April 2023

Consultation on regulatory reporting for 2022-23 – Responses document

Ofwat

About this document

This document sets out a summary of the feedback received to our consultation on proposed changes to the reporting requirements for the annual performance report (APR) for 2022-23 onwards. It also sets out our responses to that feedback and confirms the changes which we are making.

The reporting requirements for the APR are contained in our regulatory accounting guidelines (RAGs). We consulted on changes to 'RAG 3 – Guideline for the format and disclosures for the annual performance report' and 'RAG 4 – Guideline for the table definitions in the annual performance report' and final versions of these RAGs are being published alongside this document[1].

[1] The final, updated versions of these RAGs are provided in appendix A1.

Contents

1. Introduction

The publication of information about how the companies are performing helps us – and stakeholders such as customer groups and environmental groups – to hold companies to account now and longer-term. We require each company to publish an APR and we set out specific mandatory requirements for the form and content of the information within it in the RAGs. The RAGs will change from time to time to reflect developments in the sector.

In February 2023, we consulted on changes to 'RAG 3 – Guideline for the format and disclosures for the annual performance report' and 'RAG 4 – Guideline for the table definitions in the annual performance report'. The changes we consulted on fell into three categories:

- updates, corrections and clarifications to existing reporting requirements for the data tables which companies are required to submit as part of their APRs;
- requirements for new information to be provided in the APR data tables; and
- updates to the disclosures which companies are required to make as part of statements provided in their APRs.

We asked for views on the proposed changes to the APR tables, as set out in the proposed version of RAG 4 which was published alongside the consultation. The issues raised by respondents in relation these changes, as well as some further comments on the contents of RAG 4, are set out in appendix A2, together with our response.

We asked detailed questions on the new information we proposed to collect in relation to reporting on low pressure and greenhouse gas emissions. The responses we received on these questions, together with our response, are set out in section 2.

We also proposed some changes to RAG 3, in relation to the reporting of dividends and executive pay. The views we received on these proposed changes and our response to these are set out in section 2. Respondents also raised some additional issues in relation to RAG 3 and these, and our response to them, are covered in section 3. This section also covers one small, additional change we have made to RAG 3.

Our consultation closed on 3 March 2023. We received feedback on our proposed changes from companies, CCW and the Environment Agency and these responses are published on our website.

Next steps

Each company will be required to publish its 2022-23 APR and submit its completed Excel APR table template by 15 July 2023. Companies have one month to decide whether to dispute revisions to the RAGs. If a company wishes to dispute any revision it must let us know in writing no later than 30 April 2023.

2. Consultation questions and responses

We have published the responses to our consultation on regulatory reporting for the 2022-23 reporting year (the consultation) on our website. Below, we summarise responses to the consultation questions and set out the reasons for our decisions with respect to these questions.

2.1 Question 1

> What are your views on the proposed changes to the APR tables listed in appendix A3 [of the consultation document] and set out in full in RAG 4?

The responses we received to this question and our response to these are set out in appendix A2. Appendix A3 confirms the changes which we have made to the APR tables for 2022-23 onwards.

2.2 Reporting on low pressure

2.2.1 Question 2

> Is reporting the average time of low pressure feasible for 2022-23?

Respondents' views

Stakeholders generally did not consider that the reporting of average time of low pressure was feasible for the 2022-23 APR.[2] The concerns expressed were that the location and type of pressure logger installed within the network would compromise reporting at a technical level and that the required expansion or reconfiguration of the loggers would require significant funding for both resource and system changes.

[2] Anglian Water, Dwr Cymru, Southern Water, Severn Trent, South West Water, Wessex Water, Yorkshire Water and South Staffs Water

A few stakeholders considered that they would have the technical capability to report the average time of low pressure,[3] but provided a variety of caveats around completing this activity:

- Northumbrian Water determines that it does not currently have the resources to report;
- Thames Water considers that its level of confidence in the accuracy of the measure would be low due to the level of estimation needed;
- Portsmouth Water, South Staffs Water and SES Water queried the definition for average time and whether a specific standardised process was to be employed, which would require review, commentary and delay their ability to produce the data; and
- Affinity Water, who currently report this measure as a bespoke performance commitment, did not consider that the proposed definition would give consistency in reporting, as only critical point loggers rather than all pressure loggers can be used.

CCW supported the request for increased information as it will provide improved detail around the level of inconvenience property owners experience, enabling them to challenge companies.

Our response

We consider that the average time that a property experiences low pressure better reflects the outcome experienced by customers. The alternative of focusing on the number of properties known to be at risk of experiencing low pressure, will not include all customers that are affected by a deterioration in service.

We have reflected on the views around the reconfiguration of systems and resources that stakeholders cite would be necessary to provide confidence in reporting alongside the high-level assumptions that would have to be applied. We will not require companies to report on average time of low pressure for 2022-23.

We welcome companies collaborating to resolve existing issues within the reporting guidelines and consider that the conclusion of the WRc (Water Research Centre) project on low pressure reporting in summer 2023 will contribute to this.

2.2.2 Question 3

What resource is required to report this information initially and on an ongoing basis?

[3] Affinity Water, Northumbrian Water, United Utilities, South East Water, Thames Water, Portsmouth Water and SES Water

Respondents' views

The only respondents to identify that they are unlikely to require additional resources in order to report the average time of low pressure information were Portsmouth Water and South East Water. All other company stakeholders responding considered that they were likely to require additional resources, with estimates ranging from two to thirteen full time equivalent members of staff, depending on the number of critical point loggers, processes and level of automation already in place.

Concern was also expressed about the level of potential duplication of incident recording with the water supply interruptions performance commitment and the need to investigate incidents from two separate perspectives.

Company confidence in the proposed resource levels is dependent on the resolution of variables within the proposed definition. Affinity Water, which currently reports this measure, considers that an industry discussion around the definition and standardisation of process may result in them having to change their methodology with resulting resource implications.

There was also a widely held view that the number of loggers would have to be increased, requiring significant capital investment.

Our response

The majority of respondents identified a range of resource requirements to be implemented before they could accurately report the required information. The scale of these requirements depended on the resources and processes already in place within the company. We would challenge whether some companies have overestimated the resources required to report this information, as we already have an expectation that they understand where their customers are receiving low pressure.

Anglian Water and Dŵr Cymru identified that there is a degree of duplication with water supply interruptions given that many low pressure contacts relate to network events such as a burst main. We consider that measurement of low pressure differs, as the customer may still have a water supply, although below expected service levels. Nor are we proposing to introduce a common performance commitment for this measure, but instead to gather information as to the extent and duration of low pressure issues actually experienced by customers. Therefore, we do not consider there to be an issue with 'double counting' occurrences of low pressure and supply interruptions.

We welcome the identification, by Dŵr Cymru, United Utilities and Yorkshire Water, of areas where bespoke PC definitions could be developed to provide a single consistent methodology for reporting to enable cross company comparison. We welcome companies collaborating to deal with the issues and establish firm parameters for the reporting of this information moving forward.

2.2.3 Question 4

Do you think that reporting both:

- the number of properties below the minimum standard of pressure; and
- the average time of low pressure

provides useful information?

Respondents' views

Stakeholders who expressed a view around reporting the 'number of properties below the minimum standard of pressure' generally considered that it provided a baseline of information (Dŵr Cymru) and a useful measure of service provision (South West Water, Thames Water and Dŵr Cymru). Northumbrian Water noted that it has not been providing information on property numbers to DiscoverWater[4] as the measure was not one of their performance commitments.

The consistency of reporting for both measures was of particular importance to Yorkshire Water, as well as Affinity Water who identified a variety of areas where clarity was required within any reporting guidance which is provided to companies. In particular, Affinity Water considered that there were a number of issues with reporting on the number of properties at risk of low pressure:

- companies may not carefully follow the wording of the definition, including that some companies refer to risk of 'persistent' low pressure whereas the guidance refers to risk of low pressure;
- properties should only be removed from the register when there is a specific and auditable reason for doing so. Companies may be inconsistent in the degree of rigour applied to confirming that properties are unlikely to continue to receive low pressure; and
- companies may carry out a one-off flow and pressure test at the property boundary box at a date and time when pressure in the main is good and decide inappropriately that this outweighs credible information that there have been pressure issues.

Views expressed by stakeholders who considered the 'average time of low pressure' useful as a measure included:

- it provides holistic performance relating to pressure and an understanding of the impact to customers (Affinity Water, Dŵr Cymru, CCW, Southern Water);

[4] https://www.discoverwater.co.uk/

- opportunity for further analysis post incident (Southern Water and Thames Water); and
- provides a way of normalising pressure reporting, assuming there is an agreed methodology (SES Water).

However, there were a greater number of respondents who questioned the benefit of the measure (South West Water) or considered that it provides no further useful information, as it overlaps with performance commitments.[5] United Utilities felt that it had limitations as it will not reflect the time of day when the incident occurs.

Severn Trent was of the view that neither measure provides useful information, while Wessex Water considered supply interruptions to be a better measure.

Our response

We consider that maintaining the existing high standards of water pressure remains important and expect that companies will continue to steadily address the issue of properties at risk of low pressure over the 2020-25 period. For most companies this will mean a net change of only a few properties each year, as by March 2020 this was less than 0.03% of properties.

While we did not propose that low pressure would be a common performance commitment at PR24, we consider it is important that companies are transparent that high levels of service to customers are maintained.[6] While we are not requiring companies to report the average time of low pressure for 2022-23, we do expect them to report on the number of properties below the minimum standard of pressure in 2022-23. In doing so, we expect all companies to carefully follow the reporting requirements, in particular, where there is evidence of low pressure. There should also be third party assurance on this reporting. A company completing a one-off flow and pressure test in the absence of appropriate remedial work would not justify a property being removed from being at risk of low pressure.

We consider that measuring the average time that a property experiences low pressure is a broader reflection of the customer experience and overall condition of the network. This measure provides an additional layer of information around the prevalence and impact of low pressure. We do not agree that the reporting overlaps unduly with performance commitments, as the customer may still have a water supply, although at insufficient pressure. We agree that consistency of reporting is important for effective comparison and decision making and welcome the feedback provided around areas requiring greater clarity within the reporting guidelines. We will consider the results of the WRc project, due in the summer of 2023, and industry proposals to ensure consistent reporting and determine how this might impact on reporting for 2023-24.

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[5] Anglian Water, Portsmouth Water, South East Water, South Staffs Water and Wessex Water
[6] Ofwat, Creating tomorrow, together: consulting on our methodology for PR24 Appendix 6 – Performance commitments, July 2022, p.75.

2.3 Greenhouse gas emissions

Companies will be reporting for a second year on their greenhouse gas (GHG) emissions in their 2022-23 APRs. We expect companies to reduce GHG emissions in line with government targets with a view to achieving UK government and Welsh Government's interim and final net zero emissions targets by 2050.

The sector has made progress in reducing its operational GHG emissions and we welcome its commitment to achieve net zero operational carbon emissions by 2030. However, to achieve net zero by 2050, companies will need to go beyond Water UK's Net Zero Routemap and focus on a wider set of GHG emissions.[7] We want companies to work toward more comprehensive reporting of all GHG emissions generated from their activities and their supply chain, aligning with internationally recognised standards such as the GHG Protocol, the Science Based Targets initiative (SBTi) and the Taskforce for Climate-related Financial Disclosures (TCFD). We view progress on reporting requirements as being essential to ensuring companies are effectively positioned to deliver UK and Welsh governments' net zero emission targets. We will continually engage with companies to expand the breadth of their reporting each year as part of the APR process.

Our 2022-23 regulatory reporting consultation proposed changes to our reporting guidelines to support sector progress on net zero. Stakeholders were supportive of our expansion of GHG emissions reporting as well as using the latest version of the Carbon Accounting Workbook (CAW). We further consulted on mandatory reporting of embedded GHG emissions, as announced in our 2021-22 regulatory reporting consultation response document.[8] The majority of respondents were supportive of reporting on embedded emissions, sharing insights on the challenges associated with such reporting. As a result, this document serves to confirm our intention to increase the breadth of mandatory reporting on operational and embedded GHG emissions. We view our modified and updated approach to reporting as being key to supporting the sector to deliver on net zero in as effective and transparent manner as possible.

We encourage the sector and UKWIR to continue updating and aligning the CAW with the latest science so as to ensure it remains an effective and useful tool for measuring GHG emissions. We expect continued alignment of this tool with internationally recognised standards.

Our reporting requirements will continue to evolve over time to inform customers and stakeholders of developments in monitoring and science. At PR24, progress towards net zero will also be incentivised by operational GHG emissions performance commitments (PCs).[9]

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[7] Water UK, 'Net Zero 2030 Routemap, 2020.

[8] Ofwat, 'Consultation on regulatory reporting for 2021-22 - Responses document', October 2021, pp.12-14.

[9] Ofwat, 'Consultation on PR24 operational greenhouse gas emissions performance commitments definitions - Responses document', March 2023.

This incentive will be monitored on a static baseline of GHG emissions so as to ensure companies prioritise reductions in their physical emissions.

2.3.1 Question 5

Do you have any comments on our approach to continue to align the GHG reporting requirements to the latest version of the Carbon Accounting Workbook?

Respondents' views

Respondents were largely in favour of our approach to continue to align annual reporting requirements to the latest version of the Carbon Accounting Workbook (CAW).

Anglian Water, Dŵr Cymru, Northumbrian Water, Portsmouth Water, SES Water and United Utilities supported the use of the latest version of the CAW as it provides a standardised and consistent approach to reporting GHG emissions for water companies. They also highlighted that the CAW is updated annually to be reflective of the latest science on measuring GHG emissions.

