

January 2021

Consultation on changes to the Environmental Performance Assessment Methodology reference in two PR19 common performance commitment

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Summary

Some of the performance commitments we set in the final determination in December 2019 make reference to Environmental Performance Assessment (EPA) [version 3](#), which was released in November 2017. The Environment Agency and Natural Resources Wales released an updated EPA Methodology in October 2020 and December 2020 respectively (herein autumn 2020), [version 8](#). We have not identified differences in each methodology which result in different impacts on reporting of performance commitments for companies operating in England or Wales.

We propose that references to the EPA methodology in the sewage treatment works compliance and pollution incidents common performance commitments should be read as relating to version 8, as set out in this consultation. We propose that, for ease of reporting, the effective date for the proposed changes should be 1 April 2021, meaning that performance for the full 2021-22 charging year will be based on EPA reporting for the 2021 calendar year.

Reported performance for the charging year 2020-21 will remain based on the methodology specified in version 3.

A draft of the proposed changes to performance commitment definitions is attached in annex 1.

Background

At PR19, companies proposed performance commitments related to specific levels of service performance for customers and the environment. These performance commitments are defined in each company's Outcome performance commitment appendix, which we published in our final determination in December 2019.

Some performance commitments contain references to materials produced by third parties (that is, produced neither by Ofwat or the water companies). We

set out in annex 2 of each company's performance commitment appendix that – following final determination, when a company considers any changes to these third party documents should be reflected in our assessments of company performance against performance commitment levels and consequential ODIs – we would consider incorporating changes to third party materials referenced in performance commitment definitions.

What has changed?

The Environment Agency and Natural Resources Wales released an updated Environmental Performance Assessment (EPA) Methodology – version 8 – in autumn 2020. Performance commitments set in the final determination in December 2019 reference version 3, which was released in November 2017.

In spring 2020, South West Water requested that we consider updating the reference to the EPA included in the definition of the pollution incidents and treatment works compliance common performance commitments from version 3 to version 7 (published in November 2019). The company proposed that this change should take effect for reported performance in 2020 (for the charging year 2020–21). In considering this request we identified a small number of material data discrepancies in version 7 of the EPA. Furthermore, we were aware that the Environment Agency and Natural Resources Wales had recently consulted on, and intended to publish, version 8 of the EPA methodology in which these data discrepancies are corrected. We considered these factors and concluded that we would therefore consult once on changing the reference for the 2021 reporting year and subsequent charging years, when version 8 of the EPA applies.

Compared to version 3, version 8 of the EPA contains the following relevant changes:

- **References to environmental laws** – replaces explicit reference to the Environmental Permitting (England and Wales) Regulations 2010 with explicit reference to the Environmental Permitting (England and Wales) Regulations 2016; and
- **Sewer lengths** – updates companies' sewer length to the lengths reported for 2017-18.

Which performance commitments does this change affect?

The performance commitments set out in table 1 reference version 3 of the EPA methodology.

Table 1: Performance commitments that reference version 3 of the EPA methodology

Performance Commitment	Unique References
Pollution incidents (applies to the 11 water and sewerage companies)	PR19ANH_8, PR19HDD_E2, PR19NES_COM09, PR19SRN_WWN02, PR19SVE_F02, PR19SWB_PC F1, PR19TMS_ES01, PR19UUW_C01-WWN, R19WSH_En3, PR19WSX_E2, PR19YKY_30
Treatment works compliance (applies to the 11 water and sewerage companies)	PR19ANH_14, PR19HDD_C4, PR19NES_COM15, PR19SRN_WWN05, PR19SVE_C01, PR19SWB_PC B6, PR19TMS_CS01, PR19UUW_C02-CF, PR19WSH_En1, PR19WSX_E1, PR19YKY_32
Bespoke performance commitments on sludge use/ disposal (called bioresources disposal compliance or recycling biosolids by some companies)	PR19WSH_En8, PR19HDD_C3, PR19NES_BES22, PR19SVE_C05, PR19SRN_BIO02, PR19SWB_PC B9, PR19UUW_C09-BR, PR19WSX_E8

