

Bioresources:

Information requirements

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Purpose and objectives of the today

- Update you on our strategy and future work plan regarding bioresources information
- Share our thinking on specific issues ahead of formally consulting on some of them
- Get your thoughts



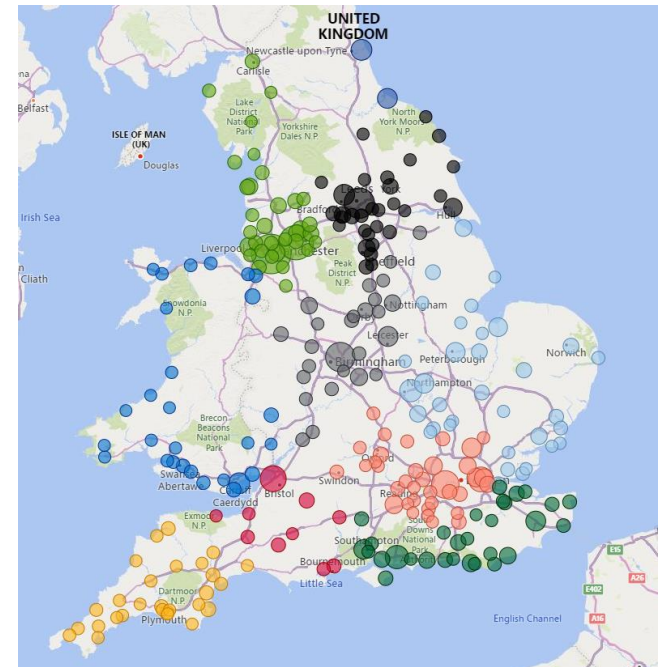
Agenda

- Background, strategy and future plans
- Clarification questions
- Breakout groups
- Feedback to the group
- Close



Background

- In recent years, we have worked to promote a market in bioresources. We expect this to bring benefits to both customers and the environment.
- We introduced a separate control for bioresources at PR19. Prior to this, since 2018, companies have been required to produce information related to i) [market information](#), and ii) [market monitoring](#).
- After identifying potential issues with the operation of the bioresources market, we launched our 'Review of the bioresources market' in 19 October 2020. We plan to consult on our findings and approach in May 2021.
- We have already been refining our approach to cost allocation relating to sludge liquors and will consider other cost allocation issues shortly.
- We are engaging on information issues now as this is i) relatively stand-alone, ii) previous stakeholder engagement has helped us to identify beneficial changes; and iii) early consideration could enable relatively quick changes.



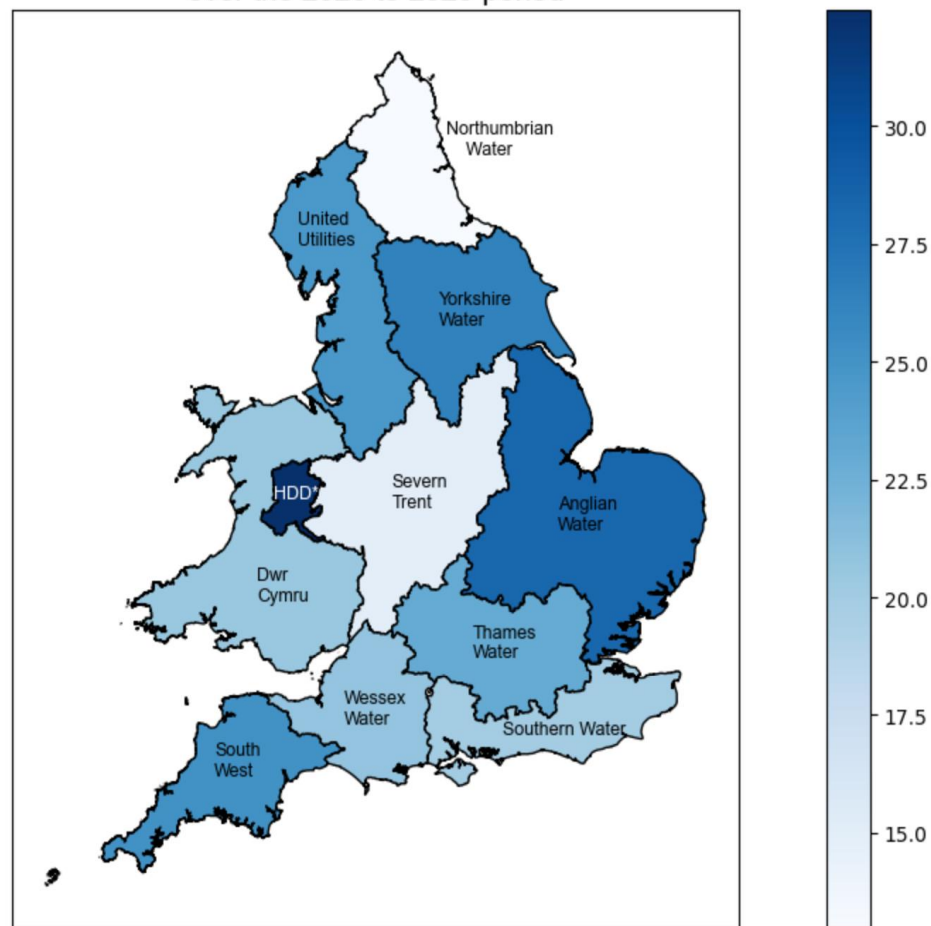
Our strategy in relation to bioresources data