Portsmouth Water emphasised the necessity to know early enough which version we would like companies to report on for the APRs. United Utilities reminded Ofwat that changes to annual reporting requirements have to be flagged in December of the previous year so that the latest version of the CAW can be developed accordingly.

Yorkshire Water was against this approach as it does not allow for consistent comparison over time for its bespoke PC.

Our response

We note the work done by UK Water Industry Research (UKWIR) and companies to update the workbook. Having considered of the responses to this consultation, with the vast majority showing support for alignment with the CAW, we have decided that companies should use the latest version of the CAW that is in effect at the end of the reporting year.

We understand that companies need us to be clear on which version they will have to report on with sufficient notice to prepare the data for their APR submissions. As a result, companies will be expected to report using the latest version available as of 1 April 2023 for their 2022-23 APRs ie version 17. Where changes or updates to the CAW are made, we request companies make clear the impact in tCO_2e for each change or update made.

For 2023-24 APRs, we will aim to consult on changes to our reporting requirements by the end of 2023. This should help to provide an indication of our expected revisions to annual reporting requirements.

For the avoidance of doubt, GHG emissions reporting is separate from and in addition to company reporting on PR19 bespoke GHG emissions PCs. Companies with bespoke PR19 GHG PCs which reference the CAW must report performance against those PCs in line with the version of the CAW set out in the relevant PC.[10]

2.3.2 Question 6

Do you have any comments on our reporting guidance for GHG intensity ratios?

Respondents' views

Most respondents agreed with our definitions of the intensity ratios for GHG emissions included in Table 11A of the RAGs 4.11, defined as:

- emissions per Ml of treated water: [net GHG emissions (location-based) in $kgCO_2e$] / [(distribution input) x number of days in the year]; and
- emissions per Ml of sewage treated: [net GHG emissions (location-based) in $kgCO_2e$] / [(volume of wastewater received at sewage treatment works)]

Several respondents consider that intensity ratios are not a good proxy for GHG emissions for the following reasons:

- intensity ratios do not allow for comparability between companies, as they do not reflect the differences of region, topography, catchment characteristics, technology types and water demand (Anglian Water, Hafren Dyfrdwy, Northumbrian Water, Thames Water, Severn Trent, United Utilities);
- volume of wastewater treated at sewage treatment works reflects rainfall (Wessex Water); and
- intensity ratios should not use a location-based method for GHG emissions to reflect a fuller picture of companies' decarbonisation strategies (Dŵr Cymru, Thames Water).

Several respondents also sought clarifications on the:

[10] Ofwat, IN 23/03 Expectations for monopoly company annual performance reporting 2022-23, March 2023.

- step change in distribution input when there is no increase in GHG emissions (SES Water);
- step change in GHG emissions when there is no increase in distribution input (Portsmouth Water);
- inclusion of water imports and exports in distribution input (South West Water); and
- calculation of emissions per Ml of sewage treated using flow to full treatment (Yorkshire Water).

Our response

Having considered the responses to this question, we will continue to ask companies to provide GHG intensity ratios as they provide useful insights into company management of their GHG emissions. Companies should report on two intensity ratios:

- emissions per Ml of treated water: [net GHG emissions (location-based) in $kgCO_2e$] / [(distribution input) x number of days in the year]; and
- emissions per Ml of sewage treated: [net GHG emissions (location-based) in $kgCO_2e$] / [(volume of wastewater received at sewage treatment works)]

To ensure greater consistency on how companies provide us with intensity ratio data, companies should report their intensity ratios using the following:

- net GHG emissions (location-based) from line 11A.44;
- distribution input (pre-MLE) from line 6B.39; and
- volume of wastewater received at sewage treatment works from line 7C.13.

As stated in our final methodology for PR24, we consider that volume measures are the most appropriate way to normalise GHG emissions but recognise it is not a perfect measure.[11] This clearer guidance on reporting of intensity ratios should help to ensure consistency of reporting between companies.

We do not agree that companies should use a market-based approach to calculate their intensity ratios. Companies should calculate intensity ratios using a location-based approach as it provides a more accurate picture of their emissions, by focusing attention on a company's physical actions and not financial transactions linked to the purchase of energy, as stated in our final methodology for PR24.[12]

For the APRs, we agree that an increase in GHG emissions without a change in the distribution input or the volume of wastewater received at sewage treatment works will reflect potentially higher intensity ratios, and the reverse if there is a change of the

[11] Ofwat, 'Creating tomorrow, together: Our final methodology for PR24 Appendix 7 Performance Commitments', December 2022, p. 50.
[12] Ofwat, 'Creating tomorrow, together: Our final methodology for PR24 Appendix 7 Performance Commitments', December 2022, pp.45-46.

company's distribution input or volume of wastewater received at sewage treatment works with no change in GHG emissions. However, these changes will also be reflected in companies' wider GHG emissions reporting and other tables of the APRs. The narrative provided in annual reports and as part of the 'Strengths', 'Weakness', 'Opportunities' and 'Threats' (SWOT) analysis will help stakeholders to better understand the resultant changes.

Distribution input, as reported in table 6B, is adjusted for imports and exports of water.

We no longer ask companies to report GHG emissions per Ml of sewage treated using flow to full treatment but using only volume of wastewater received at sewage treatment works, so as to enable greater comparability between companies.

Some of the issues raised in relation to intensity ratios are linked to the operational GHG emissions PCs that will be introduced at PR24. We address these in our response document to the consultation on operational GHG PCs.[13]

2.3.3 Question 7

Do you have any comments on the proposal to expand the scope of mandatory reporting for operational GHG emissions?

Respondents' views

More than half of respondents supported our proposal to expand the scope of reporting on GHG emissions as this promotes greater ownership of their wider carbon footprint.

We proposed expanding reporting to cover emissions linked to the use of chemicals, waste and fuel and energy-related activities. Affinity Water and South East Water noted that changing the scope of their reporting may create confusion for stakeholders as companies' own net zero targets do not currently include GHG emissions linked to these categories.

In relation to the reporting of GHG emissions linked to the use of chemicals, Affinity Water, Hafren Dyfrdwy, Severn Trent, South Staffs, United Utilities, Yorkshire Water and Wessex Water highlighted the high uncertainty associated with emissions factors used for chemicals in the CAW. As a result, Southern Water and United Utilities proposed that 2022-23 be considered a pilot year for the reporting of chemicals with the next version of the CAW including updated emission factors. Thames Water viewed this reporting as unnecessary because of limited scope for companies to reduce the GHG emissions linked to the use of

[13] Ofwat, 'Consultation on PR24 operational greenhouse gas emissions performance commitments definitions - Responses document', March 2023.

chemicals. South West Water asked if GHG emissions from granular activated carbon (GAC) should be included in the APRs, as they are estimated in the CAW but in a separate section to GHG emissions from chemicals.

In relation to the reporting of GHG emissions linked to waste generated in operations, respondents agreed that this reporting is feasible and necessary. However, respondents requested clarity on whether:

- water only companies are expected to report on it (Portsmouth Water and SES Water);
- waste was limited to sludge, with South West Water highlighting it is also reporting on waste from administrative activities; and
- GHG emissions from disposal of sludge to own land should be reported in scope 1 or scope 3 (United Utilities).

Thames Water stated that reporting these emissions is unnecessary because the disposal of sludge to land leads to less GHG emissions being emitted than the use of fossil fuel-based fertilisers.

In relation to the reporting of GHG emissions linked to fuel and energy-related activities, respondents supported including these emissions in the 2022-23 APRs. However, South West Water and United Utilities asked for clarifications on the boundary of this category, and how it compares to 'well-to-tank' GHG emissions.[14] Anglian Water, SES Water and Thames Water also asked Ofwat to share emissions factors companies should use for their estimations.

Our response

With the majority of respondents showing support for expanding the scope of mandatory reporting, we confirm our decision to include GHG emissions linked to the use of chemicals and waste generated in operations, as well as expanding the breath of reporting on fuel and energy-related activities.

We disagree that expanding the scope of reporting for the APRs creates confusion for stakeholders in relation to companies' own net zero targets. We consider that to achieve net zero by 2050, companies will need to go beyond Water UK's 2030 Net Zero Routemap, focusing on a wider set of emissions. Companies need to take responsibility for engaging with their customers and stakeholders to ensure they understand their progress in achieving net zero. Companies can demonstrate progress towards net zero using a market-based or a location-based method. We want companies to work towards comprehensive reporting of all the GHG emissions generated from their activities and their supply chain, aligned with internationally recognised standards such as the GHG Protocol, the SBTi and TCFD. We will continually engage with companies to expand the breadth of their reporting each year as part

[14] Well-to-tank emissions means all GHG emissions from the production, processing and delivery of a fuel.

of the APR process. We intend to engage with the sector at the end of 2023 on the way forward to expand reporting of GHG emissions.

In relation to the reporting of GHG emissions linked to the use of chemicals, we acknowledge the challenges associated with robust measurement of these emissions. However, we expect progress to be made in years ahead on the emission intensity factors for chemicals being used. We expect future versions of the CAW to reflect this improved understanding.

As a result, we are supportive of the suggestion that companies use the 2022-23 APRs to pilot GHG emissions reporting linked to their use of chemicals. To ensure consistency, companies should use the CAW to estimate these emissions, which currently allows for an estimation based on volumes of chemicals purchased by companies. Companies should account for all default chemicals listed in the CAW, including GHG emissions linked to GAC, using the emissions factors in the CAW. For chemicals which are not included in the default list of the CAW, companies should report these using the custom list in the CAW. In order for stakeholders to understand limitations associated with these figures, we welcome companies accompanying them with a narrative in their annual reports and/or SWOT analysis.

We do not agree with the view that, because companies have limited scope to reduce the GHG emissions linked to their use of chemicals, they should not report them. Therefore, we expect companies to report on the GHG emissions linked to their use of chemicals. We are aware that our approach will not capture all chemicals used by companies. However, it represents an important first step in ensuring emissions from chemicals are reported and reductions incentivised. Reporting on emissions associated with chemicals helps companies and stakeholders understand the role and impact of chemical use in company activities and, in turn, the innovation that will be needed to minimise their use, with a view to reducing companies' GHG emissions.

In relation to the reporting of GHG emissions linked to waste generated in operations, we welcome the support of respondents for more transparency on these activities. For 2022-23 APRs, we confirm our decisions to limit the reporting of GHG emissions linked to waste to bioresources. We confirm that reporting on waste generated in operations refers to both water and wastewater sludge, so that water companies are requested to report alongside water and sewerage companies. We do not expect companies to report on their other types of waste (for example, administrative waste) for 2022-23. We require all companies to use the CAW to report, to ensure consistency of reporting in this area.

We do not agree that, because the disposal of sludge to land leads to less GHG emissions than fossil fuel-based fertilisers, companies should not report on this. We expect companies to work towards full disclosure of their GHG emissions to support a transparent journey to net zero and better engagement with their stakeholders.

Therefore, we require companies to report on all GHG emissions associated with the transport, treatment and disposal of sludge:

- sludge transport in vehicles owned or leased by the company (scope 1 Vehicle transport) and by third parties (scope 3 Outsourced activities)
- sludge treatment by the company (scope 1 Process & fugitive emissions) and by third parties (scope 3 Outsourced activities)
- disposal of sludge to company's land (scope 1 Emissions from land) and third party's land (scope 3 Disposal of sludge to land); and
- energy associated with sludge transport, treatment and disposal when done by the company (scope 1 Burning of fossil fuels, scope 2 Purchased electricity, scope 3 Purchased electricity, scope 3 Purchased heat, scope 3 Purchased fuels).

As stated in our consultation, we expect the disposal of sludge to company's land to be reported in scope 1 emissions, under emissions from land. This follows the GHG Protocol on reporting on emissions linked to waste.[15]

In relation to the reporting of GHG emissions from fuel and energy-related activities, companies should follow the GHG Protocol.[16] That is, companies should report on the GHG emissions from extraction, production, and transportation of fuels in the generation of electricity and heat that is consumed by the reporting company. Following stakeholders' responses, companies should also report on GHG emissions from extraction, production, and transformation of fuels consumed by the reporting company. Companies should use the CAW, as these emissions are included in it, and the UK government provided emissions factors for 2022 to report these emissions.[17]

Following responses, we will not rename this category 'well-to-tank' as it does not align with the terminology of the GHG Protocol. As reporting expands, we are aiming toward greater alignment with the GHG Protocol to enhance the clarity and transparency of reporting for stakeholders.

Tideway considers that all its project emissions should be categorised as embedded. We agree in as much as the Thames Tideway Tunnel project is in its construction phase and upon completion will be handed over to Thames Water. Thames Water will then become responsible for reporting on its operational GHG emissions. Therefore, Tideway should continue to report on embedded emissions as they have done for the reporting year 2021- 22 but should be mindful of our response to the reporting of embedded GHG emissions detailed below.

[15] See Greenhouse Gas Protocol, 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard', 2011, p.44.
[16] See Greenhouse Gas Protocol, 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard', 2011, p.41.
[17] UK government, 'Greenhouse gas reporting conversion factors', 2022.

2.3.4 Question 8

Do you have any comments on the introduction of our mandatory framework for the reporting of embedded emissions?

Respondents' views

The majority of respondents were in favour of mandatory reporting on embedded emissions for 2022-23. Portsmouth Water, SES Water and South Staffs Water disagreed with our proposal citing the lack of standardised reporting as a barrier to the introduction of reporting.

On the reporting of GHG emissions linked to capital projects, respondents asked for clarifications on:

- how will changes in methodology from one year to another be treated over time (Hafren Dyfrdwy and Severn Trent);
- the type of data to use (South West Water);
- how to report on multi-year projects (Hafren Dyfrdwy, Severn Trent, Wessex Water, Yorkshire Water); and
- requirements for reporting cradle-to-gate and/or cradle-to-build.[18]

Portsmouth Water and SES Water also mentioned that UKWIR will be publishing emissions factors for capital projects in the water industry in 2024.

