



The voice for water consumers  
Llais defnyddwyr dŵr

# **CCW's response to Ofwat's consultation on regulatory reporting for the 2022-23 reporting year**

**3 March 2022**

## **1. Introduction**

1.1 The Consumer Council for Water (CCW) is the statutory consumer organisation representing household and non-household water and sewerage consumers in England and Wales. We welcome the opportunity to provide input to Ofwat's proposed changes to the reporting requirements for companies' Annual Performance Reports (APRs) for 2022-23 onwards.

## **2. Recommended additions to APRs**

2.1 We welcome the ongoing discussions with Ofwat on how we can better align the two organisation's data collection from water companies with the aim of establishing more consistency. This includes our input to Ofwat's 'open data' review.

2.2 In this context, we have a request for additional requirements in the regulatory reporting guidance:

- Companies should publish their APR data in an accessible format that actually means something to people, so the guidance should challenge companies to present their data (and associated narratives and commentary) in an informative and engaging way.
- Companies should also include their comparative environmental performance measures in their APRs to allow for greater transparency and enable people to get a rounded summary of company performance from one document. The standardised approach of the APRs lends itself to be a stepping stone to achieving this.
- As there is currently a lack of comparable information on leakage reduction, Ofwat should consider requiring companies to report leakage on a per property per day basis and require this in companies' APRs, to achieve greater consistency.

2.3 In our 2001 independent review of water affordability support we called on Ofwat to require companies to publish annual information about affordability and vulnerability performance. We believe this is important in terms of transparency about the scale of the challenges and progress in addressing them. We would like to see Ofwat direct companies to publish information in their APRs covering:

- The number of customers supported through social tariffs and other affordability assistance schemes.
- The scale of outstanding customer debt.
- The number of customers registered for priority service including a breakdown of the assistance needs recorded.

2.4.1 We would be happy to work with Ofwat to identify the specific data requirements for each of these measures.

### **3. Responses to the consultation questions**

**Q1 What are your views on the proposed changes to the APR tables listed in Appendix A3 and set out in full in RAG 4?**

We have no issues with the proposed clarifications and additional detail for the APR tables. While it is for companies to advise how practical they are to apply, we recognise that the clarifications and extra detail should provide greater transparency which we welcome.

**Q2 Is reporting the average time of low pressure feasible for the 2022-23 APR?**

**Q3 What resource is required to report this information initially and on an ongoing basis?**

**Q4 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 response to all three questions, we support the additional information you are seeking from companies on the average time that properties experience low water pressure (not just the number of properties). This will provide better detail of the level of inconvenience property owners experience and will help CCW challenge companies to ensure that those worst served or most at risk are prioritised.

Companies can address how practical it is to collect the information on low pressure duration, but companies need to understand the level of impact this problem has on the property occupiers affected and have plans in place to serve the needs of those worst affected..

**Q5 Do you have any comments on our approach to continue to align GHG reporting requirements to the latest version of the Carbon Accounting Workbook?**

**Q6 Do you have any comments on our reporting guidance for GHG intensity ratios?**

**Q7 Do you have any comments on the proposal to expand the scope of mandatory reporting for operational GHG emissions?**

In response to all three questions, we agree that companies should align their GHG reporting to the requirements of the Carbon Accounting Workbook to allow for consistency and accuracy.

**Q8 Do you have any comments on the introduction of our mandatory framework for the reporting of embedded emissions?**

Companies' carbon emissions are becoming of greater importance given the wider challenges of climate change adaptation and environmental protection, so we support the widening of the report framework to cover the full range of company activities, including construction and maintenance activities.

**Q9 Do you have any comments on distinguishing between construction and maintenance activities for the reporting of capital project emissions?**

While companies are best placed to address how to distinguish emissions from construction and maintenance, we support the principle of reporting this additional detail to provide greater transparency.

**Q10 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?**

A RAG rating system to show the extent to which companies comply with the standards is welcome to make the performance reporting clear and accessible for a 'non-technical' audience.

**Q11 Are there any particular frameworks, or approaches, our traffic light system should consider in determining differing levels of progress and what expected progress should look like?**

We suggest companies provide additional commentary when they are in red or amber categories to explain how they intend to progress to 'green' status.

**Q12 Do you have any comments on requesting a SWOT analysis that covers both operational and embedded emissions?**

The mandatory application of SWOT analysis should enable companies to provide the commentary we suggest in the response to Q11. The SWOT approach can facilitate an

analysis-led narrative on how well companies are performing and what they need to do to improve.

**Q13 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**

**Q14 Do you have any comments on our proposed changes to disclosures in the Statement on executive pay and performance set out in RAG 3?**

Companies need to be clear about how decisions on dividends declared or paid and executive pay/bonuses take account of delivery for customers and the environment, especially given the public and media scrutiny this has been subject to recently. Customers need to see that such rewards are commensurate with improved performance in serving people and protecting the environment.

While we support the changes to disclosures on dividend policy and executive pay to include a requirement for companies to demonstrate how dividends and executive pay take account of the interests of customers, over half of the companies failed to meet Ofwat's requirements on dividend policy and its application in their 2021-22 APRs<sup>1</sup>.

The guidance that underpinned the 2021-22 APRs required companies to demonstrate that their approach to dividends is transparent and takes account of company delivery for customers.

In this context it appears that the revised guidance repeats and reinforces previous advice to companies. Given the lack of full compliance in 2021-22 reporting we would like to see Ofwat consider how it will assess compliance and the steps it will take in the event of non-compliance.

We suggest 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 i.e. companies will not achieve the higher categories in the business plan assessment (outstanding, standard) if they have failed to demonstrate how their dividend/executive pay policies align with the reporting requirements.

This should further incentivise companies to be transparent and show that they awarding executive pay and dividends only when tangible improvements have been delivered for customers and the environment. This will also align with Ofwat's wider requirements on these issues in the PR24 final methodology.

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<sup>1</sup> As reported in Ofwat's Financial Resilience Monitoring Report

## Enquiries

Enquiries about this consultation should be addressed to:

[REDACTED]

CCW Senior Policy Leader (Regulation)

[REDACTED]

[REDACTED]