As stated in table 1, each company that provides wastewater services (with the exception of Thames Water and Yorkshire Water) has a bespoke performance commitment that references version 3 of the EPA methodology in relation to satisfactory sludge use/ disposal. However, we are not proposing to change this reference to version 8. Version 8 of the EPA does not use this indicator (it is temporarily suspended until the Environment Agency and Natural Resources Wales provide further notice) and so contains no relevant information. We note that explicit reference to the Environmental Permitting (England and Wales) Regulations 2010 in EPA version 3 has been replaced with explicit reference to the Environmental Permitting (England and Wales) Regulations 2016 in version 8. However, because companies must operate in accordance with the laws which apply to them, this drafting change has no substantive impact on sludge use/ disposal compliance and therefore the reporting of these performance commitments.

In addition to those performance commitments specified in table 1, we have identified that South West Water has a performance commitment that incentivises the company to achieve a specified EPA star rating. We issued a

corrigendum on 14 May 2020 which specifies that this performance commitment should be reported in-line with the most current version of the EPA definition used by the Environment Agency to define the company's star rating. The Environment Agency will determine star ratings following EPA version 7 for the 2020 calendar year. EPA version 8 will be used to determine star ratings from the 2021 calendar year onwards. Consequently, it is not necessary to consult on updating the EPA reference in this performance commitment.

If a company, or other stakeholder, considers that we have omitted from this consultation a performance commitment and associated definition which should be updated to specify EPA version 8 then we request that they identify this in response to our proposals. We request that they identify the specific performance commitment and set out the impact of updating the reference from version 3 to version 8.

What is the impact of updating the reference from version 3 to 8 and why should this change be incorporated in the performance commitment definitions?

Reference to environmental laws

As specified above, water companies must operate in accordance with the laws which apply to them. Changing the reference in the methodology has no impact on sewage treatment compliance and therefore the reporting of the treatment works compliance performance commitment.

Update of sewer length

The EPA methodology specifies the length of sewer that companies should use to report pollution incidents per 10,000km. This has been updated in version 8 to include new and newly mapped sewers and, for all companies, the rising mains which pump sewage over hills. Rising mains were included for only some companies in version 3.

The pollution incidents performance commitment definition anticipates that the length of sewer will be updated from time to time. It states:

“Any changes to the length of the wastewater network that will have a material impact on the performance of this measure should be highlighted in the report commentary.”

The differences in sewer lengths for some companies between version 3 and version 8 are significant, as shown in table 2 below.

Table 2: Comparison of estimates of kilometres of sewer in EPA version 3 (2012-13) and version 8 (2017-18)

Company	Sewer length in Km (EPA v3)	Sewer length in Km (EPA v8)	% Change between versions
Anglian Water	71,598	76,437	7%
Northumbrian Water	29,425	30,026	2%
Southern Water	39,600	39,729	0%
Severn Trent Water	92,243	93,525	1%
South West Water	15,593	17,440	12%
Thames Water	109,475	108,980	0%
United Utilities	77,914	77,339	-1%
Wessex Water	33,413	34,944	5%
Yorkshire Water	52,093	52,292	0%
Dŵr Cymru	35,881	36,249	1%
Hafren Dyfrdwy1	-	502	-

We consider it appropriate for companies to use the updated sewer lengths because it improves the accuracy of reporting; permits comparison between companies; and is consistent with the Environment Agency's and Natural Resources Wales' monitoring of the sector's performance. We also consider that the proposed change is consistent with the intention of the common performance commitments, which is to be comparative and consistent with the methodologies of external stakeholders where appropriate and, for pollution incidents, to be representative of incidents from all types of sewer. If we do not make this change then companies must report the same metric in multiple ways for their various stakeholders. This is complex and likely leads to confusion, especially with customers. We therefore consider that the performance commitment reference should be updated to version 8.

The Environment Agency and Natural Resources Wales intend to use the 2017-18 sewer lengths included in version 8 for reporting years 2021- 2025 inclusive. If a company considers that the 2017-18 sewer length included in version 8 is incorrect then it should:

- contact us with supporting evidence to explain what it considers to be the correct sewer length.
- contact the Environment Agency, which will consider updating the figures used in the EPA.

We will consider further consultation on subsequent versions of the EPA as necessary.

