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Dear Ofwat,

Anglian Water response to Ofwat's Consultation on regulatory reporting for 2022-23

Thank you for the opportunity to input into these changes to the Regulatory Accounting Guidelines (RAGs), which will help shape the data used to inform the 2024 Price Review.

We have responded to each of your questions in turn in the first table below. In the second table we have included both comments in relation to the changes included in this consultation and wider feedback on the RAGs, where we consider they could be enhanced.

Please feel free to contact us if you would like to explore any of our points further.

Yours faithfully,

[redacted]

Darren Rice

Regulation Director

1	**What are your views on the proposed changes to the APR tables listed in appendix A3 and set out in full in RAG 4?**
	As requested we have provided our response to this question in the prescribed table template format set out below this table.
2	**Is reporting the average time of low pressure feasible for the 2022-23?**
	We consider that reporting on this basis is not feasible for the 2022-23 APR. How and where pressure loggers are installed in the network affects the feasibility of reporting this measure effectively and our current installation configurations make it technically infeasible. The current asset stock of permanent installed pressure sensors (as well as those deployed for summer logging and ad hoc 'lift and shift' pressure logging) are specifically targeted for the *properties at risk of persistent low pressure* measure. They would not provide adequate coverage for this new measure as they are focussed on the critical point, average zonal point, or specific areas at risk of persistent low pressure. They do not provide full coverage of the network, so don't detect one-off or event related pressures in areas which do not have persistent low pressure. The proximity of the sensors may also limit the ability to estimate the number of properties affected either by simple comparative levels or via hydraulic modelling to extrapolate the extent of low pressure. As data have not been gathered in the format required throughout the year, any measure would be a retrospective estimate at best. Adequate time and notice has not been given to allow effective reporting certainly for 2022-23 and to a lesser extent for 2023-24. As currently defined, we could only report on this measure in future with significant investment in expanding and reconfiguring our pressure sensor stock.
3	**What resource is required to report this information initially and on an ongoing basis?**
	In order to be able to report this new measure significant additional resource would be required. The measure, as described in the consultation, would suggest that every pressure fluctuation detected by currently installed loggers, which may result in pressure lower than 15m, to be known to the business, given the 'no exceptions' basis on the measure. Due to the nature of the measure, the number of events that would need investigating would exceed those assessed for the interruption to supply measure. The Interruptions to Supply measure events would also be included in Average Time of Low Pressure (as <3m pressure would fall within the <15m pressure) in this new measure causing these events to counted twice and a second assessment of the event based on the Average Time of Low Pressure measure would be required. To give an idea of the resource requirement, we currently have 4 full time equivalents at any one time monitoring and verifying interruptions to supply, to a level that satisfies our APR reporting and assurance requirements. The Average Time of Low Pressure would be much more onerous, and likely to require at least double the amount of FTE (over and above those doing Supply Interruptions). Taking into account synergy and not having to react in the same way as an interruption we estimate reporting could require 6 FTE. For 2022-23 the timescale is retrospective and compressed therefore we would need more people for a much shorter duration, roughly 2-3 months.

	In the long term, in order to adequately report against the measure as currently described we would need better coverage of the network to increase the loggers installed to around 4 to 5 per DMA, develop a system to handle the data, process, alarm and alert. With reporting using some level of automated modelling to ensure all events can be reported. Based on our knowledge of similar types of projects this would require approximately £4m capex to be developed, tested and deployed (there would also be an ongoing opex requirement for maintenance). A project timetable of approximately 3 years would be required to meet the required level for APR reporting and very importantly, to be able to be assured. We would support taking the time to develop an alternative measure working with Ofwat and stakeholders, which require less expenditure and is more focussed on the required aims, which could be developed in 2023-24, piloted in 2024-25, ready for reporting in 2025-26 with any efficient expenditure required for the development of systems to report the measure allowed for in the PR24 process. No additional resource is required for reporting the Properties at Risk of Persistent Low Pressure as we currently report this as a bespoke performance commitment in AMP7.
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?**
	In our view reporting the average time of low pressure does not provide useful information. Properties at Risk of Persistent Low Pressure does provide useful information. As almost all companies have reduced to low numbers of reportable low pressure customers, it is a good indicator on how demand from household and non-household growth is being managed by water companies. To a lesser extent it gives asset health insight into the increase in head-loss in mains and storage systems. Properties at Risk of Persistent Low Pressure is a well-established measure and has a long history of reporting and guidance on reporting has been stable over time with minimal changes. Properties at Risk of Persistent Low Pressure also sets a minimum standard which companies can be held to account for. CCWater have launched a campaign including low pressure, to provide a voice for those customers who have suffering longest. https://www.ccwater.org.uk/households/dont-suffer-in-silence/ We are concerned the measuring and reporting of the average time of low pressure, as defined in the APR consultation, will detract from the efforts and divert resources from efforts we are making in relieving the issues customers with long standing persistent low pressure issues. We do not believe reporting, the average time of low pressure would provide useful information. Average time of low pressure significantly overlaps with the interruptions to supply measure in terms of Operational Resilience and total mains repairs in terms of Asset Health. Therefore, it does not seem to be efficient to add in as it is not providing enough new insight especially given how resource intensive reporting would be and the extent of investment required to ensure reporting is robust as it could.

