

March 2021

# Bioresources information consultation

Ofwat

## About this document

This is a consultation on our proposal to amend the existing Direction that we issued to companies in relation to information they are required to provide on bioresources ([‘Bioresources market information guidance’](#)). Under a revised Direction, companies would be required to publish and provide us with additional information for the purpose of supporting the development and monitoring of the operation of a market in bioresources services.

Until the Direction is amended, companies are required to continue complying with the existing Direction.

This document sets out the reasons for our proposed changes. The detail of these supplementary information requirements is reflected in the attached, updated templates and survey.

Having taken into account comments received, we will issue the amended Direction under Condition M1 (Information Remedies) of the conditions of appointment (‘licence’) of each of the 11 largest water and sewerage companies in England and Wales:

- Anglian Water Services Limited
- Dwr Cymru Cyfyngedig
- Hafren Dyfrdwy Cyfyngedig
- Northumbrian Water Limited
- Severn Trent Water Limited
- Southern Water Services Limited
- South West Water Limited
- Thames Water Utilities Limited
- United Utilities Water Limited
- Wessex Water Services Limited
- Yorkshire Water Services Limited

## Responding to this consultation

Please respond to this consultation by filling in this [survey](#).

If you have comments that cannot be addressed through this survey, please email them to [alex.whitmarsh@ofwat.gov.uk](mailto:alex.whitmarsh@ofwat.gov.uk) or post them to:

Bioresources Information Requirements: Consultation response  
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Birmingham B5 4UA

This consultation closes at 5pm on 15 April 2021. If you wish to discuss any aspect of this consultation, please contact Alex Whitmarsh by email at [alex.whitmarsh@ofwat.gov.uk](mailto:alex.whitmarsh@ofwat.gov.uk).

We will publish responses to this consultation on our website at [www.ofwat.gov.uk](http://www.ofwat.gov.uk), unless you indicate that you would like your response to remain unpublished. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Freedom of Information Act 2000 (FoIA), the General Data Protection Regulation 2016, the Data Protection Act 2018, and the Environmental Information Regulations 2004. For further information on how we process personal data please see our [privacy policy](#).

If you would like the information that you provide to be treated as confidential, please be aware that under the FoIA there is a statutory [Code of practice](#) which deals, among other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on Ofwat.

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# 1. Introduction

## Our strategy in relation to bioresources information

The current Direction and the changes proposed to the Direction seek to give effect to our strategy in relation to bioresources. Our strategy for bioresources information has five key components.

- **Open data:** Sharing data is important to the bioresources market. For this reason, we recently published i) [data](#) in relation to our recent data request, and ii) [python code](#) we use to consolidate companies' existing market information data.
- **Targeted information requirements:** Our powers to compel companies to publish market data in a standardised way makes us well placed to improve certain market information. However, we recognise that market participants can publish information voluntarily and that any requirement we place can increase the administrative burden on water companies.
- **Machine-readability and automation:** To allow increasing amount of data to be produced and used efficiently, our data requests and publication of data will aim to ensure a standardised, machine-readable format where appropriate.
- **Data visualisation and analysis:** We are making increasing use of data visualisation to inform our work. Where appropriate we intend to share this with market participants, recognising that (like open data) this can create value for market participants. For example, in 2020 we produced the [bioresources market information dashboard](#).
- **Monitoring and evaluation:** We will continue to use data in a strategic way to inform our [monitoring of the bioresources market](#) and to evaluate how we regulate that market.



## Background to this consultation

Across companies' bioresources activities there are opportunities to provide services at lower cost, make best use of resources, improve resilience and find new innovative ways of doing things. Markets can inform, enable and incentivise efficiencies and innovation for the benefit of customers, the environment and wider society.

We previously identified that a bioresources market could bring significant benefits, so in recent years we have taken steps to facilitate this market through improved information provision and establishing a separate bioresources price control at PR19.