On the reporting of GHG emissions linked to purchased goods and services, Yorkshire Water raised the issue of the low level of comparability between companies due to different reporting approaches and types of data. Thames Water and Southern Water also highlighted that companies will not be able to fully report on GHG emissions linked with their purchases, nor to distinguish between purchases linked to the provision of water or wastewater activities for 2022-23.

Finally, Hafren Dyfrdwy and Severn Trent highlighted the risk of GHG emissions linked to the use of chemicals being double counted in Table 11A, since companies could record them within purchased goods and services and within chemicals in scope 3 emissions.

To facilitate greater clarity and transparency in the reporting of embedded emissions, Dŵr Cymru, Northumbrian Water and United Utilities suggested that we align with internationally

[18] 'Cradle-to-gate': GHG emissions associated with manufacture of materials and products and transport to the site; and 'cradle-to-build': cradle-to-gate emissions plus those from construction of assets and the off-site disposal of any waste.

recognised 'scope'-based terminology instead of 'operational' and 'embedded' terms. South East Water and Thames Water also asked for an industry workshop with Ofwat to make further progress on the reporting of embedded emissions.

Our response

Whilst we appreciate that reporting on embedded emissions is currently not consistent and the breadth of reporting being undertaken by companies varies, we expect companies to make greater and more rapid progress on the reporting of embedded emissions. We welcome companies' support in this area and have decided to introduce a mandatory reporting framework for embedded emissions from 2022-23.

Our approach in setting out a flexible framework for the reporting of embedded emissions is designed to encourage companies to make more significant and rapid progress in improving their reporting, with the goal to ensure more consistent reporting by PR29. We note that UKWIR is considering emissions factors for capital projects and encourage the industry to continue to work towards greater consistency in this area. In parallel, we expect companies to make significant progress in their reporting of embedded emissions. We also encourage them to breakdown their emissions between water and wastewater activities.

Therefore, and as indicated in our 2021-22 regulatory responses document, companies should as a minimum calculate and report on the total quantity of GHG emissions, in tCO_2e ('cradle-to-gate' and/or 'cradle-to build'), for all capital projects undertaken in the reporting year.

For 2022-23, we are giving companies flexibility in how they report (ie, 'cradle-to-gate' and/or 'cradle-to build') as we recognise that some companies may find it difficult to change their reporting in this area. However, we do expect progress to be made and encourage companies to provide both types of data. Companies should be clear about the methodology they use to report embedded emissions and flag any material change on a year-by-year basis.

For multi-year projects, we require companies to report on the total quantity of GHG emissions associated with a project when it is undertaken in the reporting year. The GHG Protocol is clear that companies should not "depreciate, discount or amortise" GHG emissions even when reporting multi-year projects.[19]

On the reporting of GHG emissions linked to purchased goods and services, we recognise the risk of double counting with companies reporting on GHG emissions linked to chemicals in this category, as they will also be reporting them as part of their scope 3 emissions. For 2022-23 reporting, companies should state clearly which goods and services they are including in their GHG emissions from purchased goods and services to avoid any double counting.

[19] Greenhouse Gas Protocol, 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard', 2011, p.39.

In setting out our minimum reporting requirements, our response to questions 10 and 11 make clear how companies should be responding to the challenges of reporting on embedded emissions.

We acknowledge that the use of the terms 'operational' and 'embedded' to categorise GHG emissions in the water sector does not necessarily align with wider international norms. To explore further use of terminology and reporting as it relates to embedded emissions, we plan to hold a workshop. The outcomes of this workshop may result in further guidance on terminology and reporting as it relates to 'embedded' emissions. Whilst we will engage with the sector on this issue, we do not consider that it prevents companies from reporting on embedded GHG emissions for 2022-23 APRs. We expect to hold this workshop at the end of 2023.

2.3.5 Question 9

> Do you have any comments on distinguishing between construction and maintenance activities for the reporting of capital project emissions?

Respondents' views

Respondents were largely opposed to breaking down their capital-based emissions by construction and maintenance activities. In particular, Affinity Water, Dŵr Cymru, Northumbrian Water, Portsmouth Water, South East Water, South Staffs Water, Southern Water, United Utilities and Yorkshire Water were concerned about of how construction and maintenance activities intertwine and/or a lack of clarity on what constitutes maintenance and construction.

However, Severn Trent, United Utilities and the Environment Agency did suggest that we refer to the definitions provided by the international standard PAS2080, with the Environment Agency also suggesting the UKWIR approach to calculating whole life totex carbon.[20]

Our response

Given other changes on embedded emissions, and considering the responses received, we have decided not to require companies to break down their capital-based emissions into construction and maintenance activities at the current time.

[20] See BSI, 'PAS 2080 Carbon Management in Infrastructure verification', May 2016; and UK Water Industry Research, 'Calculating whole life / totex carbon', 2022.

However, we strongly encourage companies to draw upon PAS2080 and/or the UKWIR report on whole life/totex to make progress in this area of reporting.[21]

2.3.6 Question 10

What are the key challenges that need to be considered and addressed in introducing a rating system designed to facilitate increased standardisation and continual improvement in the reporting of embedded emissions?

Respondents' views

Most respondents were opposed to the introduction of a traffic light system to drive standardisation in the reporting of embedded emissions. Hafren Dyfrdwy, Northumbrian Water, Portsmouth Water, SES Water, Severn Trent and Thames Water highlighted the risk of disincentivising progress, the system not being equitable for smaller companies and the lack of clarity on the criteria used. Wessex Water mentioned the risk of distracting the focus of companies from reducing their GHG emissions.

CCW, Northumbrian Water and Tideway suggested alternatives such as a showcase of best practices for the reporting of embedded emissions or the publication of calculation models and methodologies used for embedded emissions to increase transparency.

The Environment Agency raised questions about the auditing and quality checks of the data used in this system, asking that companies be required to publish their methodologies and audit trails alongside their assessment.

Affinity Water, the Environment Agency, Hafren Dyfrdwy, Severn Trent and Yorkshire Water also suggested criteria should be added for a better assessment of companies' reporting on embedded emissions such as the type of data used and the confidence level.

Yorkshire Water raised that companies should be categorised as 'Red' if they do not achieve one criterion in the 'Amber' or 'Green' categories.

Affinity Water highlighted that reporting on GHG emissions associated with capital projects using 'cradle-to-gate' or 'cradle-to-build' should be 'Amber', while reporting on both should be categorised as 'Green'.

[21] See BSI, 'PAS 2080 Carbon Management in Infrastructure verification', May 2016; and UK Water Industry Research, 'Calculating whole life / totex carbon', 2022.

Our response

We respond to this question alongside question 11 below.

2.3.7 Question 11

Are there are any particular frameworks or approaches our traffic light system should consider in determining differing levels of progress and what expected progress should look like?

Respondents' views

Respondents were supportive of aligning the traffic light system for embedded emissions with recognised frameworks. Respondents recommended several frameworks:

- Publicly Available Specification (PAS) 2080: Carbon Management in Infrastructure (Anglian Water, Hafren Dyfrdwy, Severn Trent, South West Water, Thames Water, Wessex Water, Yorkshire Water);[22]
- Maturity matrix Asset Management Maturity Assessment (AMMA) (Anglian Water, Portsmouth Water, SES Water);[23]
- Calculating whole life / totex carbon, UKWIR (2022) (Environment Agency, Thames Water, United Utilities);[24]
- Corporate Value Chain (Scope 3) Standard, GHG Protocol (2011) (Affinity Water, Environment Agency, Yorkshire Water);[25]
- ISO14064 Greenhouse Gases – Part 3 Specification with guidance for the verification and validation of greenhouse gas statements (2019) (Hafren Dyfrdwy, Severn Trent);[26]
- Science Based Targets initiative Corporate Net-Zero standard, Science Based Targets initiative (2021) (Yorkshire Water);[27] and
- Guidance on how to measure and report your greenhouse gas emissions, Defra (2009) (Environment Agency).[28]

[22] BSI, 'PAS 2080 Carbon Management in Infrastructure verification', May 2016.
[23] Ofwat, 'Asset management maturity assessment (AMMA)', March 2021.
[24] UK Water Industry Research, 'Calculating whole life / totex carbon', 2022.
[25] Greenhouse Gas Protocol, 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard', 2011.
[26] International Organization for Standardization, 'ISO14064-3 Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions', 2019.
[27] Science Based Targets, 'SBTi Corporate Net-Zero Standard', October 2021.
[28] Defra, 'Guidance on how to measure and report your greenhouse gas emissions', September 2009.

Our response to questions 10 and 11

Having considered responses, we confirm our intention to go ahead with the introduction of a traffic light system to differentiate and encourage greater progress on the reporting of embedded GHG emissions.

We do not agree with the assessment that a traffic light system for embedded emissions will distract companies from reducing their GHG emissions. Transparent and accurate reporting is crucial to companies to understanding and reducing their GHG emissions and the sharing of information with regulators and stakeholders.

As stated in our consultation document, we expect our traffic light system to evolve over time to ensure it continues to provide sufficient and continual challenge, with this aiding the emergence of more standardised reporting.

Following our consideration of stakeholder responses, we have decided that, for a company to be categorised as 'Green' or 'Amber', 5 reporting criteria in 'Green' and 3 in 'Amber' need to be met. This will make it easier for small and larger companies to demonstrate their progress on embedded emissions through this traffic light system. However, in relation to the 'Green' and 'Amber' categories, companies must report on capital projects as outlined both in the response to question 8 and the table below. Companies that fail to report will be placed in the 'Red' category.

Where a company seeks to demonstrate it has met a particular reporting criteria, it must provide sufficient and convincing evidence, clearly demonstrating how each criteria has been met. It will not be sufficient to simply state that a certain framework or standard has been followed: companies must provide an external auditor's report as assurance.

Companies are reminded that the level of stretch implied by the table below will be subject to review in subsequent reporting years to ensure continual progress and improvements in reporting.

Category	Embedded emissions reporting criteria
Green	• Provision of embedded emissions data as it relates to capital projects (cradle-to-build). We anticipate good practice in this area being for companies to provide cradle-to-gate as well as cradle-to-build based data. • Clear evidence of external verification and accreditation as it relates to the use of standards and frameworks, and quality of data. • Engagement with more than one recognised standard, framework, or approach for managing and reporting on embedded emissions. • Provision of insights into embedded emissions as they relate to construction and maintenance activities. • Complete and detailed SWOT analysis referring to embedded emissions. • Provision of embedded emissions data as it relates to purchased goods and services (in addition to chemicals).

	• Evidence of clear stakeholder engagement and education on its GHG emissions management and reporting approach.
Amber	• Provision of embedded emissions data as it relates to capital projects (cradle-to-gate or cradle-to-build). • Clear evidence of external verification and accreditation as it relates to the use of standards and frameworks, and quality of data. • Engagement with one recognised standard, framework, or approaches for managing and reporting on embedded emissions. • Complete and detailed SWOT analysis referring to embedded emissions.
Red	• No provision of embedded emissions data as it relates to capital projects. • Incomplete SWOT analysis as it relates to embedded emissions. • No demonstrable engagement with recognised standards, frameworks, or approaches for managing and reporting on embedded emissions.

Following stakeholders' responses, we adjusted the criteria to report on capital projects so that companies are required to report 'cradle-to-gate' or 'cradle-to-build' in the 'Amber' category and 'cradle-to-build' in the 'Green' category.

We welcome respondents' suggestions on the criteria and/or frameworks that can be used to improve reporting on embedded emissions. However, due to the wide variation in company reporting on embedded emissions, and the need to encourage more rapid progress in the most flexible way possible, we do not view as appropriate at this stage to specify the frameworks and standards companies must adopt. This may change in the future as we move towards more consistent reporting on embedded emissions. In the meantime, we expect all companies to report on and manage their embedded emissions by reference to one or more of the frameworks highlighted in the summary of stakeholder views on question 11.

We welcome and encourage respondents' suggestions for companies to share best practice on the reporting of embedded emissions and publish their methodologies. Our reporting approach does not prevent companies to do so.

We expect all companies' reporting to be subject to external verification, and accreditation where appropriate. Engagement specifications such as PAS2080, the 2022 UKWIR Framework on Accounting for Embodied Carbon, and the SBTi are essential to companies achieving and robustly demonstrating reductions in embedded GHG emissions.[29]

[29] BSI, 'PAS 2080 Carbon Management in Infrastructure verification', May 2016; Science Based Targets, 'SBTi Corporate Net-Zero Standard', October 2021; UK Water Industry Research, 'Calculating whole life / totex carbon', 2022.

2.3.8 Question 12

Do you have any comments on requesting a SWOT analysis that covers both operational and embedded emissions?

Respondents' views

The majority of respondents were supportive of our request for companies to provide a SWOT analysis that covers both operational and embedded emissions. Affinity Water, CCW, Portsmouth Water, Southern Water, South Staffs Water, South West Water and United Utilities supported this approach and recognised that SWOT analysis on operational GHG emissions increased transparency and understanding for stakeholders. Portsmouth Water, SES Water and Yorkshire Water argued against this SWOT analysis being combined for operational and embedded emissions due to the different maturity levels of reporting between the two.

Linked to the issue of a combined SWOT analysis, Dŵr Cymru, Northumbrian Water and United Utilities felt that greater understanding would be facilitated if we moved away from using the terms 'operational' and 'embedded' and instead use the 'scope'-based terminology of the GHG protocol. Dŵr Cymru and Northumbrian Water respondents disagreed with having a SWOT analysis based on operational and embedded emissions, instead suggesting companies produce a SWOT analysis referring to scope 1, 2 and 3 emissions.