	Reporting measures are most effective if they are directly reporting a measure. Average Time of Low Pressure, would require a high degree of extrapolation using ground levels and hydraulic modelling for the sensor location. Due to the current deployment of installed pressure sensors being targeted for a specific purpose and therefore not providing full effective coverage of the network, the reported Average Time of Low Pressure would not be indicative of the actual situation. Whilst extrapolation may give some indication it would not be viable as a baseline. The measurement of average time of low pressure is also likely to not be comparable between companies. Companies with better pressure sensor coverage would appear to perform worse than those with lower coverage as more events that occur will be detected. Also the time interval the sensor readings are taken at will mean those with older sensors with 15 minute readings will appear as better performers than those with 1 minute or 1 second readings, as they will detect many more short duration events than a sensor with 15 minute readings. Companies which have invested in higher frequency sensors would then appear to perform worse and would have a greater reporting burden through the larger number of events detected which need assessment. We would welcome the opportunity to work with Ofwat, stakeholders and the rest of the industry to develop a measure that is a more direct reporting measure, more comparable between companies, would be more effective and more cost efficient and provide higher value to Ofwat, customers and companies. Understanding what the objective of a measure is would be key, for example is it the next step in operational resilience measurement, customer service measurement or asset health measurement? Measures should also be targeted where they can drive appropriate and companies therefor strive for improvement, rather than just adding reporting burden and cost. We are currently part of an industry club project with WRC Group to look at how the Properties at Risk of Low Pressure measure is reported, to aid in consistency and suggest improvements and potentially suggest new measure(s) to super cede it in the future. We would welcome other companies proposing this as a bespoke measure performance commitment at PR24 if there is compelling reason for them to do so for the benefit of their customers perhaps, however, we can't see the benefit for our customers in reporting the Average Time of Low Pressure measure in its current form in either AMP7 or AMP8.
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?**
	We believe that it is reasonable to continue to align GHG reporting to the latest version of the carbon accounting workbook. The CAW is updated annual to reflect latest emissions and understanding around emissions calculations, as well as adjusting for new technologies or products.
6	**Do you have any comments on our reporting guidance for GHG intensity ratios?**
	We would like for Ofwat to be specific in what is included and excluded from these intensity ratios so that reporting across companies is consistent. For example, in the case of 11A.45 Emissions per Ml of treated water: is Ofwat's intention that the net GHG emission (location-based) is the total in 11A.43? This would differ from the calculation of Operational GHG emissions per Ml of treated water which is in the current version of the carbon accounting workbook.

	The intensity ratios only look at Ml treated; however the electricity and fossil fuels account for both treatment and pumping. If comparing between companies this measure may not reflect the challenges in region or topography for different companies. e.g. including pumped m.head may help balance out area that are able to utilise gravity with those where it is not possible.
7	**Do you have any comments on the proposal to expand the scope of mandatory reporting for operational GHG emissions?**
	It should be possible to report on most of the additional measures suggested within the scope of the existing CAW. However, scope 3 upstream emissions for extraction and production are not yet output, this would have to be calculated separately. Although the location-based value is available from the Government factors for company reporting, it is unclear how easily this same data would be obtained for the market based equivalent.
8	**Question 8 Do you have any comments on the introduction of our mandatory framework for the reporting of embedded emissions?**
	We are happy with the approach of getting more transparency around embedded emissions. Anglian Water have been recording and reporting on the capital carbon aspect of this for many years. We report capital carbon as a cradle to as built value and are not currently set up to report a cradle to gate value. Given that the cradle to gate is given as the minimum suggested with cradle to as built being encouraged to where available we would suggest that reporting for companies should represent the best available information, therefore if cradle to as built is available this would supersede the cradle to gate. However, companies should make it clear which value is being reported.
9	**Do you have any comments on distinguishing between construction and maintenance activities for the reporting of capital project emissions?**
	Although we has been reporting capital carbon emissions historically we have not distinguished between construction and maintenance activities. Given that mandatory reporting of embedded emissions is a new request it might be simplest for companies to start with whole values and as reporting become more embedded progress to more detailed data splits.
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?**
	We have no further comments
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?**
	PAS2080 accreditation provides a standard / framework for managing infrastructure carbon and would provide a clear indication of approached to carbon management for use in the traffic light system. Standards based on ISO14064 (eg Carbon Reduce) or other external audit approaches would give confidence in values submitted for embedded carbon as scope 3 emissions covering both capital and purchased goods and services.

