reporting tool. Early provision of these definitions is essential to give our IT department sufficient time to build, test the report with the necessary assurance.