Our response

Having considered stakeholder responses, we have decided to require companies to publish a combined SWOT analysis for operational and embedded emissions.

Whilst we recognise the different levels of maturity of reporting on operational and embedded emissions, we do not consider this is barrier to our proposal. A combined SWOT analysis addressing both operational and embedded emissions will support better and more consistent stakeholder understandings of company actions on all types of GHG emissions. However, we expect companies to specify when referring to operational or embedded emissions in their SWOT analysis.

In relation to the content of the SWOT analysis, and in line with our previous reporting expectation for 2021-22, companies should focus on both accounting and reporting processes as well as carbon performance and impact. Companies should ensure their SWOT statements are not overly technical. Instead, they should focus on key headline issues. Where a company is unable to report on or is concerned about the accuracy of an area of operational GHG emissions, it should make clear why this is the case and what action it is taking or will take to address this. Such issues could, for example, be recognised in the SWOT analysis as a weakness but could also be an opportunity for the scope and accuracy of company reporting to be improved.

In relation to the use of terminology, particularly as it relates to use of the terms 'operational', 'embedded' and 'scope', we will engage further with the sector on this issue. To facilitate wider discussion on how further progress can be made in the reporting of embedded emissions, we envisage holding a workshop at the end of 2023. The outcomes of this workshop may result in further guidance on terminology and reporting as it relates to 'embedded' emissions.

Whilst we will engage further with the sector on this issue, we do not consider that it prevents companies from producing the requested combined SWOT analysis.

2.4 Statements on dividend policy and executive pay and performance

2.4.1 Question 13

Do you have any comments on our proposed changes to disclosures in the Statement on dividend policy and explanation of dividends paid set out in RAG 3?

Respondents' views

All respondents were either supportive of the expanded dividend disclosure requirements or made no specific comment. Comments in support of the changes referenced the need for transparent reporting on dividends and note that the changes are consistent with feedback received by companies on prior year reporting and with Ofwat's expectations set out elsewhere.

Three respondents made comments on other elements of our expectations around dividends not related to the proposed RAG changes.

Severn Trent reiterated that it does not agree with Ofwat’s previously stated expectation that benefits that accrue to equity that are not linked to operational performance, such as the consequences of high inflation on fixed rate debt, should be retained or reinvested by the company and not distributed as outperformance.

Yorkshire Water commented that it will continue to exclude from its consideration of the level of dividends, any dividends that are immediately repaid to the appointee company through an intracompany loan, as in effect the payments are book entries and the group's cash position is unchanged.

CCW referred to our assessment of dividend disclosures in the Monitoring Financial Resilience report 2021-22 and commented that over half of the companies failed to meet Ofwat's expectations on dividend policy and its application in their 2021-22 APRs. Given the lack of full compliance in 2021-22 reporting it would like to see Ofwat consider how it will assess compliance and the steps it will take in the event of non-compliance. It suggests that Ofwat could achieve this by making sure that company transparency on dividends and executive pay is part of the assessment of PR24 business plans.

Our response

We have decided to make the changes to the disclosure requirements on dividend policies and explanations of dividends paid as set out in the consultation, as no concerns were raised in response to our proposal. We have considered the other comments raised by respondents even though not directly related to our proposed changes on dividend disclosure requirements.

Severn Trent Water's comments regarding the benefits of high inflation on fixed rate debt, were also made in its response to the consultation on Ofwat's PR24 draft methodology and we considered the comments and responded in Creating tomorrow, together: Our final methodology for PR24.[30]

Creating tomorrow, together: Our final methodology for PR24 Appendix 10 – Aligning risk and return[31] reaffirms our view that dividend policies are applicable to any dividend paid by the appointee for any reason, including dividends paid to a holding company to allow it to pay interest on an intragroup loan from the appointee. From a customer perspective any dividend represents an outflow of cash from their water company, whether the dividend is used to fund holding company costs or paid to ultimate shareholders. The RAGs are clear that the dividend yield reported in table 4H and explanations of dividends paid should include any dividends paid to a holding company to allow it to pay interest on an intergroup loan from the appointee.

On 20 March 2023 we published our decision[32] to modify certain ring-fencing provision across company licences, including a modification to update the dividend policy licence condition to require dividend policies to take account of current and future investment needs and financial resilience over the longer term, and performance for customers and the

[30] See page 130.
[31] See pages 64-65.
[32] Ofwat, 'Decision under sections 13 and 12A of the Water Industry Act 1991 to modify the ring-fencing licence conditions of the largest undertakers', March 2023.

environment. If companies fail to meet the licence requirements, we will take action. We will continue with our annual monitoring of dividend disclosures in the 2022-23 APRs to consider if they meet our latest expectations and licence conditions.

We have set out our expectations for dividends at PR24 in chapter 9 of the final methodology and in section 9 of PR24 Final Methodology – Appendix 10 Aligning risk and return.

We have also set minimum expectations in the final methodology for dividend policies as part of the quality and ambition assessment of business plans, which has specific rewards and penalties for companies.[33]

2.4.2 Question 14

Do you have any comments on our proposed changes to disclosures in the Statement on executive pay and performance set out in RAG 3?

Respondents' views

Respondents were either supportive of our proposals or had no comment. Severn Trent, while supportive of the proposals, noted that there could be significant repetition between the disclosures being required in the APR and those which are required in the directors' remuneration report of its annual report.

CCW was supportive of our proposals and suggested that company transparency on executive pay should be made part of the assessment of PR24 business plans.

Our response

We have decided to make the changes to the disclosure requirements on executive pay and performance as set out in the consultation for the reasons provided in that document because respondents either supported the changes or had no comment. We have made an additional change, in response to Severn Trent Water's comment, to explain that where required disclosures are provided in its annual report, a company may cross reference to these from its APR rather than providing these in the APR. However, in doing so a company should ensure that the statement provided in its APR is accessible and coherent.

We explained in section 10 of our PR24 Final Methodology – Appendix 10 Aligning risk and return, that companies should provide their policies for performance related executive pay

[33] See table 11.7 on page 158.

for 2025-30 in their business plans and that we will assess these against our expectations as part of the quality and ambition assessment. We set out our expectations for those policies, including that they are clear on, amongst other things, the alignment to delivery for customers and the environment and explain how overall performance will be taken into account.

We have also made a minor update to the requirements to clarify that the explanation of the company's remuneration policy should include an explanation of the circumstances under which malus and clawback will apply. This is to ensure transparency in this area where reporting is currently variable.

3. Other changes to RAG 3

Anglian Water suggested that paragraph 4.40, which relates to reporting of common performance measures, should be removed as there is no longer a shadow reporting requirement. We have deleted the references to 'shadow' as these were out of date. However the reporting requirement is still necessary because, as we explained in [Sector overview: Final determinations of in-period outcome delivery incentives for 2021-22], not all companies are yet compliant in their reporting of these measures.

Anglian Water also commented that the wording for paragraph 4.46, which relates to the reporting of financial derivatives, should be reviewed as it does not currently make sense. We have amended the paragraph to ensure that the requirement is clear.

We have made one further change to RAG 3. Following discussions with companies since we published our consultation document, we have added a new paragraph (3.44) to include each company's obligation to report to Ofwat disposals of protected land, in line with the existing requirements of each company's licence.

4. Other issues raised

Some of the responses we received did not relate to the questions which we had asked in our consultation document but instead related to other issues which respondents wished to raise. In this section we set out the issues raised by multiple respondents and our responses to them.

4.1 Increase in regulatory burden

Three respondents noted that the new requirements we proposed would increase the regulatory burden on companies.

We are conscious of the need to balance the burden on companies with making sure we have the right information to hold companies to account to help ensure that they are providing the service that their customers expect.

We set out the reasons why we needed to collect additional data in our consultation. Largely the new requirements will help inform our work on PR24 which will ensure that our determinations are made based on comprehensive data. In other cases, we need to ensure that companies are publishing the right data to allow for appropriate monitoring and scrutiny. The need to collect additional information to reflect changing requirements, e.g. in relation to GHG emissions, does not itself mean that we are able to stop collecting any existing information.

It is important to note that in some cases, where new lines have been added to APR tables, this does not require companies to provide more data than previously required but instead allows them the opportunity to report data against the line which provides the best description of what the data actually relates to. This is because, in these cases, companies will not need to enter data for every new line but rather pick the line which best suites the data they are providing. This ensures that we and stakeholders have a clearer understanding of the data being provided by companies.

4.2 Timing of consultation

Three respondents expressed concern with the timing of our consultation on regulatory reporting for 2022-23, given how late it was in the reporting year to which it relates and suggested that it should take place much earlier in the reporting year. We usually aim to publish much earlier in the reporting year. However , the delay in the consultation was caused by, amongst other things, the need to publish our final methodology for PR24.

A1 Revised regulatory accounting guidelines

The revised RAGs for 2022-23 onwards are linked below.

RAG 3.14 – Guideline for the format and disclosures for the annual performance report

RAG 4.11 – Guideline for the table definitions in the annual performance report

An updated version of APR tables template which companies use to submit their APR data tables, reflecting our the changes to those tables is linked below.

2022-23 annual performance report tables (excluding tables 3A-3I), Excel template

For the avoidance of doubt, we have not made any changes to:

- RAG 1.09 – Principles and guidelines for regulatory reporting under the 'new UK GAAP' regime;
- RAG 2.09 – Guideline for classification of costs across the price controls; or
- Appendices 1-4 of RAG 4;
- RAG 5.07 - Guideline for transfer pricing in the water and sewerage sectors

A2 APR table specific responses

Table	Line(s)	Respondents' view	Ofwat response
1C	-	**Current deferred income – grants & contributions (G&Cs) and adopted assets** Consistent with the presentation of non-current liabilities (lines 1C.26 & 1C.27), within current liabilities we believe two distinct lines for deferred income G&Cs and deferred income adopted assets should be added. This will improve transparency and ensure that total capitalised G&Cs and adopted assets can be reconciled to table 2E line 37 (carried forward G&Cs).	We do not consider that any changes or amendments are appropriate to the table given that we are in the middle of the current price control period.
1D	-	**Non-cash items** We propose to include an additional line within the top section of the table for 'Other non-cash items' so that the working capital and provision lines reflects true movements in working capital and provisions only.	We not be amending the table at this time. Any other non-cash profit and loss items which affect operating profit are to be included in 1D.7 as set out.
1D	2	**Other income** Currently 'Other income' line 2 is only be populated with "the cash impact of other income in line 1A.5". This is not aligned with 'Operating profit' line 1 which is populated from table 1A.4 and includes non-cash items. This results in a mismatch of regulatory to statutory adjustments – for example the amortisation of deferred income is removed from 'Operating profit' 1D.1 but can't be reclassified to 'Other income' in 1D.2 as it is a non-cash item. We propose the 1D.2 line definition to be amended to remove the reference to cash impact and say "Other Income. Equal to 1A.5".	We will not be amending the line definition which should reflect cash impacts only.
1D	6	Line definition should reference line 2B.14	We agree. The definition for 1D.6 has been revised to reference 2B.14.
1E	1	**Table 1E Net debt analysis** The borrowing valuations used in line 1 represent a 'notional value' basis which we believe is more appropriate than book value and is in line with the guidance. In our opinion, the guidance could be more explicit in stating that 'notional values' should be used (as has been	We do not consider it necessary to amend the line definition for 1E net debt, which has not changed. Companies are guided to report borrowings outstanding as at 31 March, and where there is difference to total borrowings as reported in table 1C to provide a reconciliation.

		done in the guidance for 'Preference share capital' in line 2) rather than book values and recognising that this could create a reconciling difference to borrowings in table 1C. We are currently inferring the use of notional values from the guidance which states: "The following should not be included: fair value accounting adjustments which do not impact on the principal sum outstanding on the debt or the total interest paid. For example when financial instruments, such as interest rate swap agreements are presented at fair value.	
1E	2	The formula in the excel proforma is currently linking to the line description (cell C43) and not the 'Total appointed activities' column (cell J43) of line 1C.28.	We agree, the formula has been corrected to link to cell J43.
1E	7	The definition refers to the RCV in 4C.26. However, 4C.26 is 'Total customer share of totex over/under spend.' This reference should be 4C.31.	We agree, the definition has been updated.
1F	-	**Income inclusion** We include the costs of third party non price control work we undertake. However, there is no means to include the income. Therefore, this looks purely like a loss within the table 1F. This clearly isn't correct as we are paid to do this work. We propose that this is corrected for by netting the income off the costs in the totex outperformance guidance.	The FD cost allowance includes the costs associated with third party non price control, table 1F is assessing the company's performance against this allowance and therefore it is not correct to net the income off against these costs. We recognise that where a company incurs additional expenditure for activities not included within the FD allowance this would result in a 'loss' as the corresponding income it not being taken into account in the reporting in table 1F, however we do not consider that these amounts are material and so will not be amending the reporting.
1F	1	In the published 2022/23 APR template cells H10, I10, J10, N10, O10 and P10 (1F.1) are greyed out. We would query whether these cells should contain formulas in line with the final 2021/22 APR template. It would be helpful if Ofwat could confirm if these will be updated when issued.	The calculations in the template have now been amended to reference the un-greyed cells, which is why cells H10, I10, J10, N10, O10 and P10 remain greyed out.
1F	10	Innovation fund spend should be excluded from totex performance, since there was no expenditure allowance assumed at PR19 (being separately funded through customer revenues). We have already adopted this treatment for 2020/21 and 2021/22 reporting in line with 'RAG query log 2020/21' reference 209 and believe	We agree, the line definition has been revised as suggested.

		the RAGs should also be updated to reflect this. This could be achieved by adding an extra bullet to the line definition e.g. ‘The difference between the actual totex performance versus the amount allowed in the published Final Determination, for the reporting period, adjusted for the following: • Timing differences • Company sharing ratio with customers • Expenditure directly relating to the PR19 innovation fund….’	
2A	5	For wholesale, should 2A.5 be equal to 2B.14 minus 2B.15 or just 2B.14? For 2A.5, shouldn’t grants and contributions (2B.15) be deducted from Total operating expenditure (2B.14)?	Formulae is as intended, it would be incorrect to deduct grants & contributions to arrive at operating profit.
2B	13,20	Definitions for the ‘third party services’ lines should be updated to clarify that developer services third party expenditure is excluded, to avoid a double count, as already reported within the developer services expenditure lines (e.g. 2B.11).	We agree. The definitions have been updated for lines 2B.11, 2B.13, 2B.18 and 2B.20.
2I		Companies are now required to report actual revenues against the four wholesale price controls within table 2I. It would be helpful if Ofwat would clarify its expectations on how it expects companies to split revenues. For example, this could be done: • by allocating simply based on PR19 allowances (very quick and easy to do); or • based on a separation of charges between price controls which may be expected to reflect the separate build-up of charges (i.e. recognising the cost of providing the separate services and the consumption of those services by customers), particularly with the evolution of competition in Bioresources. This would require changes to the charges guidance, as Ofwat does not currently require companies to establish separate charging arrangements for the four wholesale price controls.	The revenues for each price control should reflect the separate build-up of charges.

