



Consultation on regulatory reporting for the 2022-23 reporting year

Southern Water response

March 3rd 2023

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Question 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?

We have no comment on specific lines outside of the below queries on table 11A. However, we note that the volume of data now being reported has increased significantly in the last few years.

Table	Line	Issue
11A	11A.56	Is this purchase goods and services related just to capital carbon or does this refer to all the purchases and services within the company?
11A	11A.48, 11A.49	If we use spend based method (Greenhouse Gas Protocol), should we include purely build costs or spend in general? For instance, there are design, consultation and other related costs.
11A	11A.48, 11A.49, 11A.50, 11A.55	Can you explain what should be included in each option in capital projects (cradle to gate)? And please provide examples for each one.
11A	11A.52, 11A.53, 11A.54, 11A.55	Can you explain what should be included in each option in capital projects (cradle to build)? And please provide examples for each one.
11A	Lines 92 to 105	We do not currently have the breakdown of emissions by water and wastewater only total emissions for purchase goods and services. Can guidelines for the apportionment of these, especially in 11A.56, be included in the final guidance?

Question 2: Is reporting the average time of low pressure feasible for the 2022-23?

We do not report low pressure in this way; properties are logged on a low pressure register, but not subject to individual monitoring, but are based on average zonal pressure and topography. Reporting for 2022-23 in this way is not feasible and we would refer you to our response to question 3 below.

Question 3: What resource is required to report this information initially and on an ongoing basis?

In order to report this with confidence we would need to make a significant investment in additional pressure loggers across the network and in some cases at an individual property level. This would also create an additional reporting burden, and require additional dedicated resources to manage this process.

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?

Where this information is readily available it is useful to enable further analysis post incident and gives a better understanding of how low pressure affects our customers. However, given the significant operational, resource and reporting cost, this would not provide enough additional benefit to the current reporting method to give value to the business or our customers.

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?

This would be a sensible approach which will take account of annual changes to the Carbon Accounting Workbook (CAW) including any change in emissions factors and improvements in the reporting process.

Question 6: Do you have any comments on our reporting guidance for GHG intensity ratios?

Intensity ratios enable the most meaningful comparison and insight into a water company's carbon performance for emissions per megaliter of water supplied and wastewater treated. These are already well used and understood by companies across the water industry and so companies are well placed to continue using them.

Question 7: Do you have any comments on the proposal to expand the scope of mandatory reporting for operational GHG emissions?


Reporting chemicals will be challenging for 2022-23, and we would prefer to use this year as a pilot to make sure we are able to report in an accurate way for next year with CAW 18. We, and we assume others in the industry and other industries, would also need to find/update more accurate emissions factors for the different chemicals.

Regarding waste generated in operations, this is already included in Scope 1 and 3 within the CAW. It is changing the way it is reported within the 11A table, so it would not be a problem to report this data. However, although we support expanding the reporting scope of GHG emissions, we believe Scope 3 emissions should be separated from operational emissions, and the industry target remain consistent with that previously defined as operational emissions.

Question 8: Do you have any comments on the introduction of our mandatory framework for the reporting of embedded emissions?

Although this is an important and necessary step on the route map to achieving Net Zero by 2050, it is a challenge as mentioned above. Having engaged with Ofwat throughout the year and having highlighted the challenge presented, there has been a relatively short period to review how embedded emissions should be reported (Table 11A). Our recommendation would be that this year we provide estimations as, for example, it would be very challenging to provide separate figures for cradle-to-gate, cradle-to-build or construction and maintenance. Similarly, there is a challenge to separate construction (base expenditure), from construction (enhancement expenditure).

Regarding purchased goods and services, it would be difficult to separate by water and wastewater currently as our internal management and recording arrangements do not differentiate these. We are preparing an improvement plan for embedded emissions and have previously developed several carbon curves. These would need to be updated to differentiate cradle-to-gate and cradle-to-build. Also, we plan to enhance engagement with our supply chain to ensure contract requirements cover the data that we need from them; these processes would also need to reflect any required emissions breakdown.



There is currently no standardised way of reporting on embedded emissions (there are limitations to using the CAW and Green Book) as in most cases not enough information is provided by the manufacturers to determine embedded emissions using the standard approaches (based on weight and carbon coefficients). We would suggest that best practice methods and approaches be shared as reporting begins so everyone can benefit?

Question 9: Do you have any comments on distinguishing between construction and maintenance activities for the reporting of capital project emissions?

Companies will find it very difficult to distinguish between construction and maintenance emissions; it is perhaps too complex to introduce at this stage. We also consider that there may be some confusion and potential double-counting from maintenance emissions which are already considered in operational emissions. To help avoid this, Ofwat should provide a clear description for the scope of maintenance emissions if this breakdown is to be requested.

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?

We acknowledge that the industry should improve the reporting of embedded emissions year-by-year. However, with the level of detail (breakdown of emissions) suggested by Ofwat, we anticipate several companies will fall into the red rating, and green is currently difficult to achieve. This is the first year of reporting embedded emissions, and we encourage Ofwat to clarify definitions and set a realistic scope before introducing a traffic light system.

We would also like to understand what sits beneath the rating system? i.e. whether there is some form of scorecard or similar that outlines which traffic light colour you achieve?

An individual approach to engaging on standards approaches and frameworks may lead to divergent approaches. We suggest Ofwat take a lead on this to ensure alignment. It may be difficult to get external verification and accreditation as uniform standards are still being developed across industries.

Finally, we note that while engaging customers on GHG emissions may help to educate them, it might be difficult to get their buy-in if it leads to an increase in their bills.

Question 11: 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?

As noted above, we would like to see Ofwat first clarify definitions and set a realistic scope for these emissions before introducing a traffic light system. Ofwat should explore how it is managed alongside international standards.

Question 12: Do you have any comments on requesting a SWOT analysis that covers both operational and embedded emissions?

We think this is a sensible approach as we have already been doing this for operational emissions. SWOT analysis should hopefully help with embedded emissions as it should help with understanding and planning, particularly in making clear the challenges companies face in reducing embedded emissions.

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?

We have no comment and agree with your proposals.



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?

We have no comment and agree with your proposals.

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.