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3 March 2023

Ofwat
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By email: annual.reporting@ofwat.gov.uk

Dear colleagues

CONSULTATION ON REGULATORY REPORTING FOR THE 2022-23 REPORTING YEAR

Thank you for the opportunity to respond to the consultation on regulatory reporting for the 2022-23 reporting year.

We would like to take this opportunity to confirm we are happy to proceed with Ofwat's proposal for completing the APR data tables for 2022/23 onwards until 2024/25, using three data sets (SWW only data, BRW only data and SBB where the data is combined).

Appendices 1 and 2 contain our responses to the specific questions raised in the consultation.

We hope you find our comments helpful. Please contact me if you would like further detail.

Yours faithfully

[redacted]

Louise Rowe
Compliance & ESG Director
[redacted]

APPENDIX 1 – RESPONSE TO CONSULTATION QUESTIONS

RESPONSE TO CONSULTATION QUESTIONS

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?

Please see appendix 2 for all table feedback by exception.

We agree with the routine collection of the leakage and other data first collected as part of IN22/02, and with the table 5A/6A WINEP/NEP and peak week production capacity data. We also support the changes proposed to table 9A on the innovation fund.

Question 2

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

No. There is not enough time to implement the necessary requirements to enable accurate, robust, and reliable reporting.

Question 3

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

Initially a significant amount of capital investment to source a pressure logger at the critical point of each pressure district (approx.3k loggers), install and test pressure logging software, and train staff.

On an ongoing basis, approx. 10 FTE to maintain the loggers and 3 FTE to monitor and analyse the logging system

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.*

Whilst we monitor pressure to customers, the approach proposed is in excess from the current levels of reporting and funding. We are not convinced the suggested new requirement for average low pressure is proportionate or necessary, and it carries significant expense and a period of investigation into how it may be measured. As it is not a metric identified at PR24 as part of the regulatory framework, we would suggest this approach is reconsidered.

If the cost and regulatory burden is not taken into consideration, then internally, “yes” both are useful pieces of information. Externally, “yes” to the number of properties below the minimum standard as it is a useful measure to monitor service provision. “Perhaps” to the average time of low pressure, it would be useful to know what the perceived purpose and benefit is thought to be, so it can be compared to the cost and reporting burden.

We would welcome further guidance and clarification on the term “Average Time” as this is a somewhat inexact phrase, does it refer to “duration” or “the time of day” that low pressure occurrences happen? And would short duration events linked to bursts be exempt from average time calculations?

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?

We agree with this approach.

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

We agree with this approach.

We would welcome further clarification on whether the kgCO_2e/Ml water distribution input metric includes the emissions and volumes of water associated with the bulk transfer of water into other water company regions?

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

We agree with this approach.

We would like to clarify whether the inclusion of chemicals in the reported emissions will include emissions from the volumes of GAC (both purchased virgin GAC and existing GAC volumes sent for regeneration). This is measured separately from ‘chemicals’ in the Carbon Accounting Workbook however it is possible Ofwat may want to consider GAC as a ‘chemical’ for the purposes of the reporting.

We would ask Ofwat to note that not all the purchased chemicals we use for treatment are listed within the Carbon Accounting Workbook, primarily because reliable emissions factors are not available at this time for all the chemicals we use. We assume that Ofwat are asking us to report emissions from just those chemicals that are currently listed within the Carbon Accounting Workbook.

Ofwat should also be aware that the emissions factors for chemicals currently used in the Carbon Accounting Workbook are under review by the Carbon Accounting Workbook developers and may be subject to future change if more accurate generic emissions factors can be sourced and verified.

We understand when Ofwat refer to ‘waste generated in operations’ this refers to Scope 1 and Scope 3 emissions from sludge disposed of/recycled (including sludge to land) and grit and screenings. We would also like to clarify if Ofwat’s definition of ‘waste used in operations’ extends to the disposal and/or recycling of wastes generated by administrative activities, e.g. including metals, paper/cardboard, wood, glass, mixed municipal, and hazardous wastes, all of which we collect annual data on but have not previously reported to Ofwat.

We agree with the approach to begin reporting the upstream emissions linked to the extraction and production of fuels used in the generation of purchased electricity and heat. We would refer to these emissions as ‘well to tank’ emissions and for consistency and completeness of emissions inventories we have long been an advocate of including these emissions within company reported footprints.

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

We agree with the approach.

We would ask Ofwat to recognise that collecting embedded carbon data can be a challenge as our processes and systems for capturing this data are still evolving and take time to become fully embedded within our systems. We will report on our embedded emissions using a hybrid of ‘activity data’ and ‘spend analysis’ data until such time as we can transition to a full activity data emissions inventory.

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

We can see the logic behind wanting to distinguish between construction and maintenance activities for the reporting of embedded carbon. We have set up our data capture systems to operate with this split of data in mind and intend to distinguish between construction and maintenance activities within our reporting.

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 are developing our approach to capturing cradle to gate and cradle to build emissions related to our capital projects using the principles of PAS 2080, this includes the commissioning of our bespoke ‘capital carbon tool’ which we will be using for the first time to record emissions from our capital projects in 2022/23.

We anticipate there being a continuous process of refining our tool to improve data quality and to capture the full set of emissions as the tool becomes embedded within our systems as a standard component of our asset planning and delivery process. Our delivery partners have received initial training on how to engage with the tool and we expect further training will be necessary before all delivery partners are fully conversant with the new process.

Until then, we aim to operate a hybrid approach using ‘activity emissions data’ recorded via early engagement with our ‘capital carbon tool’ and a degree of ‘spend analysis’ emissions where activity data is yet to become fully available. We intend to continue to apply our ‘spend analysis’ emissions accounting approach to our Category One Scope 3 ‘Purchased Goods and Services’ and to the other relevant Scope 3 categories that we report on.

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?

We are developing our approach to capturing cradle to gate and cradle to build emissions related to our capital projects using the principles of PAS 2080, this is providing the overarching framework to our approach where relevant to our activities.

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

We agree with this approach, as it allow companies to communicate the relative strengths and weaknesses of their approach as it develops and will help to share best practices and understanding with others.

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 support the proposed changes in relation to dividends and these are in line with our understanding and commitments made in response to the Monitoring Financial Resilience report.

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 support the proposed changes in relations to the disclosure in the Statement on executive pay and performance, this is further endorsed in our response to Ofwat's Chief Executive letter to all Water companies in December 2022.

APPENDIX 2 – SWW RESPONSE TO CONSULTATION QUESTION 1

Table	Line	Issue
4C	2	The updated reference of 4P.3 to 4P.4 is incorrect as 4P.4 has also been changed. Developer Services non-price control totex would now be 4P.12
4H	16	RAG 4.11 stats "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.
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
6B	59	The line header says "87", we think this should read "distribution main losses"
10E	33 to 38	cell C104 (17.401) is not equal to the total of the disaggregated parts, SUM(D107:D112), which total 17.358. 17.401 is the correct total.
10E	49 to 50	cell C131 (22.072) is not equal to the total of the disaggregated parts, SUM(D134:D135), which total 22.702. 22.702 is the correct total