



Dŵr Cymru
Welsh Water

Linea
Fortran Road,
St Mellons
Cardiff
CF3 0LT

Web site: www.dwrcymru.com

annual.reporting@ofwat.gov.uk

3 March 2023

[REDACTED]
Ofwat
Centre City Tower
Birmingham
B5 4UA

Dear [REDACTED]

Re: Consultation on regulatory reporting for the 2022-23 reporting year

Thank you for the opportunity to comment on the proposed changes to the reporting requirements for the 2022-23 Annual Performance Report (APR).

Our response includes comments on the questions raised within the consultation document including some issues with specific tables (see Appendix 1) on which we would welcome clarification within the finalised Regulatory Accounting Guidelines (RAGs).

One area of concern is that the consultation states that the finalised RAGs will be published in spring. Our APR data process begin as early as April and we would encourage early publication of the RAGs.

We would be happy to discuss any of our comments further if required.

Yours sincerely

[REDACTED]
Head of Regulatory Data & Reporting

Appendix 1 Response to APR 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 provided feedback below where we consider it would be beneficial for additional guidance or clarification to be included in the final Regulatory Accounting Guidelines (RAGs) to ensure clarity and therefore improve consistency of information provided by water companies.

Table	Line	Issue
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.
4O	1 and 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?
6C	16 and 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?
6D	12	The title references "household" customers but the definition references "residential" customers. For consistency should the title refer to "residential"?
6D	13	Should the title reference "business" customers instead of "household" to be consistent with the definition which refers to "business" customers?
6D	14	Should the title reference "business" customers instead of "household" to be consistent with the definition which refers to "business" customers?

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

We do not consider it feasible to report the average time of low pressure for 2022-23. This is due to amount of resource and system changes that would be required to deliver by the APR 2022-23 deadline. We have set out additional information in our response to question 3.

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

Based on our analysis we consider providing this information is a substantial exercise. This would require a dedicated team, development of new processes, and technical training to staff to ensure accurate reporting of the required information. In addition, we would need system changes to record and report all the required information.

To report this information accurately and on time in 2022/23 would be a significant undertaking. This is due to the need to manually review pressure logger data for the year. Further, there would be a high degree of uncertainty associated with our data as our processes have not been established to capture much of the required information. Going forward, it would be achievable to undertake this reporting for AMP8 as the implementation of new processes and systems reduces the resource. We estimate that we would need to create a team of ca. 6 FTE to manage requirement each year.

Finally, to ensure consistency of reporting and information from all companies, we consider that Ofwat need to provide detailed guidance. The initial proposal for reporting is clear but there are several scenarios to be considered. For example, trigger points, flats, private issues, third party activities,

interactions with supply interruptions (clarity is needed on whether to include full interruption events as there could be duplication of reporting), prioritisation of methods to determine failures, what are the precautionary principles (if any), void properties etc. Ofwat will need time to develop this guidance and this in turn will take time to embed making it difficult to complete by the APR deadline.

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?

Both measures would provide useful insight relating to our customers and water pressure issues. The established measure (number of properties below the minimum standard of pressure) aids in performance trending and provides a solid baseline of information. The new measure (average time of low pressure) encapsulates a more 'catch all' approach providing holistic performance relating to pressure and an understanding of the impact to our customers. However, we do not consider the benefits of reporting this new information to justify the resource required at this moment.

Q5. 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 is a beneficial, traceable and standardised approach, using externally verified carbon intensity figures.

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

As stated in our response to the PR24 Draft Methodology, we have concerns about using location-based reporting for assessing GHG intensity ratios. We consider that market-based reporting provides stronger incentives for water companies to deliver decarbonisation solutions that offer better value for money for our customers and drive a quicker transition.

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

Waste generated is a Scope 3 emission that has an associated high uncertainty factor as companies within our supply chain are still developing their own carbon reporting practices. It is not within our control to improve the accuracy of measurement/provision of the data by our third-party suppliers without incurring significant additional costs, and we are unable to incorporate the additional requirements within our contracts until they are due for renewal.

Currently, to generate this data we would need to make numerous assumptions on the data that our third-party suppliers provide leading to a high degree of uncertainty. Therefore, we consider that this data would have limited additional benefit to Ofwat until reporting across the supply chain improves.

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

We consider 'embedded emissions' to be an unhelpful term. Organisations are obliged to report Scopes 1, 2 and 3 under Best Practice carbon reporting. Trying to distinguish Scope 3 emissions as 'embedded' is near impossible given the relative infancy of Supply Chain capacity on reporting Scope 1 and Scope 2 emissions. The Sector should be focussing on collaboration with the supply chain to credibly measure Scope 3 emissions of the Water Companies, rather than devote significant time and

resource into reporting figures which have a high degree of estimation and will not deliver additional value to Customers, as they, due to the inaccuracy, cannot shape the Net-Zero priorities for further investment with any certainty.

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

This is a complex distinction that will be challenging for us to report, especially given the low development of carbon reporting by our third parties.

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?

See response to Question 8. We do not consider that embedded emissions should be applied.

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?

See answer to Question 8.

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

SWOT could be well applied to Scope 1 and Scope 2 emissions. The confusion of 'operational' and 'embedded' carbon emissions creates additional workload and costs with no clear additional benefit on the pathway to Net-Zero.

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 RAG3?

We have no comments at this time.

Q14. Do you have any comments on our proposed changes to disclosures in the Statement on executive pay and performance set out in RAG3?

We have no comments at this time.