In October 2017, we issued a Direction to the ten largest water and sewerage companies (WASCs) under Condition M1 of those companies' licences. The Direction was in relation to the provision and publication of information in relation to the bioresources market. The purpose of the Direction was to:

- facilitate the provision by companies of standardised and defined information to enable potential market participants to identify opportunities to supply services in the treatment, transport, recycling and disposal of bioresources;
- ensure information provided by companies was comparable and reliable for use by market participants; and
- enable us to monitor the bioresources markets to see how effectively they develop.

Having undertaken [initial engagement with stakeholders](#) on 25 February 2021 we are now proposing to amend the existing direction. Our work on bioresources and recent stakeholder engagement has helped us to identify changes to the direction that may be beneficial and may better meet the objectives of the existing direction. By consulting now, we will be able to issue the direction later in the spring which will enable companies to make the required changes for the reporting year 2020-21 which they will need to produce later this year. We intend to incorporate this information into our next market monitoring report and bioresources dashboard.

In addition to issuing an amended Direction we also plan to consult in May 2021 on the provisional findings of our Review of the Bioresources Market, which we launched on 19 October 2020.

## 2. Market information

When we published the Direction in 2017, there was no readily available supply-side information on where bioresources were produced, their quality or quantity. The Direction aimed to address this by requiring companies to report data related to a variety of site characteristics for the previous financial year.

Our monitoring of the market reveals that trading for sludge remains focused on short-term trades and is limited in nature. We therefore consider that requiring companies to publish the following information would support further market development.

**Supply and demand information.** Better information on the supply and demand for treatment capacity could help market participants to identify potential trading opportunities. The production of such information has been a feature of energy markets for many years and supports understanding of trading and investment opportunities.

We consider there are two levels of granularity in respect of which this information would be helpful:

- annual data: to inform longer-term, guaranteed trades. We consider projecting these figures over a ten-year period would be appropriate; and
- monthly data: to inform shorter-term, interruptible or other trades. We consider projecting this over the coming 12 months would be appropriate.

The additional information that we are proposing companies should be required to publish is set out in high-level guidance within the attached template. We do not propose providing more detailed definitions at this stage. This is because our priority is to facilitate companies being able to flag their demand or supply of capacity, rather than ensuring cross-industry comparisons. The guidance also provides that the information provided may be aggregated across some or all of companies' sludge treatment sites if appropriate.

**Transport route information:** Data on companies' transport routes will help to reveal if sludge needs to be transported large distances, potentially helping to identify trades that could reduce the expense and carbon emissions associated with this. To aid data matching, we propose also to require companies to add in a unique asset ID for each site. Companies should ensure that co-located assets (e.g. sludge treatment centre and wastewater treatment works) have different IDs.

**Information on renewable energy incentives:** A large part of the income from generating renewable energy depends on government incentive schemes (for example, Renewable Heat Incentive, Green Gas, etc.). The particular incentive scheme that applies and its duration will vary by Sludge Treatment Centre. Although this information is in the public domain, it could

be made more accessible. Publishing data on this within companies' market information could therefore help market entrants to assess the potential opportunity for trading.

**Consistent formatting:** To identify potential trades, market participants may need to compare different companies' information. This is made easier if this information is published in a standardised way that is more machine-readable. Therefore, we have refined the template and included data validation criteria for some inputs. We ask that companies do not alter the format of the template and populate the template using the specified inputs. Additional information should be included in the relevant free text boxes provided.

**Other, supplementary information:** This is space for companies to publish additional information regarding any capacity they may wish to procure in the future (e.g. which portal they use; any OJEU references, etc.)

In light of the additional reporting requirements above, companies may also wish to add information on the i) the data provided, e.g. assumptions or methodological points, or a link to where this is explained; and ii) any other comments, for example regarding the impact of alternative scenarios where capacity projections might be different.