12	**Do you have any comments on requesting a SWOT analysis that covers both operational and embedded emissions?**
	We believe that this sort of narrative would allow greater understanding of the carbon values provided and would for the highlighting of challenges and opportunities faced by individual companies which could differ across regions and catchments. It could also highlight sector wide challenges or opportunities.
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?**
	We have no further comments
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**
	We have no further comments

Table	Line	Issue
Section 1 – Tables 1A to 1F		We do not have any comments on the changes to the tables in this section at this stage.
Section 2 – Tables 2A to 2O		We do not have any comments on the changes to the tables in this section at this stage.
3A		No changes
3B		No changes
3C		No changes
3D		No changes
3E		No changes
3F		We note the changes to this table and appreciate the additional guidance provided.
3F	**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.
3G		No changes
3H		No changes
3I		No changes
3I	**3I.3**	We would appreciate more guidance in the RAGs on the units and decimal places for PE reported in this line.
4A		No changes
4B		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
4C	**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
4D	**4D.2**	The line definition for 4D.2 has been updated to reference 4L.88 but we believe this should be 4L.115
4D	**4D.9**	The line definition for 4D.9 has been updated to reference 4L.87 but we believe this should be 4L.114
4E		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
4F		We do not currently have any major projects against which to report. We note that the guidance appears quite straightforward, and have no additional comments at this time.
4G		We do not currently have any major projects against which to report. We note that the guidance appears quite straightforward, and have no additional comments at this time.
4H		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
4I		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
4J		No changes
4K	**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?

4L		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
4M	**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.
4M	**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.
4M		We note the other changes to this table and do not have any comments in relation to the new RAGs at this stage
4N		No changes
4O		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage.
4P		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage.
4Q		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
4R		We consider that 'customers' should be removed from title of the table and that 'customers' should be replaced with 'properties' in block 1.
4S		No changes
4T		No changes
4U		No changes
4V		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
4W		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
5A		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
5B		No changes
6A	**6A.28**	We note that this new line is also reported in 3F.8 and 3I.1. We request that this be made clear in the reporting guidance for all relevant lines to reduce the risk of inconsistent reporting.
6A		We note the other changes to this table and do not have any comments in relation to the new RAGs at this stage.
6B		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
6B	**6B.59**	This line currently reads “87”, we believe it should read “Distribution main losses”
6C	**6C.25-26**	We have responded to the proposed new lines relating to customers receiving below reference level pressure in the relevant questions above.
6C		We note the other changes to this table and do not have any comments in relation to the new RAGs at this stage.
6D		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage
6D	**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
6E		We note that a placeholder has been included in the draft of RAG 4.11 for a proposed new table. We assume that this will ask for data in the same format as in PR24 table CW19 and in the leakage data request as part of 'IN 22/02 Cost assessment data requests'. If the data takes the same format as these requests we would expect to be able to report against the requirements for 2022-23.

7A		No changes
7B		No changes
7C		No changes
7D	**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.
7D		We note the other changes to this table and do not have any comments in relation to the new RAGs at this stage.
7E	**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.
7E	**7E.23-24**	We would appreciate further guidance from Ofwat on what is meant by a civils installation.
7E		We note the other changes to this table and do not have any comments in relation to the new RAGs at this stage.
7F		We note the changes to this table and appreciate the additional guidance provided. We do not have any comments in relation to the new RAGs at this stage.
8A		Ofwat has proposed no changes to this table and we have no further comments at this stage
8B		Ofwat has proposed no changes to this table and we have no further comments at this stage
8C	**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 the RAG what is required.
8C	**8C.2-6, 8C.19-23**	We request further guidance on how to allocate energy consumption between columns. Our current interpretation is that figures should only be entered in the biomethane column if the energy is exported as biomethane. If the biomethane is converted to electricity and the energy value of that energy is recorded in the electricity column, values in the biomethane column should be zero to avoid a double-count.
8D		Ofwat has proposed no changes to this table and we have no further comments at this stage
9A		We note the changes to this table and do not have any comments in relation to the new RAGs at this stage.
Section 10 – Tables 10A to 10E		Ofwat has proposed no changes to this section and we have no further comments at this stage
11A		We have responded to the proposed changes relating to carbon accounting in the relevant questions above.
RAG3	**Paragraph 4.40**	Paragraph 4.40 should be removed as there is no longer a shadow reporting requirement. At the least it should be updated to reflect the current requirement to comment on any elements that not assessed as Green.
RAG3	**Paragraph 4.46**	The wording for this paragraph should be reviewed as it does not currently make sense.