		We do not have a strong preference about which approach should be taken, but we do believe that clarity is important to ensure consistency of reporting across companies. Current ambiguity could also lead to unnecessary time spent setting and monitoring charges to report the resultant revenue allocations down to a more granular price control level."	
3F	7	As per our response to Ofwat query received on 15/2/23 the definition should refer to 3 hours or more, not greater than 3 hours, to match with the guidance and Final Determination.	The line definition has been amended to refer to 3 hours or more
3F	9	Column 23 "Total residential properties (000s)" – we note that this definition references table 4R line 19 (Total column). This line refers only to water properties, yet the definition for 3F.9 requires sewerage properties to be include also. We request that Ofwat includes a separate section in table 4R to account for sewerage properties and to provide a direct reference for the figure required for 3F.9.	The current definition for column 23 'Total residential properties' in 3F.9 references the total number of water properties from table 4R and the number of wastewater properties. Water and sewerage companies have therefore reported higher values in table 3F than in table 4R.
3G	-	**Additional query in relation to reporting of internal flooding** We believe there is currently some uncertainty regarding internal sewer flooding that we would like to see clarified. Currently we include incidents where any area which has visible standing or running water or has visible deposits of silt or sewage solids, including in only baths and shower trays. We note that both the PR19 and PR24 guidance states that if water is fully contained in a toilet bowl this should not be included. Should we exclude these either moving forward or as part of AMP8 baseline/shadow reporting.	The definition states that internal flooding is defined as flooding which enters a building or passes below a suspended floor. This includes incidents where any area has visible standing or running water or has visible deposits of silt or sewage solids including baths and shower trays. It should also include toilets should the water have not been fully contained within the toilet bowl. This is clarified in the 'Further clarification' section of the PR19 Reporting guidance for Sewer flooding which states "Any flooding due to jetting shall be included, unless the water is fully contained within a toilet bowl." We therefore do not consider there is uncertainty regarding the reporting for this performance commitment and your reporting appears in line with the definition.
3I	3	We would appreciate more guidance in the RAGs on the units and decimal places for PE reported in this line.	Companies should input total population equivalent served figures to 0 decimal places. The RAG guidance has been updated.
4B	-	We appreciated the early engagement on the draft guidance setting out the proposed changes to the reporting of swaps. We are comfortable with the new requirements i.e. splitting out by swap categories in tables 4B and 4I	In deciding data requirements we have aimed to balance the operational usefulness of this data against the regulatory burden in providing and processing it.

		and reporting the maturity split on the fair value of derivatives in table 4V. However, as outlined in our response to the draft guidance, we do have some concerns regarding the presentation of table 4B, which has moved away from presenting financial instruments on a 'net exposure' basis to presenting individual legs of instruments. The debt and derivatives portfolio is not usually viewed in this way, and we believe this makes it more difficult for users to understand what each instrument is doing and how it is used to manage financial risk within the portfolio. There is also an inconsistency of reporting, as cross currency instruments are reported on a net basis, in accordance with the guidance which states that these should be 'reported post currency swap characteristics, without splitting out the currency swap lines'. We would welcome further understanding as to how the information is being used in order to ensure the information provided fully meets the requirements.	The reporting of instruments in hedging relationships into the underlying instrument and swap legs is necessary for two reasons. Firstly, it supports the monitoring of financial resilience by enabling an understanding of company exposure to macroeconomic variables (e.g. inflation) which would not be possible if the post-hedge data was reported as a single line item. Secondly, the PR24 final methodology position is to not include interest rate swap costs in the allowance for embedded debt. The current requirement to split out swaps and instrument in Table 4B supports this policy and avoids the need to request this breakdown specially for the price review. We intentionally do not request this split for currency swaps as our understanding is that these relate to foreign currency issuance, which is immediately swapped to GBP. We consider that requesting pre-currency swap data for the instrument would lead to additional burden for companies and ourselves with little benefit in terms of financial monitoring and achieving our PR24 policy goals.
4B	-	**Column 19** For column definition of line 19, shouldn't the reference only be SONIA and not 3-month SONIA?	Line 19 requests the completion of the reference benchmark for the floating rate instrument. This can be term SONIA at any maturity, or another benchmark if appropriate.
4B	-	**Maturity date column** "Figures for this table should be derived using granular data on financial instruments embedded in company balance sheets. Companies should include all debt relevant to the regulated company, even where this has been taken out by an associate or financing subsidiary. This granular data should be set out in Table 4B: 'Analysis of debt', which we are requesting from companies as part of their submission." Additionally, Table 1E provides a definition for 'Weighted average years to maturity', which includes following:	We require for table 4B that companies report the maturity corresponding to the instrument in question. Where swaps' maturity differs to the underlying instrument they are in a hedging relationship with, the lines in 4B for swap legs should have the years-to-maturity of the swap, and the line for the underlying instrument should report the years-to-maturity of that instrument. We have updated the guidance to Table 1E to reflect our expectation that weighted-average years to maturity in this table should be a calculation carried out solely with debt instruments (i.e. swaps are excluded). We do not therefore expect consistency between tables 4B and 1E on this metric, therefore.

		"Where a debt instrument is associated with an interest rate hedge with a different maturity date to the underlying debt, the maturity should be based on the debt instrument." Based on the above two paragraphs of guidance, to keep Table 4B and 1E consistent, we include the maturity date of the underlying debt instruments as the maturity of the derivative on the column 'Maturity Date' of table 4B rather than the maturity date of the derivative. Separately the maturity month and year is included on the column 'Instrument' of Table 4B. We had also included a footnote on 31 March 2022 Table 4B submission: "Where a derivative has been used as a hedge, the maturity date of the underlying debt instruments have been used for compiling years to maturity." It would be helpful if Ofwat could confirm that the above treatment (as per the note above) is consistent with what is expected?	
4B	-	**Instrument identifier column** Earlier this year, as requested by Ofwat, we included reference numbers (on column 'Instrument identifier' of table 4B) for derivatives so that paying leg and receiving leg of swaps can be identified. Please note that providing this additional information on our swaps (i.e., matching the two legs), if made public, could be commercially sensitive so we would not want to provide this on any submissions which are to be published externally.	Please can you submit the full data to us (with a note added in additional comments and/or commentary to flag its sensitive nature) and publish (if applicable) a redacted version on your own website.
4B	-	**Further information column** During November 2022, when we provided additional information based on swap category, we also included detailed information on column 'Further information' of table 4B, regarding interest rates and margin changes. This was based on the following guideline: "Category C - Variable margin swaps This is derivatives that have a change in margin over SONIA (previously LIBOR) or a change in fixed rate at any point over the life of	Please can you submit the full data to us (with a note added in additional comments and/or commentary to flag its sensitive nature) and publish (if applicable) a redacted version on your own website.

		the swap on either the pay or receive leg. The swap category detail must explain the dates when the swap margin changes, what it changes to and must clearly explain whether the margin is changing on the pay or receive leg." Please note that providing this additional information on our swaps (i.e., providing details of margin changes), if made public, could be commercially sensitive so we would not want to provide this on any submissions which are to be published externally.	
4C	1	This line does not adjust for changes to company's totex baselines resulting from the output of the WINEP adjustment mechanism. We recommend adding two additional lines to this table. The first line would report the adjustments to totex baseline and the second line would show the adjusted baseline position, which would then be compared actual totex to derive the variances in existing lines 4C.7-4C.8. This first line showing the totex baseline adjustments would also need to be separately added to the shadow RCV (existing line 4C.32) to account for the underlying adjustment that will be made as part of PR24. We are currently reporting this as a timing difference in line 4C.7, as per 'RAG query log 2020/21' reference 21.	Thank you for the comment, but we do not consider that any changes or amendments are appropriate to the table given that we are in the middle of the current price control period.
4C	2	The line definition for 4C.2 references 4P.4 which is the capex line but we believe this should be 4P.12 to pick up totex	We agree. The line definition has been revised to reference 4P.12.
4C	2,23	Line references to costs excluded from cost sharing should be updated to reflect the revised tables. E.g. Non-section 185 diversions should refer to 4P.12 (not 4P.4), innovation fund spend should refer 9A.24 (not 9A.20).	We agree. The line definition has been revised.
4C	11-14	Shadow RCV should reflect accelerated/deferred spend in any given year in line with the PR19 cost reconciliation model (both the RCV itself as well as the consequential allowed returns on RCV) which takes account of the timing of totex. UUW accelerated over £350m of its AMP7 investment programme in the first 2 years of the AMP to deliver benefits – including improved customer	The shadow RCV should only take account of over / underspend due to efficiency. Including the variance due to timing could lead to overstating the value of the shadow RCV as the expenditure has already been included in the Final Determination value of RCV

		service and environmental benefits. This accelerated spend is reflected in our reported net debt and should also be recognised within the shadow RCV. These lines take the totex over/underspend due to efficiency (i.e. line 4C.8) and multiply by the relevant customer sharing rate. However, the whole total overspend (i.e. 4C.6), including any timing differences, should be reflected in shadow RCV. All 4 line definitions should therefore be amended by replacing '4C.8' with '4C.6'.	
4C	23	The line definition should be amended to include disallowable costs as reported in line 4C.4.	We agree. The line definition has been revised.
4C	24	The calculation 4C.23 less 4C.22 in the excel proforma is correct (to ensure overspend is presented as a positive value). Minor correction to the line definition which states 4C.22 less 4C.23.	We agree. The line definition has been revised.
4D	2	Line definition should reference line 4L.115	We agree. The line definition has been revised.
4D	5,12	Definitions for the 'third party services' lines should be updated to clarify that developer services third party expenditure is excluded, to avoid a double count, as already reported within the developer services expenditure lines (e.g. 2B.11).	We agree. The line definitions have been revised.
4D	9	Line definition should reference line 4L.114	We agree. The line definition has been revised.
4D	10	Line definition should say 'Total developer services capital expenditure including third party capex. This line should equal line 4N.6 (capex) plus 4P.4 (water resources and water network+).'	We agree. The line definitions have been revised.
4F	-	Please clarify whether cumulative expenditure in table 4F should be a straightforward summation of costs for the price control period to date (i.e. in year 2 it would be the sum of 2020/21 and 2021/22 costs), consistent with query UUW-APR-DP-001. If so, remove 'on schemes completed in the report year' from the column header in the excel proforma tables, as this suggest that costs should only be reported when the schemes are completed and come into beneficial use.	For each line-item Col E to I of Table 4F should be completed to report actual expenditure in £m incurred in reporting year. Col K to O should be completed by a simple summation of actual expenditure incurred in £m for the price control period to date. As such the column header is to be edited to read "Cumulative expenditure incurred on schemes in £m"

4G	-	Please clarify whether cumulative expenditure in table 4G should be a straightforward summation of costs for the price control period to date (i.e. in year 2 it would be the sum of 2020/21 and 2021/22 costs), consistent with query UUW-APR-DP-001. If so, remove 'on schemes completed in the report year' from the column header in the excel proforma tables, as this suggest that costs should only be reported when the schemes are completed and come into beneficial use.	For each line-item Col E to I of Table 4G should be completed to report actual expenditure in £m incurred in reporting year. Col N to U should be completed by a simple summation of actual expenditure incurred in £m for the price control period to date. As such the column header is to be edited to read "Cumulative expenditure incurred on schemes in £m"
4H	-	We expect 'FFO / Debt' (line 17) within Financial Metrics (table 4H) is likely to be interpreted by users as mirroring the ratings agencies' calculations. Whilst we recognise that Ofwat has stated that its approach will differ to the credit rating agencies, we still consider it would be more appropriate that this ratio is calculated based on Standard & Poor's methodology to ensure consistency in the calculation of this metric. The key difference is that FFO should be calculated after deducting all underlying interest, not just cash interest as per the 'Funds from operations (FFO)' (line 14) definition. Net debt should also include any reported pension deficit. An additional sentence could be added to the existing line definition so it reads: "Ratio of FFO to net debt. FFO as per line 14 less interest charge for the accretion of index-linked debt. Net debt as per line 1 plus any reported pension deficit (as per table 1C, line 24). We acknowledge that our approach to calculating this differs from some of the methodologies applied by the credit rating agencies."	We will not be changing the definition for FFO. As stated, we acknowledge that our approach to calculating FFO differs from some of the methodologies applied by the credit rating agencies. Companies are able to include an alternative FFO metric in their APR narrative should they wish.
4H	7,8	The formula in the proforma is 2I.20 - 2C.18 - 2C.19 divided by 2C.18 + 2C.19 + 2I.16, whereas the line definition states 2I.20 - 2C.18 - 2C.19 divided by 2I.16 + 2I.20. The same applies to 4H.8.	We agree. The line definitions have been revised.
4H	15	The line definition should be updated to reference the cash interest paid element of 1D.10, consistent with the calculation of adjusted interest cover (line 4H.16).	We agree. The line definition has been revised for consistency and clarity.