Responding to this consultation

We seek views on these proposed changes by 17 February 2020. Please send responses to OfwatPandO@ofwat.gov.uk, with the subject ‘Response to EPA reference in two common PCs’.

Respondents should be clear whether they agree with the proposed change and its timing. If respondents do not support the proposal they should set out their reasons. Subject to the responses received, we will take one of two steps:

- if all responses received support our proposal, we will publish on our website that the reference to the EPA methodology should be read as relating to version 8. This change will be effective from 1 April 2021.
- if we receive responses that suggest we should not make the change we will consider these and will publish our decision on our website along with our reasoning.

We intend to publish responses to this consultation on our website at www.ofwat.gov.uk. Subject to the following matters, by providing a response to this consultation you are deemed to consent to its publication.

If you think that any of the information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), an automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. You should identify specific information and explain in each case why it should not be disclosed, and provide a redacted version of your response, which we will consider when deciding what information to publish. At a minimum, we would expect to publish the name of all organisations that provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential.

In relation to personal data, you have the right to object to our publication of the personal information that you disclose to us in submitting your response (for example, your name or contact details). If you do not want us to publish specific personal information that would enable you to be identified, our Privacy Policy explains the basis on which you can object to its processing and provides further information on how we process personal data.

In addition to our ability to disclose information pursuant to the Water Industry Act 1991, information provided in response to this consultation, including personal data, may be published or disclosed in accordance with legislation on access to information – primarily the Freedom of Information Act 2000 (FoIA), the Environmental Information Regulations 2004 (EIR) and applicable data protection laws.

Please be aware that, under the FoIA and the EIR, there are statutory Codes of Practice which deal, among other things, with obligations of confidence. If we receive a request for disclosure of information which you have asked us not to disclose, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances.

Annex 1

We include below the changes we are proposing to make in each relevant company's PR19 final determinations – Outcomes performance commitment appendix document.

Changes relevant to all companies (changes to common performance commitments):

Treatment works compliance

In the 'Performance commitment definition and parameters' table for:

Detailed definition of performance measure	<p>Treatment works compliance is defined in the reporting guidance for PR19 – Water & Sewerage Company Environmental Performance Assessment (EPA) Methodology (version 3). Published November 2017 by the Environment Agency.</p> <p>https://www.ofwat.gov.uk/wpcontent/uploads/2017/12/WatCoPerfEPA_methodology_v3- Nov-2017-Final.pdf</p> <p>The discharge permit compliance metric is reported as the number of failing sites (as a percentage of the total number of discharges) and not the number of failing discharges.</p>
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Read:

Detailed definition of performance measure	<p>Treatment works compliance is defined in the reporting guidance for PR19 – Water & Sewerage Company Environmental Performance Assessment (EPA) Methodology (version 8), released by the Environment Agency in October 2020 and Natural Resources Wales in December 2020 and published on our website here:</p> <p>https://www.ofwat.gov.uk/publication/environment-agencys-epa-methodology/</p>
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	The discharge permit compliance metric is reported as the number of failing sites (as a percentage of the total number of discharges) and not the number of failing discharges.
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Pollution incidents

In the ‘Performance commitment definition and parameters’ table for:

Detailed definition of performance measure	<p>Pollution Incidents is defined in the following guidance for PR19 – Water & Sewerage Company Environmental Performance Assessment (EPA) Methodology (version 3). Published November 2017 by the Environment Agency.</p> <p>https://www.ofwat.gov.uk/wpcontent/uploads/2017/12/WatCoPerfEPAmethodology_v3- Nov-2017-Final.pdf</p> <p>The total number of pollution incidents (categories 1 to 3) per 10,000km of sewer length for which the company is responsible in a calendar year.</p>
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Read:

Detailed definition of performance measure	<p>Pollution Incidents is defined in the following guidance for PR19 – Water & Sewerage Company Environmental Performance Assessment (EPA) Methodology (version 8), released by the Environment Agency in October 2020 and Natural Resources Wales in December 2020 and published on our website here:</p> <p>https://www.ofwat.gov.uk/publication/environment-agencys-epa-methodology/</p> <p>The total number of pollution incidents (categories 1 to 3) per 10,000km of sewer length for which the company is responsible in a calendar year.</p>
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We regulate the water sector in England and Wales.**

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