Much of the data regarding long-term capacity projections and transport routes was recently produced by companies and sent to Ofwat as part of an information request to inform our 'Review of the bioresources market'. Recognising that this information could be valuable to the wider market, we published this [on our website](#). Given this previous work by companies, we anticipate that updating this information on an annual basis will not be too onerous on companies and will provide an appropriate way of disseminating this information in future. Furthermore, to avoid undue administrative burden, we have classified some transport information as 'non-mandatory' and would not require this to be produced and published for small wastewater treatment works.

### 3. Market monitoring information

We monitor the bioresources market so we can evaluate the functioning of the market, understand which companies are taking advantage of market based options, identify issues and inform us whether further regulatory action is required. Our monitoring will become more important over the 2020–25 period as it could impact how we set price controls at PR24.

Under the existing Direction, companies must submit relevant market activity information to us, but are not obliged to make it publicly available. We used this information to produce our 2019–20 bioresources market monitoring report.

We intend to publish the market monitoring report annually. In our first monitoring report some water companies raised concerns about the potential impact that environmental regulation may have on the market. In future years, we will invite environmental regulators to respond to any concerns raised which may provide reassurance to market participants.

In order to improve the quality of analysis that will feed into future iterations of the report we propose the following changes:

- **Disaggregating data on third party sludge treatment.** In previous years, we have collected data on sludge treatment services undertaken by other regulated water companies and non-regulated companies combined. The barriers to trading are different between regulated companies and non-regulated companies, reflecting the different characteristics and regulation of these market participants. Monitoring how these trades evolve will help us to understand the potential opportunities and/or if barriers in one market segment remain. Disaggregated data such as this may help inform our future regulation.
- **Requiring information on how often companies have been approached by other regulated companies and non-regulated companies to provide sludge treatment services.** We currently collect information on formal and informal approaches received by companies, however this data is not disaggregated by service. Information specifically concerning sludge treatment will provide us with another metric, further to levels of sludge trading, which indicates levels of interest in the market. This will help us to judge the level of intervention needed to ensure the market is reaching its potential. We are also proposing definition changes to increase the accuracy of this information.

We also propose that:

- **Companies will be required to publish non-confidential elements of their market monitoring information at the same time as their annual performance report (APR).** Currently, companies are only required to send this information to us.

However, some companies choose to publish this alongside the rest of the APR. This indicates that the market monitoring information is not strictly confidential and it would not be detrimental were companies required to publish it. We consider that making the market monitoring information publically available would make it easier for third parties to identify opportunities to provide bioresources services to incumbent companies. We recognise that some specific lines within the market monitoring information may be considered commercially sensitive. If this is the case, then it may be appropriate for companies to redact this information when publishing. We request that companies make their views on any specific lines known to us in their consultation response.

## Narrative disclosures

Companies have previously been required to submit a narrative disclosure on market activity to us, as described in section 4.2.1 of the Bioresources market information guidance. The quality of previously submitted narrative disclosures has varied however, and so **we are proposing to send a short survey to companies that would replace this**. This will ensure that we elicit the specific information we need from companies to effectively monitor the market. We propose to conduct the survey via Microsoft Forms, which should reduce the burden on companies of providing this information.

The narrative disclosures were key in the production of the 2019-20 bioresources market monitoring report and the proposed survey will continue to be so for future iterations of the report. However, a number of companies did not initially submit a narrative disclosure as part of the 2019-20 APR submission, requiring us to query the absence of this information. We remind companies that providing information to us via our proposed survey is important to inform our future work on market development and is required by licence condition M1.

We are not proposing changes regarding the use of narrative information, i.e. we are not proposing that companies must publish this.

Please provide any comments on the draft [survey](#) in your response to consultation question 37.

## 4. Updated Data Templates and Survey

Below are the links to the draft template spreadsheets for:

1. [Bioresources market information](#)
2. [Bioresources market activity information to provide to Ofwat](#)

This is the new proposed [survey](#) to replace the existing narrative disclosure.