4H	16	RAG 4.11 states "RCV run off is set out in the final determinations and should be adjusted to the year-end price base. The RCV run off figures are published by Ofwat each year in the Regulatory capital values spreadsheet." However, the in-period published RCV model is designed to recalculate the nominal RCV based on the actual inflation rates, in the same way the RPI CPIH wedge PR19 reconciliation model does. The reconciliation is an end of period adjustment, and the adjustment to revenue resulting from the change in run-off resulting from actual inflation vs forecast will not be recognised until PR24. On this basis, we believe it is not appropriate to adjust the interest for the ACICR in 4H for the restated run-off as calculated in the RCV model. For consistency we suggest the allowed in-period revenue, the FD run-off in 17-18 prices indexed up using CPIH only should be used in the ACICR calculation.	The line definition has been revised to read "RCV run off is set out in the final determinations and should be adjusted to the year-end price base using CPIH".
4I	1-7	For line definitions, shouldn't the reference only be SONIA and not 6-month SONIA?	We agree. The line definition has been updated to remove the reference to '6-month'.
4I	3-5	No definition has been given for the accretion column. We would suggest "Total accretion is equal to the inflation-uplift on the nominal amount of index-linked swap, which will be paid/received on maturity".	A definition has been added to the guidance for 4I in RAG 4.11.
4K	1	Please could Ofwat clarify if 'internally' means internal to the appointed business or to the price control. Namely, should the purchase of power from bioresources be reflected here or in line 2? Also, should ROCs and FIT payments be reflected here?	We confirm that internally means internal to the price control. We made some changes in RAG 4 further to our energy generation guidance. The definition of items 4K.1 and 4K.2 is consistent with the RAGs prior to RAG 4.10, in that any energy generated internally is netted off costs. In the context of your query, that would mean any sales of energy from bioresources to network plus are reflected in 4K.1 (Power) only as: • cost for wastewater network plus; • cost reduction (ie netting off costs) for bioresources In contrast, any external income, including energy sales to third parties, energy subsidies, etc. should be recorded under line 4K.2 (Income treated as negative expenditure).

4L	-	Consistent with the principles outlined in our consultation on ‘Impact of historical enhancement allowances on performance trends’, we disagree with the definition that leakage enhancement expenditure should only be recorded in table 4L by companies who were allocated leakage enhancement expenditure in the PR19 final determinations. Although an enhancement allowance for leakage has not been allocated in our PR19 final determination, we have still incurred leakage expenditure which meets the definition of enhancement expenditure ‘Enhancement expenditure is generally where there is a permanent increase or step change in the current level of service to a new “base” level and/or the provision to new customers of the current service level.’ This expenditure does not meet the definition of base expenditure which refers to ‘maintaining the current level of service’. At PR19, we also claimed that meeting stretching leakage targets in AMP7 would require enhancement expenditure – the fact that Ofwat did not allow UUW to recover those costs as (additional) enhancement expenditure does not lessen the validity of these costs being enhancement expenditure. Our approach is also consistent with CMA’s position on leakage enhancement expenditure.	We expect company reporting to align with the current line definition. As such this line should only be completed by companies who were allocated leakage enhancement expenditure in the PR19 final determinations. At PR19 we set leakage performance levels that reflected our expectation of the level at which efficient companies should be performing. This was in the context of historical stagnation in leakage reduction. As such we would not consider meeting this level as achieving a 'new' base level rather as delivering the 'expected' base level. This is a similar principle to that which applies to the upper quartile performance commitments (pollution incidents, water supply interruptions and internal sewer flooding) that we expect to be delivered through base expenditure. We expect all companies to report enhancement expenditure on the basis of their PR19 allowances provided in response to PR19 business plan requests. Where companies have undertaken discretionary expenditure outside of their PR19 allowance this can be reported as enhancement provided: • the company can demonstrate the interventions funded by the expenditure delivered a permanent or step change in performance, and • the 'new' performance level is beyond that expected to be delivered through base expenditure. The company should demonstrate this through evidence provided in its APR commentary.
4L	-	Please could you set out further guidance on the difference between lines 48-50 from 51-53 and 57-59?	Lines 51-53 and 57-59 were subsets of lines 48-50. Lines 48-50 were included in error and have now been deleted.
4L		**Cumulative expenditure columns and cumulative allowed expenditure columns** It is not clear if the incurred and allowed expenditure from previous years (making up the cumulative figures) should be at outturn price base or inflated to current report year price base. Please can guidance by added to RAG 4.	All costs in tables 4L should be in report year prices. Therefore previous years' costs should be inflated using financial-year average CPIH.
4L	66	Total metering expenditure does not include new additional lines (4L.56, 4L.59, 4L.62) in the Excel proforma.	These lines were missed in error. We have updated the calculation and the line definition.

4L	85,86,88,89	Cumulative and allowed expenditure cells are not greyed out for capex and opex. Should these be greyed out as only totex is requested for other lines in this table?	We agree. These cells should be greyed out – the Excel table template has been updated.
4M	-	**Cumulative expenditure columns and cumulative allowed expenditure columns** It is not clear if the incurred and allowed expenditure from previous years (making up the cumulative figures) should be at outturn price base or inflated to current report year price base. Please can guidance by added to RAG 4.	All costs in tables 4M should be in report year prices. Therefore previous years' costs should be inflated using financial-year average CPIH.
4M	19-21	These lines are all labelled Capex, we believe that they should be Capex, Opex and Totex in line with the other lines in the table.	For these lines, we were trying to bring storage (grey) and effective storage (green) together and summing up the capex and opex for each first, then using line 4M. 25 to give the totex for all kinds of network storage. However, we acknowledge the confusion as they do not follow the same pattern as other lines in 4M. We have updated the table and RAG4 to bring these back in line with the rest of the table.
4M	22-24	These lines are all labelled Opex, we believe that they should be Capex, Opex and Totex in line with the other lines in the table.	For these lines, we were trying to bring storage (grey) and effective storage (green) together and summing up the capex and opex for each first, then using line 4M. 25 to give the totex for all kinds of network storage. However, we acknowledge the confusion as they do not follow the same pattern as other lines in 4M. We have updated the table and RAG4 to bring these back in line with the rest of the table.
4O	1,7	The line definition refers to 'new requisition sewers' which we currently report these in 4O.2 and 4O.8. Please can you confirm if that it is correct to also include in 4O.1 and 4O.7?	This is an error in the guidance. Costs reported in 4O.2 and 4O.8 should not be repeated in 4O.1 and 4O.7. Correction to guidance has been made.
4R	-	We consider that 'customers' should be removed from title of the table and that 'customers' should be replaced with 'properties' in block 1."	We have retained the use of 'customers' in block 1 as this aligns with the definitions used for these lines when they were previously reported in table 2F. The customer/billed property relationship is described in RAG 4.11.
4S, 4T	-	Please clarify whether cumulative expenditure in tables 4S and 4T should be a straightforward summation of costs for the price control period to date (i.e. in year 2 it would be the sum of 2020/21 and 2021/22 costs), consistent with query UUW-APR-DP-001. If so, remove 'on schemes completed in the report year' from the column header in the excel proforma tables, as this suggest that costs should only be reported when the schemes	The cumulative expenditure reporting in table 4S and 4T mirrors the reporting in tables 4L and 4M. This enables us to account for the impact of green recovery expenditure on expenditure reported in tables 4L and 4M. As such cumulative expenditure in 4S and 4T should only be reported when schemes are completed and come into beneficial use.

		are completed and come into beneficial use.	
4U	8-11	The Excel proforma has been changed so that these lines take the variance due to efficiency (i.e. line 4U.5) and multiply by the relevant sharing rate. However, the RAG line definitions correctly states that the whole variance (i.e. 4U.3), including timing differences, should be used to derive the impact of Green Recovery on the shadow RCV. The excel table should be aligned to the RAG 4.11 line definition.	We agree that the whole variance should be used to calculate the impact of Green Recovery on the shadow RCV. We have updated the Excel table template.
4W	-	We strongly endorse improving the transparency of companies' pension deficit reporting and believe the introduction of this new table is an important step towards achieving this. However, to ensure meaningful comparison across the sector, we propose disclosure of four additional assumptions – mortality, inflation, pay and pension increases – along with discount rate assumptions already incorporated in the table. The key assumption being mortality without which it would be difficult to draw any meaningful comparatives across the sector. These assumptions are challenging to incorporate as a single % number in a standard excel format, and as such we would advocate asking for these important assumptions as part of a required narrative disclosure instead. We would also recommend that the financial assumptions (discount rate, inflation, pay increases) be disclosed in respect of the scheme valuation on an IAS 19 accounting basis given the sensitivity of the valuation of scheme liabilities on an accounting basis to the assumptions used. Separate to this we would also continue to advocate that pension deficits on an accounting basis should be included in any debt/RCV gearing, FFO to debt, and debt to EBITDA calculations going forward. Mortality assumptions: We recommend that mortality assumptions be provided on a	Our objective is to achieve greater transparency around the size of the pension obligation and the commitments in place to repair a deficit where there is one. This information is currently not set out or clear in the annual report of all companies. There is a balance in terms of seeking to increase visibility and the quantity and complexity of the additional information we request. We consider the extra data requested to be sufficient for this purpose, noting that pension schemes are regulated distinctively by the Pensions Regulator. Notwithstanding this the table and information request may evolve over time if there is a benefit to doing so. Whilst we are cognisant that a pension deficit has the potential to present a material additional liability, we will not be expanding the regulatory definition of debt to include pension deficits on an accounting basis currently.

		quantified basis consistent with what schemes are required to provide in their returns to The Pension Regulator. We consider that the 'Cohort' life expectancy is the most appropriate number to disclose as it incorporates a view of long-term improvement of life expectancy, and at a minimum we would recommend that life expectancy for a male and female aged 65 now be included. We believe that presenting information in this way will allow for meaningful comparison between companies. In addition to this, companies could disclose more detailed post retirement mortality assumptions (including future improvements in mortality assumptions) as part of a narrative commentary accompanying the table e.g. for one of UUW's schemes we would disclose the below: 'Base table: S3PA year of birth tables ("middle" for females) with a weighting of 105% Future improvements: CMI 2020 with a long term rate of improvement of 1.75% p.a., a smoothing parameter of 7.0, w_2020=0 and A=0.25%'"	
4W	4	Per the draft tables the formula in 4W.5 requires scheme liabilities to be entered as a positive figure which appears inconsistent with the 4W.5 instructions where a deficit is presented as a negative.	"The table 4W.5 is a formula (4W.3 less 4W.4) so if the pension scheme is in deficit, then the formula will calculate a negative position i.e., 4W.4 (the liability number) is greater than 4W.3 (the asset number) The guidance is consistent; if there is a surplus then 4W.5 will be calculated in the positive, and if there is a deficit then 4W.5 will be calculated in the negative. The guidance says '..A surplus position should be presented as positive; a deficit position should be presented as negative' – so I guess one change that could be made is to make it clear this is a calculation in the table ' A surplus position will be calculated as positive; a deficit position will be calculated as negative'"
6A	20-27	These is no definition for 'Maximum Production Capacity Ml/d' (page 113 of the RAG 4.11). We continue to assume this has the same meaning as 'Peak week production capacity' which is now included in the RAG as 6A.28.	We agree and for consistency we amend the Band Guidance Table from 'Maximum Production Capacity Ml/d' to 'Peak week production capacity (PWPC) Ml/d'

	28	We note that this new line is also reported in tables 3F and 3I. We request that this be made clear in the reporting guidance for all relevant lines to reduce the risk of inconsistent reporting.	We have included reference to peak week production capacity in the line description and to Tables 3F and 3I in the line definition.
6A	29-30	"Peak week production capacity having enhancement expenditure for grey/green solution improvements to address raw water quality deterioration (Table 6A lines 29 and 30) Further clarification is required of the line definition. a. Should we report the total PWPC for WTWs with enhancement expenditure for grey/green solution improvements expenditure to address raw water quality or; b. the increase in PWPC associated with the enhancement expenditure for grey/green solution improvements expenditure to address raw water quality. If the latter is required it is not always possible to determine the increase in PWPC associated with the enhancement expenditure. In some instances expenditure is to address deterioration in raw water quality to reduce the risk of PWPC reductions. Some of the AMP7 expenditure to address raw water quality deterioration is to address water quality contacts rather than reductions in PWPC."	Please report the total PWPC for the WTW's (UUW point a.), not the increase associated with the enhancement element (UUW point b.). We have added 'total' to the line title and definition for clarity.
6B	30	This should be a calculated cell.	This is correct. Will amend table template.
6B	35	The line is a sum of lines 6B.58 to 6B.67 and not 6B.44 to 6B.53 as per RAG4.14	Line 6B.35 is sum of lines 6B.58 to 6B.67. The reference to lines 6B.44 and 6B.53 relates to the equivalent lines for regional reporting. We have revised the tables covering lines 6B.31 to 6B.87 add extra clarity.
6B	37	It would give greater visibility to stakeholders if the volume for 'water taken unbilled' were split between water that taken 'legally' and that taken 'illegally', as was the case with the original June Return table 10 water balance.	We do not require reporting at this level of granularity. However, companies can include this information in your narrative commentary alongside your submission if they consider it will provide greater visibility to stakeholders.
6B	38	This should be a calculated cell.	We consider it important for this line to remain a data entry cell and not a calculated cell to ensure companies confirm all elements of the water balance.
6B	58-67	Line descriptions in RAG 4.11 for 6B.58-67 reference incorrect lines.	We have amended the reference and revised the tables covering lines 6B.31 to 6B.87 add extra clarity