Forthcoming work: open data and data visualisation (1)

- Publication of a map of the annual average bill for customers (see figure to the right)
- Publication of specific code on [GitHub](#)
- In future our 'Service Delivery Reports' will highlight bioresources data and performance. Ofwat will engage on our future plans for the SDR in due course.
- In the longer-term, making companies' data submitted to us through their Annual Performance Reports more accessible through our 'Project Ocean'.

Annual Average Bioresources Bill (£) per Household over the 2020 to 2025 period



* Based on companies' PR19 final determinations

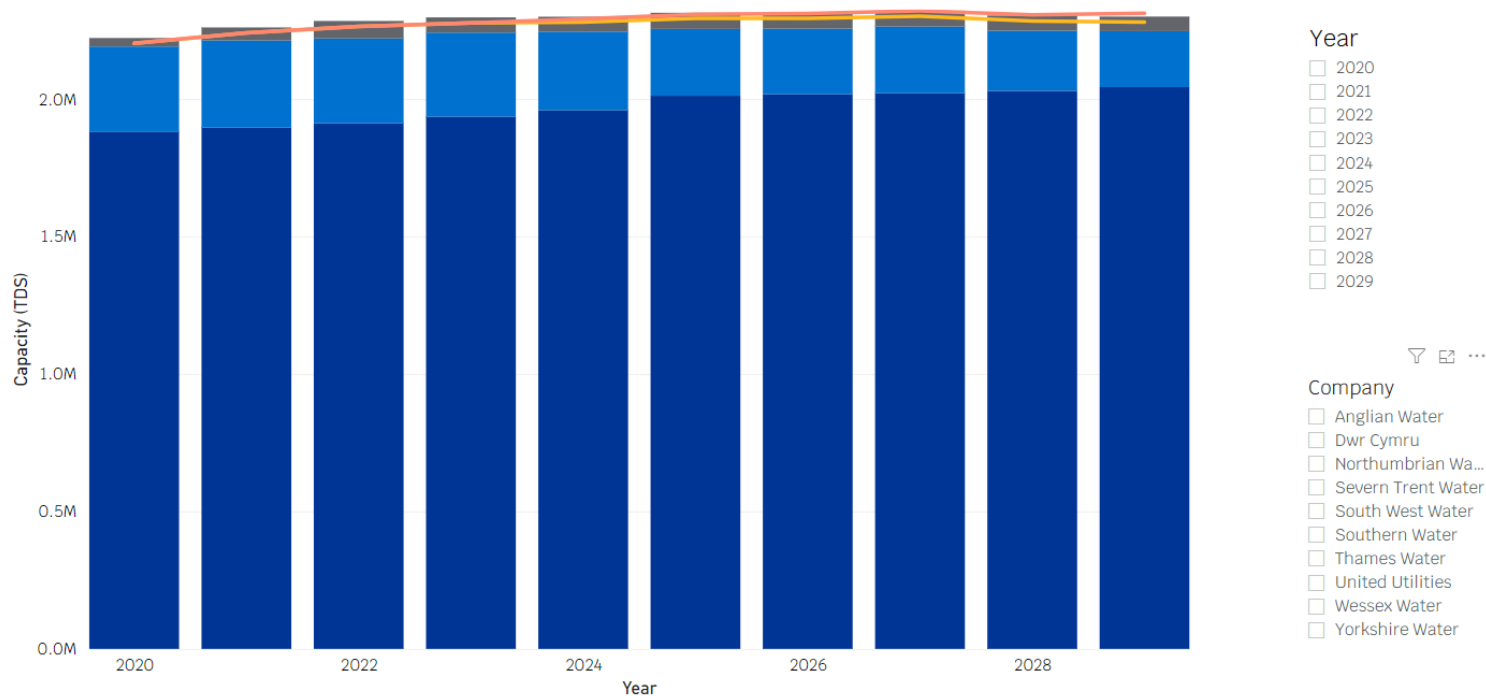
Forthcoming work: open data and data visualisation (2)

