

Our Ref: PK/LAT/Ofwat

Your Ref:

Date: 8 July 2021



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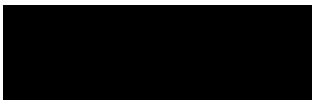
**Ref: Response to consultation on regulatory reporting for the 2021-22 reporting year**

Dear Ofwat,

Many thanks for the opportunity to respond to the above consultation.

Please find attached SES Water's response and we welcome your comment and are happy to engage further with you to improve our future reporting process.

Yours sincerely



Paul Kerr  
Group Chief Financial Officer

**Q1. What are your views on the proposed changes to the APR tables in A1?**

Response:

Please refer to Appendix 1.

**Q2. Do you have any other comments or views on the proposal for mandatory standardised reporting for operational GHG emissions, beyond those included in responses to last year's RAGs consultation?**

Response:

We have no further comments on the proposal for mandatory standardised reporting for operational GHG emissions beyond those included in response to last year's consultation.

**Q3. Are there any other data, metrics or further breakdown or categorisation that should be included in Table 2?**

Response:

We have no further suggestions for data that should be included in Table 2.

**Q4. What are the key challenges that need to be considered and addressed to facilitate greater standardisation of reporting on embedded emissions?**

Response:

The key challenges that need to be addressed to facilitate greater standardisation of reporting of embedded emissions are:

- There is no standard system yet in place in the industry for capturing the information nor a standard set of carbon factors has been agreed to date.
- Suppliers are not yet consistently able to provide data on the materials supplied and the carbon emissions associated with them.
- Suppliers are prioritising working with larger water companies to provide the embodied carbon data required - smaller water companies are struggling to get traction for any data requests.
- Small suppliers do not have the capability or resources to provide the additional data required.
- Capital investment is 'lumpy' and therefore embedded emissions may vary significantly year to year. Without a reporting methodology to resolve this, it is confusing for customers and not comparable across companies.

**Q5. Are there any particularly relevant frameworks or approaches for us and the industry to consider in relation to embedded emissions reporting and reductions? For example PAS2080?**

Response:

We support the idea of a single framework and approach for the industry and its suppliers to use although we do not at present have any set views on a particular framework to use.

**Q6. What area/s of data or other information do you consider we should focus on for voluntary reporting? For example:**

- **Design, construction and/or maintenance activities**
- **Number and/or size of suppliers**
- **Project spend and/or value**
- **Inputs and/or materials**
- **Specific services**
- **Number of GHGs reported on by suppliers**

Response:

We think that initially focusing on particular materials would be advantageous – it would simplify the process, be more consistent, be supplier agnostic and be comparable.

**Q7. Should the guidance for business rates allocation for the water service be changed in RAG2? If so then what is the most suitable driver?**

Response:

We do not see the necessity for changing the guidance for business rate allocation.

**Q8.**

- **Does your company jointly own or operate assets with another company?**
- **Should guidance be included in this area?**
- **What specific points should the guidance cover?**

Response:

We do not jointly own or operate assets with another company. However, we think it would be helpful to include some guidance in this area for future application. The guidance may cover impact on RCV, financial and operational performance metrics.

Appendix 1

<b>Table</b>	<b>Line ID</b>	<b>Issue</b>
1F	1	This is Ofwat's determination, hence should either be modelled, linked or embedded in the formulae, rather than having companies to populate what Ofwat already decided.
1F	2	£m columns cannot be populated, while % columns are to be populated with values in £m. This requires correction.
1F	18	Definition and guidelines for this line should be made clearer and more specific. The table has columns for both percentage and absolute pound values. Therefore, the guidelines should also make clear about what applies in which column, rather than giving a general description of what it means. Referring to Ofwat's publication in general needs clarification.
2C	6	RAG is vague about cost allocation methodology. This leaves it to companies to decide which cost driver is appropriate to use in allocating general support costs to retail and wholesale. Cost allocation may be applied inconsistently across companies, which causes comparability issue. More importantly, this cost will go into cost modelling for the next price review, resulting inaccurate predicted allowed cost. Ofwat should develop a better guidelines or methodology for this cost item, or any other items that are to be allocated among different business units.
2L	1	This can be part of relevant table. We do not see the rationale behind having land sale as a separate table with only one row, which is not a separate table.
2M	6	We would like to see more elaboration in the guidelines for revenue adjustment. The current RAG is unclear and it is not helpful to refer to the Reconciliation Rulebook, which circularly refers back to this data line. If possible, all the guidelines should be brought in the table/line definition, rather than referring to another document.

6E	All	<p><b>Lack of consistency</b> is a concern. We need to see more specific descriptions given for the activities to ensure that all companies report these figures in exactly the same way. The key areas where inconsistency is most likely to occur is the split between maintain/reduce and then also between activity types. A clearer understanding of Ofwat's intentions for these numbers may help to allay some concerns here and enable companies to be confident in their reporting.</p> <p><b>Defining the leakage benefits.</b> This will be far easier for some tried and tested methods of leakage reduction than for other more innovative approaches for which there is no history or baseline to compare. For example, in our iDMA project, we are investing heavily on capex in the early years of the AMP for the future leakage savings that it will yield but historical evidence to support this will actually be in MI/d terms (because such innovative approaches have never been performed before). We are not sure how this table would allow for this sort of upfront investment to yield leakage benefits in later years.</p>
General	All	<p>We would appreciate seeing all the queries and responses during the RAG query process, in particularly errors in formulae, lines of references, notes, etc., to be thoroughly addressed and corrected so that we do not need to spend extra time quality checking the data template for functionalities.</p>
General	References to Reconciliation Rulebook	<p>Referring to other documents, including the Reconciliation Rulebook should be kept to the minimum, for example, only for those data lines that require long formula calculation, with long list of definitions, etc. We found it time consuming to search for references in another document that did not ultimately provide the required details.</p>