6B	59	This line currently reads "87", we believe it should read "Distribution main losses"	This is correct. We have amended Excel table template.
6C	16-17	"Line 6C.16 refers to mains laid or structurally refurbished between 2001 and 2020. Line 6C.17 refers to mains laid or structurally refurbished post 2021. Please can you clarify if 2021 mains lengths should be included within 6C.17?"	We used the previous phrasing, but have now replaced 'post' with 'during and after' for completeness.
6C	22	We feel this line definition to be unclear as to whether areas supplied by NAVs are to be included or excluded from the Company area km^2.	We consider that the definition is clear – no adjustment should be made to take account of areas supplied by NAVs.
6D	11-14	Additional lines are required within the table to capture when companies replace an existing meter with the same type of meter. For example, replace an existing AMR meter with a new AMR meter. Without this, Ofwat will be missing a key element of companies meter replacement programmes.	Lines 6D.9 and 6D.10 capture this data. These lines capture the total numbers of existing residential meters and business property meters renewed during the reporting year.
6D	12	The title references "household" customers but the definition references "residential" customers. For consistency should the title refer to "residential"?	We have made edits to the table definitions and titles for clarity and consistency.
6D	13	In the RAG4.11 document the measure description states household customers however the definition mentions business customers. The lines 'Residential meters renewed – supply demand balance benefit' & 'Business meters renewed – supply demand balance benefit' have been deleted however both lines are still included in Green Recovery Table 10A, is this correct?	We have made edits to the table definitions and titles for clarity and consistency. We have amended 10A to align with the updated table 6D.
6D	14	Should the title reference "business" customers instead of "household" to be consistent with the definition which refers to "business" customers?	We have made edits to the table definitions and titles for clarity and consistency.
6D	21	We would find it beneficial if the definition for 6D.21 included the formula for calculating meter penetration rather than cross-referring to WRMP guidance	We have added this definition has been added to the lien definition for clarity.
6D	23	RAG 4.11 definition includes reference to 6D.16 this needs to be updated to 6D.22 to align to the latest tables.	We have updated the line definition.

7D	17-22	Where relevant we would appreciate Ofwat including the appropriate WINEP driver codes within the line definitions for these lines (as has been done in part of table 7E), as well as in the relevant lines in table 4M. This would reduce the need to cross reference between definitions.	We will include AMP7 driver code references where applicable and where time permits.
7E	2	Bathing waters may be inland as well as coastal and a drive to create more inland bathing waters. We would like Ofwat to consider if it is appropriate to remove 'coastal' from the line definition. We also question if the reference to bathing waters being designated by the EU is still required.	We have amended the description to include designated inland and coastal bathing waters, in line with business plan table lines.
7E	23-24	We would appreciate further guidance from Ofwat on what is meant by a civils installation.	RAG4 has been updated to include further definition of civils installations.
7F	-	**Population equivalent units** Please could Ofwat specify the units for the 'Scheme design population equivalent' column? Our working assumption is that this information should be reported in actual PE, as opposed to thousands (000's), in line with guidance in RAG 4.11. We only wish to clarify this unit as we resubmitted our table in the thousands (000's) format following a query from Ofwat in 2021/22. "	The population equivalent figure should be given in full and not in thousands. This is set out in the table line definition
8B	-	There is a large % of costs which sit within the 'Other' column, for example in our 2021/22 APR table 8B 92% of sludge treatment opex was reporting in 'Other'. To provide improved disclosure we would recommend further splitting this out between 'Thickening', 'Dewatering' and 'Other'.	This table is split according to final treatment route of the sludge. Thickening and dewatering are only intermediate treatment stages. Therefore, the cost associated with any thickening and dewatering should be assigned according to the final treatment route of the underlying sludge rather than assigned to "Other".
8C	1	We seem to be asked by RAG4.11 to input a number into the total MWh column, but there is only one input cell for total £m. Please can Ofwat make clear in RAG4.11 what is required.	We have added an additional input cell for total MWh of bioresources energy consumption (cell H9 for item 8C.1 and cell H37 for item 8C.18)
9A	-	For completeness and to improve transparency, we propose that two new lines are added to Table 9A, to report the 10% partnership contributions to and from other water companies for leading projects.	We agree. We have added two new columns to the table.
11A	48-56	We do not currently have the breakdown of emissions by water and wastewater only total emissions	As we explained in our response to the views we received in response to question 8, we encourage companies to breakdown their emissions between

		for purchase goods and services. Can guidelines for the apportionment of these, especially in 11A.56, be included in the final guidance?	water and wastewater activities but this is not mandatory and table 11A reflects that.

A3 Changes to APR tables

Additions since the consultation are in red.

Table	Issue	Description of change	Table changes?	Line definition changes?
1A	No changes	n/a	N	N
1B	No changes	n/a	N	N
1C	No changes	n/a	N	N
1D	Correction; Clarification	1D.6 – line definition updated to correct reference to 2B.11 to 2B.14 1D.10 – line definition updated for clarity	N	Y
1E	Clarification; correction; updates	1E.1 – line definition updated to clarify that any other borrowings includes bank overdrafts 1E.7 – line definition updated to correct reference to 4C.26 to 4C.31 1E.11 – line definition updated and change from input cell to formula to automatically calculate number 1E.12 – line definition updated and change from input cell to formula to automatically calculate number 1E.13 – line definition updated for clarity	Y	Y
1F	Clarification; correction; update	1F.1 – line definition updated to provide an alternative method to calculate the required input 1F.4 – line definition updated to set out approach in the event of a positive value being calculated 1F.5 – line definition updated for clarity 1F.10 – line definition updated for clarity	N	Y
2A	No changes	n/a	N	N
2B	Clarification; correction	2B.11 – line definition updated for clarity 2B.12 – line definition updated for clarity 2B.13 – line definition updated for clarity 2B.14 – line definition updated to correct reference to 2A.3 corrected to 2A.5 2B.18 – line definition updated for clarity 2B.19 – line definition updated for clarity 2B.20 – line definition updated for clarity	N	N
2C	No changes	n/a	N	N
2D	No changes	n/a	N	N
2E	No changes	n/a	N	N
2F	No changes	n/a	N	N
2G	No changes	n/a	N	N
2H	No changes	n/a	N	N
2I	No changes	n/a	N	N
2J	No changes	n/a	N	N
2K	No changes	n/a	N	N

2L	No changes	n/a	N	N
2M	No changes	n/a	N	N
2N	No changes	n/a	N	N
2O	No changes	n/a	N	N
3A	No changes	n/a	N	N
3B	No changes	n/a	N	N
3C	No changes	n/a	N	N
3D	No changes	n/a	N	N
3E	No changes	n/a	N	N
3F	Clarifications; correction	3F.4 (column 5) – line definition updated to clarify that input should be rounded to one decimal place 3F.5 (column 10) – line definition updated to correct reference to 6B.9 to 6B.35 3F.5 (column 12) – line definition updated to clarify that input should be rounded to one decimal place 3F.6 (column 12) – line definition updated to clarify that input should be rounded to one decimal place 3F.7 (column 17) – line definition updated to correct reporting requirement	N	Y
3G	No changes	n/a	N	N
3H	No changes	n/a	N	N
3I	Clarification	3I.3 (columns 10,11,13,15)– line definition updated to clarify number of decimal places which should be used	N	Y
4A	No changes	n/a	N	N
4B	Update; new requirement	Column 19 – line definition updated to change reference to LIBOR to SONIA Column 30 – new requirement to identify swap category	Y	Y
4C	Corrections	4C.2 – line definition for ' Actual expenditure on innovation projects funded through the innovation competition' updated to correct reference to 4P.20 to 4P.24 4C.2 – line definition for 'Non-section 185 diversions' updated to correct reference to 4P.3 to 4P.12 4C.23 – line definition updated to include 'disallowable costs' 4C.24 – line definition updated to correct calculation from 4C.23 less 4C.22 to 4C.22 less 4C.23	N	Y
4D	Corrections; clarifications	4D.2 – line definition updated to correct reference to 4L.82 to 4L.112 4D.3 – line definition updated to correct reference to 4P.4 to 4P.8 4D.4 – line definition updated for clarity 4D.5 – line definition updated for clarity 4D.6 – line definition updated to correct reference to 2A.3 to 2A.5 and reference to 2B.11 to 2B.14 4D.9 – line definition updated to correct reference to 4L.81 to 4L.111 4D.10 – line definition updated to correct reference to 4N.11 to 4N.6 plus 4P.4 and to correct reference to 'operating' to 'capital' 4D.11 – line definition updated for clarity	N	Y

		4D.12 – line definition updated for clarity		
4E	Corrections; clarifications	4E.2 – line definition updated to correct reference to 4M.80 to 4M.87 4E.3 – line definition updated to correct reference to 4P.4 to 4P.8 4E.4 – line definition updated for clarity 4E.6 – reference to 2A.3 corrected to 2A.5; reference to 2B.11 corrected to 2B.14 4E.9 – line definition updated to correct reference to 4M.79 to 4M.86 4E.10 – line definition updated to correct reference to 4N.11 corrected to 4N.6 plus 4P.4 4E.11 – line definition updated for clarity	N	Y
4F	Correction	Columns K-P – heading corrected to refer to correct input required	Y	N
4G	Correction	Columns N-V – heading corrected to refer to correct input required	Y	N
4H	Corrections; clarification	4H.7 – line definition updated to correct three references to table 2I. 4H.8 – line definition updated to correct three references to table 2I. 4H.15 – line definition updated for clarity and consistency 4H.16 – line definition updated for clarity 4H.16 – line title and definition updated to clarify input required	Y	Y
4I	Updates; new requirement	4I.1 – line definition updated to change reference to LIBOR to SONIA and to remove reference to 6-month 4I.2 – line definition updated to change reference to LIBOR to SONIA and to remove reference to 6-month 4I.3 – line definition updated to change reference to LIBOR to SONIA and to remove reference to 6-month 4I.4 – line definition updated to change reference to LIBOR to SONIA and to remove reference to 6-month 4I.5 – line definition updated to change reference to LIBOR to SONIA and to remove reference to 6-month 4I.6 – line definition updated to change reference to LIBOR to SONIA and to remove reference to 6-month 4I.7 – line definition updated to change reference to LIBOR to SONIA and to remove reference to 6-month 4I.29-4I.140 – new requirement to breakdown financial derivatives by category 'Total accretion at 31 March' column – definition added	Y	Y
4J	No changes	n/a	N	N
4K	No changes	n/a	N	N
4L	Corrections; updates; new requirements	4L.20-22 – line definition updated to correct reference to 6C.22 to 6F 4L.23-25 – line definition updated to correct reference to 6C.23 to 6F 4L.26-28 – line definition updated to correct references to 6D.16 to 6D.22 4L.48-50 [RAG 4.10 reference] – lines deleted	Y	Y

		4L.48-50 – new requirement for Replacement of existing basic meters with AMR or AMI meters for residential customers expenditure 4L.51-53 – new requirement for Replacement of existing AMR meters with AMI meters for residential customers expenditure 4L.54-56 – new requirement for Replacement of existing basic meters with AMR or AMI meters for business customers expenditure 4L.57-59 – new requirement for Replacement of existing AMR meters with AMI meters for business customers expenditure 4L.63 – line definition updated to include lines in total omitted in error 4L.67-69 – new requirement for Addressing raw water deterioration (grey solutions) expenditure 4L.70-72 – new requirement for Addressing raw water deterioration (green solutions) expenditure 4L.73-75 – line title and definition updated to reflect that these are now total lines 4L.82-84 – new requirement for Conditioning water to reduce plumbosolvency expenditure 4L.85-87 – new requirement for Lead communication pipes replaced or relined for water quality expenditure 4L.88-90 – new requirement for Other lead reduction related activity expenditure 4L.91-93 – new requirement for Meeting lead standards (total) expenditure		
4M	Clarification; new requirements; updates	4M.13-15 – line definition updated for clarity 4M.16-18 – new requirement for Schemes to provide additional effective storage at sewage treatment works through green infrastructure expenditure 4M.19-21 – new requirement for Storage in the network (at CSOs etc) to reduce spill frequency (grey infrastructure) 4M.22-24 – new requirement for Effective storage in the network (at CSOs etc) to reduce spill frequency (green infrastructure) expenditure 4M.25 – line title and definition updated to reflect that this is now a total line 4M.38-40 – line definition updated to remove out of date example 4M.47 – line definition updated to reflect changed line references in table 4M.71-43 – line definition updated to reflect changed line references in table 4M.79 – line definition updated to reflect changed line references in table 4M.80 – line definition updated to reflect changed line references in table 4M.81 – line definition updated to reflect changed line references in table 4M.86 – line definition updated to reflect change reference in table and missing line from total 4M.87 – line definition updated to reflect change reference in table and missing line from total	Y	Y