- Publication of non-confidential elements of our data return including PowerBI report. This would include a PowerBI report of companies' projected capacity.
- Data at company level may be useful to market participants showing:
 - the extent of tradeable capacity (focused on about half companies)
 - companies clearly requiring additional capacity (2+ companies)
 - companies' seemingly different approaches to identifying tradeable capacity/headroom capacity (e.g. headroom varying from 5% to 25%).

Sludge Treatment Sites: Projected Demand, Headroom, Tradeable and Total Capacity

This is Ofwat analysis based on our data request of December 2020 to sewerage companies in England and Wales. Y-axis units are in Tonnes of Dried Solid (TDS). Principle years shown on the x-axis (for example, '2020' refers to the financial year '2020/21'). Please refer to our original data request and any explanatory notes provided by Companies to further aid interpretation.

● Demand ● Headroom ● Tradeable ● Total ● Total Capacity plus shortfall



* NB Industry figures are the sum of individual companies' figures. Some companies have shortfalls in capacity, whereas others have tradeable capacity. Therefore, the industry total shows both tradeable and shortfall capacity. We recommend analysis the data at company to better understanding of the market.



Forthcoming work: Market information

We think that the market information is helpful and see evidence of stakeholders using it. However:

- Provides no indication of the scope for trading
- Backward looking, whereas trade (especially long-term trades) are forward looking
- Variations in how templates have been populated, reducing machine-readability
- Possibly, improved definitions would aid consistency.

We think there is merit in refining the annual market information to:

- include projections for capacity (e.g. total capacity, headroom, tradeable and shortfall capacity) over a rolling 10-year period
- include information on the primary destination of each WwTWs sludge
- refine the template to incorporate data validation and site IDs
- allow companies to flag any future capacity procurement to help potential capacity suppliers find (e.g. which portal to use, any OJEU references), ii) describe the data provided, e.g. assumptions or methodological points

Forthcoming work: Improved monitoring

We have used the market activity information submitted to us by companies as the basis of our 2019–20 Bioresources market monitoring report. We intend to make this an annual report.

We consider companies submissions are useful in its current form but could be altered to help improve our monitoring of the market. We propose that:

- Reporting of third party sludge treatment is disaggregated.
 - Current reporting is focused on sludge treatment being undertaken by other WaSCs and non-WaSCs combined. We consider it worthwhile to focus on these areas separately, due to the regulatory differences between the two arrangements. Splitting these metrics would allow us to better understand how these individual areas of the market are performing and also focus our regulation more keenly on areas that require improvement.
- Companies report approaches from other companies to provide sludge treatment.
 - We currently collect data on formal and informal approaches received by companies, however this is not disaggregated by activity. We are aware that the market is working relatively well in sludge transport and disposal, but are keen to better understand levels of commercial interest in sludge treatment. Information specifically concerning approaches to provide sludge treatment will help us to do this.
- The narrative disclosure is overhauled to elicit more specific information.
 - The quality of company narrative disclosures varies, likely due to a lack of specificity in our current guidance. In line with our objectives to make data collection easier for both us and the industry, we propose using a short survey instead to ensure that the specific information we need for monitoring purposes is revealed. This will reduce regulatory burden by focusing only on the information we need to monitor the market effectively.
- Publication of market activity/monitoring information on company websites alongside other market information.
 - A number of companies publish the market activity information alongside their APR's. We consider that if all companies were to publish this information, it would make it easier for third parties to identify market opportunities.



Any questions?



Breakout groups



Question for your break out groups

1. How do you currently use bioresources information?
2. Would further information be helpful and, if so, how should this be provided?
3. Does our approach seem right?
4. What would you add, change or delete from our specific proposals?



Next steps

- Thank you for attending this event
- We will consider your feedback
- We will engage with companies as appropriate before publishing any non-confidential information
- We will consult on any proposed amendments in relation to 'market information' or 'market monitoring' in March