It is proposed that the above documents will become part of the Direction so companies will be required to either publish and/or submit the information to Ofwat under Condition M1.

## A1.1 Log of proposed changes to bioresources market information and market activity information

Template that change applies to	Change type	Details	Worksheet and cells affected
Market information	Data validation	Potential input has been restricted where companies should enter only 'Yes', 'No' or 'NA'; or 'Estimated' or 'Measured'.	'WwTW' and 'STC' worksheets: All relevant columns.
Market information	New reporting	Additional reporting requirements have been added in relation to the renewable energy incentive scheme for each sludge treatment centre.	'STC' worksheet: section E.
Market information	New reporting	Additional reporting requirements have been added regarding the principal and secondary destination of sludge, what share goes of sludge goes to these destinations and by what mode. NB only the destination and mode for the primary destination are mandatory.	'WwTW' worksheet: section E.  'STC' worksheet: section G.  The 'Definitions' worksheet has also been updated.

Market information	New reporting	Additional reporting requirements have been added relating to companies' 'Headroom Capacity', 'Tradeable Capacity', 'Total Capacity' and 'Shortfall Capacity'.	'STC' worksheet: sections H, I, J, K, L, M, N and O. The 'Definitions' worksheet has also been updated.
Market information	New reporting	Additional reporting requirements have been added related to the unique IDs of each site. This includes other WASCs' sites where sludge is exported - companies should collaborate to ensure the data across companies' submissions match. The IDs of co-located sites have also been added to allow for machine readability.	'Definitions' worksheet has also been updated.
Market information	New reporting	Additional information the company may wish to provide regarding any future capacity procurement to help potential capacity suppliers find (e.g. which portal to use, any OJEU references).	'Contact information' worksheet
Market information	Clarification	We have added additional text to clarify that STC's 'End product quantity per year' should include all output, including sludge originating a co-located WwTW and imported sludge. We understand some companies may have previously excluded sludge from some sources.	'Definitions' worksheet: reference B1.

Market information	Other	The image of the companies' areas of appointment has been updated to reflect recent changes. A new worksheet has been added ('Dropdowns') to enable the data validation required.	'Contact information' and 'Dropdowns' worksheets.
Market monitoring information	New reporting	We propose that companies are required to report the quantity of sludge treated by other regulated companies and their associated companies separately to the quantity of sludge treated by non-regulated companies. Previously these values were aggregated.	New rows 25 and 26.
Market monitoring information	New reporting	We propose that companies are required to report the number of formal / informal approaches from regulated companies and their associate companies to provide sludge treatment services. We also propose that companies are required to report the same metric for non-regulated companies.	New rows 29 and 30.
Market monitoring information	Definition change	We have updated the definitions of informal approaches in blocks C and D. Companies are not required to include speculative / exploratory contacts made in writing or by phone for the purposes of reporting informal approaches to provide sludge transport or disposal services. However, for sludge treatment, these types of contacts should be	Rows 19, 29 and 30.

		included. This is due to industry feedback that these type of contacts are the primary method of making informal approaches in sludge treatment.	
Market monitoring information	Definition change	We have changed the definitions in block A to make clear that the use of contractors to provide services such as routine servicing / maintenance should not be included within these lines.	Rows 6-11
Market monitoring information	Change to publishing requirements	We propose that companies are required to publish non-confidential market activity information at the same time as their Annual Performance Report. Currently, companies are only required to submit this information to us. Companies should make us aware in their consultation response if they view any specific lines of the monitoring information as commercially sensitive and appropriate to redact.	N/A
Market monitoring information	Other	We propose that companies are no longer required to submit a narrative disclosure to us that accompanies the market monitoring information. Instead, we would ask companies to fill in a short survey, with questions that would allow us to elicit the specific information we need to monitor the market effectively.	N/A



**Ofwat (The Water Services Regulation Authority)  
is a non-ministerial government department.  
We regulate the water sector in England and Wales.**

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