4N	No changes	n/a	N	N
4O	Clarifications	4O.1 – line definition updated to remove incorrect reference to 'new requisition sewers' and for clarity 4O.6 – line definition updated to remove reference to 4E.10 4O.7 – line definition updated to remove incorrect reference to 'new requisition sewers' and for clarity 4O.12 –line definition updated to remove reference to 4E.3	Y	Y
4P	New requirements; updates	4P.1 – new requirement for Capex associated with NSWRA diversions 4P.2 – new requirement for Capex associated with other non-price control diversions 4P.3 – new requirement for Other developer services non-price control capex 4P.4 – new requirement for Developer services non-price control capex 4P.5 – new requirement for Opex associated with NSWRA diversions 4P.6 – new requirement for Opex associated with other non-price control diversions 4P.7 – new requirement for Other developer services non-price control opex 4P.8 – new requirement for Developer services non-price control opex 4P.9 – line definition updated to reflect that this is now a total line 4P.10 – line definition updated to reflect that this is now a total line 4P.11 – line definition updated to reflect that this is now a total line 4P.12 – line definition updated to reflect changed line references in table	Y	Y
4Q	Update; clarification	4Q.1 – line definition updated to widen it to include connections to water mains as well as sewers 4Q.12 – line definition updated for clarity	N	Y
4R	Correction	4R.31 – line definition updated to correct reference to 6D.17 to 6D.24 4R.32 – line definition updated to correct reference to 6D.18 to 6D.25	N	Y
4S	No changes	n/a	N	N
4T	No changes	n/a	N	N
4U	No changes	n/a	N	N
4V	New table	New table – Mark-to-market of financial derivatives analysed based on payment dates	Y	Y
4W	New table	New table – Defined benefit pension Scheme – additional Information	Y	Y
5A	Clarification; new requirement	5A.18 – line definition updated for clarity 5A.30 – new requirement for Total number of completed investigations (WINEP/NEP), cumulative for AMP	Y	Y
5B	No changes		N	Y

6A	New requirements	6A.28 – new requirement for Peak week production capacity 6A.29 – new requirement for Peak week production capacity having enhancement expenditure for grey solution improvements to address raw water quality deterioration 6A.30 – new requirement for Peak week production capacity having enhancement expenditure for green solutions improvements to address raw water quality deterioration	Y	Y
6B	New requirements	6B.29 – new requirement for Peak seven day rolling average distribution input 6B.30 – new requirement for Peak seven day rolling average distribution input / annual average distribution input 6B.31 – new requirement for Measured household consumption (excluding supply pipe leakage) (company level) 6B.32 – new requirement for Unmeasured household consumption (excluding supply pipe leakage) (company level) 6B.33 – new requirement for Measured non-household consumption (excluding supply pipe leakage) (company level) 6B.34 – new requirement for Unmeasured non-household consumption (excluding supply pipe leakage) (company level) 6B.36 – new requirement for Distribution system operational use (company level) 6B.37 – line definition updated for clarity 6B.38 – line definition updated for clarity 6B.39 – new requirement for Distribution input (pre-MLE) (company level) 6B.40 – new requirement for Measured household consumption (excluding supply pipe leakage) (region 1) 6B.41 – new requirement for Unmeasured household consumption (excluding supply pipe leakage) (region 1) 6B.42 – new requirement for Measured non-household consumption (excluding supply pipe leakage) (region 1) 6B.43 – new requirement for Unmeasured non-household consumption (excluding supply pipe leakage) (region 1) 6B.44 – new requirement for Total annual leakage (region 1) 6B.45 – new requirement for Distribution system operational use (region 1) 6B.46 – new requirement for Water taken unbilled (region 1) 6B.47 – new requirement for Distribution input (region 1) 6B.48 – new requirement for Distribution input (pre-MLE) (region 1) 6B.49 – new requirement for Measured household consumption (excluding supply pipe leakage) (region 2) 6B.50 – new requirement for Unmeasured household consumption (excluding supply pipe leakage) (region 2) 6B.51 – new requirement for Measured non-household consumption (excluding supply pipe leakage) (region 2)	Y	Y

		6B.52 – new requirement for Unmeasured non-household consumption (excluding supply pipe leakage) (region 2) 6B.53 – new requirement for Total annual leakage (region 2) 6B.54 – new requirement for Distribution system operational use (region 2) 6B.55 – new requirement for Water taken unbilled (region 2) 6B.56 – new requirement for Distribution input (region 2) 6B.57 – new requirement for Distribution input (pre-MLE) (region 2) 6B.58 – new requirement for Leakage upstream of DMA (company level) 6B.59 – new requirement for Distribution main losses (company level) 6B.60 – line definition updated for clarity 6B.61 – line definition updated for clarity 6B.62 – line definition updated for clarity 6B.63 – line definition updated for clarity 6B.64 – new requirement for Customer supply pipe losses – void measured households (company level) 6B.65 – new requirement for Customer supply pipe losses – void unmeasured households (company level) 6B.66 – new requirement for Customer supply pipe losses – void measured non-households (company level) 6B.67 – new requirement for Customer supply pipe losses – void unmeasured non-households (company level) 6B.68 – new requirement for Leakage upstream of DMA (region 1) 6B.69 – new requirement for Distribution main losses (region 1) 6B.70 – new requirement for Customer supply pipe losses – measured households excluding void properties (region 1) 6B.71 – new requirement for Customer supply pipe losses – unmeasured households excluding void properties (region 1) 6B.72 – new requirement for Customer supply pipe losses – measured non-households excluding void properties (region 1) 6B.73 – new requirement for Customer supply pipe losses – unmeasured non-households excluding void properties (region 1) 6B.74 – new requirement for Customer supply pipe losses – void measured households (region 1) 6B.75 – new requirement for Customer supply pipe losses – void unmeasured households (region 1) 6B.76 – new requirement for Customer supply pipe losses – void measured non-households (region 1) 6B.77 – new requirement for Customer supply pipe losses – void unmeasured non-households (region 1) 6B.78 – new requirement for Leakage upstream of DMA (region 2) 6B.79 – new requirement for Distribution main losses (region 2)		

		6B.80 – new requirement for Customer supply pipe losses – measured households excluding void properties (region 2) 6B.81 – new requirement for Customer supply pipe losses – unmeasured households excluding void properties (region 2) 6B.82 – new requirement for Customer supply pipe losses – measured non-households excluding void properties (region 2) 6B.83 – new requirement for Customer supply pipe losses – unmeasured non-households excluding void properties (region 2) 6B.84 – new requirement for Customer supply pipe losses – void measured households (region 2) 6B.85 – new requirement for Customer supply pipe losses – void unmeasured households (region 2) 6B.86 – new requirement for Customer supply pipe losses – void measured non-households (region 2) 6B.87 – new requirement for Customer supply pipe losses – void unmeasured non-households (region 2) Deletion of requirement for Distribution loses		
6C	Updates; new requirements	6C.16 – line title and definition updated to reflect that input now only related to period up to and including 2020 6C.17 – new requirement for Total length of potable mains laid or structurally refurbished during or after 2021 6C.21 – line definition updated to include relined pipes 6C.25 – new requirement for Properties below reference level at end of year 6C.26 – new requirement for Average time properties are below the reference level	Y	Y
6D	New requirements; deletions; clarification	6D.11 – new requirement for Replacement of basic meters with smart meters for household customers 6D.12 – new requirement for Replacement of AMR meter with AMI meters for residential customers 6D.13 – new requirement for Replacement of basic meters with smart meters for business customers 6D.14 – new requirement for Replacement of AMR meter with AMI meters for business customers 6D.17 – new requirement for Replacement of basic meter with smart meters for residential customers – supply-demand balance benefit 6D.18 – new requirement for Replacement of AMR meter with AMI meter for residential customers– supply-demand balance benefit 6D.19 – new requirement for Replacement of basic meter with smart meters for business customers – supply-demand balance benefit 6D.20 – new requirement for Replacement of AMR meter with AMI meter for business customers– supply-demand balance benefit 6D.21 – line definition updated for clarity Deletion of requirement for Residential meters renewed - supply-demand balance benefit Deletion of requirement for Business meters renewed - supply-demand balance benefit	Y	Y

6F	No changes	n/a	N	N
7A	No changes	n/a	N	N
7B	No changes	n/a	N	N
7C	No changes	n/a	N	N
7D	Clarifications; updates; deletions	7D.17 – line definition updated for clarity and to update references to table 4M 7D.18 – line definition updated for clarity and to update references to table 4M 7D.19 – line definition updated for clarity and to update references to table 4M 7D.20 – line definition updated for clarity and to update references to table 4M 7D.21 – line definition updated for clarity 7D.22 – line definition updated for clarity Deletion of requirement for Cumulative shortfall in FFT addressed by WINEP / NEP schemes to increase STW capacity – requirement moved to table 7E Deletion of requirement for Additional storm tank capacity provided at STWs – requirement moved to table 7E Deletion of requirement for Additional volume of network storage at CSOs etc to reduce spill frequency - requirement – requirement moved to table 7E	Y	Y
7E	Clarifications; new requirements	7E.2 – line definition updated for clarity 7E.3 – line title and definition updated for clarity 7E.4 – line definition updated for clarity 7E.9 – requirement for Cumulative shortfall in FFT addressed by WINEP / NEP schemes to increase STW capacity – moved from table 7D 7E.10 – new requirement for Number of sites with an increase in sewage treatment works capacity delivered to address a shortfall in FFT 7E.11 – requirement for Additional storm tank capacity provided at STWs (grey infrastructure) – moved from table 7D 7E.12 – new requirement for Additional effective storm storage capacity at sewage treatment work (delivered through green infrastructure) 7E.13 – requirement for Additional volume of network storage at CSOs etc to reduce spill frequency (grey infrastructure) – moved from table 7D 7E.14 – new requirement for Additional effective storage in the network delivered through green infrastructure 7E.15 – new requirement for Total number of sewage treatment works sites where additional storage has been delivered (grey infrastructure) 7E.16 – new requirement for Number of sewage treatment works sites where additional storage has been delivered with pumping (grey infrastructure) 7E.17 – new requirement for Number of sewage treatment works benefitting from green infrastructure replacing the need for storm tank storage 7E.18 – new requirement for Number of sites delivering additional network storage (grey infrastructure)	Y	Y

		7E.19 – new requirement for Number of sites delivering additional network storage including pumping (grey infrastructure) 7E.20 – new requirement for Number of sites delivering additional network storage through green infrastructure 7E.21 – new requirement for Surface water separation drainage area removed 7E.22 – new requirement for Number of schemes delivered to meet tightened or new sanitary consents 7E.23 – new requirement for Number of installations requiring civils for flow monitoring at sewage treatment works 7E.24 – new requirement for Number of installations requiring civils for event duration monitoring at intermittent discharges 7E.25 – new requirement for Number of storm overflows where improvements have been made to reduce harm or reduce spill frequencies		
7F	Clarification	7F.1-7F.X – line title and definition has been updated for clarity. Cost driver column headings have been amended and the number of columns extended.	Y	Y
8A	No changes	n/a	N	N
8B	No changes	n/a	N	N
8C	Update	8C.1 – new input cell for bioresources energy consumption in MWh 8C.18 – new input cell for bioresources energy consumption in MWh	N	N
8D	No changes	n/a	N	N
9A	New requirements; updates; clarifications	9A.4 – new requirement for Income from customers as part of the inflation top-up mechanism Column 2 – new requirement for Total amount of inflation top-up funding received Column 5 – line definition updated to reflect amended column numbers Column 7 – line definition updated to reflect amended column numbers Column 9 – line title updated for clarity Column 10 – line title and definition updated for clarity Column 11 – new requirement for In year expenditure on innovation projects funded by project partner contributions Column 12 – line title updated for clarity and line definition updated to reflect amended column numbers Column 13 – new requirement for Cumulative expenditure on innovation projects funded by project partner contributions 9A.24 – line definition updated to reflect amended line references in table	Y	Y
10A	No changes	n/a	N	N
10B	No changes	n/a	N	N
10C	No changes	n/a	N	N
10D	No changes	n/a	N	N

10E	No changes	n/a	N	N
11A	Clarification; new requirements; deletion	11A.1 – line title and definition updated for clarification 11A.2 – new requirement for Burning of fossil fuels (market-based) emissions 11A.5 – new requirement for Emissions for land 11A.6 – new requirement for Total scope one emissions (location-based) 11A.7 – new requirement for Total scope one emissions (market-based) 11A.11 – new requirement for Scope one emissions: GHG other types 11A.12 – new requirement for Purchased electricity (location-based) emissions 11A.13 – new requirement for Purchased electricity (market-based) emissions 11A.17 – new requirement for Total scope two emissions (location-based) 11A.18 – new requirement for Total scope two emissions (market-based) 11A.22 – new requirement for Scope two emissions: GHG other types 11A.25 – new requirement for Purchased electricity; extraction, production, transmission and distribution (location-based) emissions 11A.26 – new requirement for Purchased electricity; extraction, production, transmission and distribution (market-based) emissions 11A.27 – new requirement for Purchased heat; extraction, production, transmission and distribution emissions 11A.28 – new requirement for Purchased fuels; extraction, production, transmission and distribution 11A.29 – new requirement for Chemicals emissions 11A.30 – new requirement for Disposal of waste emissions 11A.31 – new requirement for Total scope three emissions (location-based) emissions 11A.32 – new requirement for Total scope three emissions (market-based) 11A.36 – new requirement for Scope three emission: GHG other types 11A.41 – new requirement for emissions reductions from use of insets 11A.47 – new requirement for sewage treatment GHG emissions 11A.48 – new requirement for Green tariff electricity offsets purchased 11A.49 – new requirement for Capital projects (cradle-to-gate) 11A.50 – new requirement for Capital projects (cradle-to-build) 11A.51 – new requirement for Purchased goods and services emissions Deletion of requirement for Purchased electricity; transmission and distribution – location based emissions – replaced by extended requirement in 11A.25	Y	Y

		Deletion of requirement for Purchased electricity; transmission and distribution – market based emissions - replaced by extended requirement in 11A.26 Deletion of requirement for Purchased heat; transmission and distribution emissions – replaced by extended requirement in 11A.27 Deletion of requirement for Net annual emissions – total		

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

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA
Phone: 0121 644 7500

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Any enquiries regarding this publication should be sent to mailbox@ofwat.gov.uk.