

Summary of discussion at September 2022 Outcomes Working Group

Operational GHG - normalisation

Questions considered: What difficulties do you envisage with normalising the operational greenhouse gas (GHG) performance commitment (PC) using the following approaches?

1. If we were to normalise by population/ property or volume?
 2. Could we use a fixed volume (eg average over 2020-25) to avoid year on year variations in volume leading to unwanted volatility?
 3. Are there any other adjustments we could make to address concerns?
- If normalising by population, it was noted that the sparser a population, the more pumping is required.
 - There were expressions of concern about the reliability of data when considering the use of pump head to normalise.
 - The relationship between distribution input/population/pump head was not thought by some to be sufficient for comparisons between companies to be made without understanding the context of each company. The measures capture the scale but not the complexity of what drives GHG emissions.
 - The use of a composite measure was suggested to better account for some of the differences between companies, such as geographic size and population. However, others considered that this would make the measure more complicated without adding substantial value, as there were numerous reasons companies differed.
 - Some suggested that the PC should be expressed as a percentage reduction from a base year, but it was acknowledged that this may possibly disincentivise companies who have done more previously.
 - There is support for keeping the measure focused on the absolute volume emitted, and using the least complex method of normalisation, which was felt to be volume, although this still has issues. If volume is used then it should vary each year.
 - General view shared was that all methods give rise to some concerns.

Serious pollution incidents / discharge permit compliance

-Should serious pollution incident PC be applied to Water only Companies (WoCs)?

- Concern was expressed about the potential for double counting if have PCs for both total pollution incidents and serious pollution incidents.
- The measure may be volatile for WoCs given the potentially low number of sites.
- The group thought that the severity of waste is more impactful and therefore the ODIs should reflect whether the serious pollution incident was because of waste or

water assets. Ofwat consider that any serious pollution incident is detrimental to the environment irrespective of the source of that pollution.

- The risk of non-compliance was thought to be different between WoCs and Water and Sewerage Companies (WaSCs), so there was support for separating out the measure. Although it was noted that giving WaSCs two penalty only PCs goes against the direction of travel.
- Some present suggested serious pollution incident PC shouldn't be applied to WoCs, as most incidents are associated with waste and that events associated with WoCs are rare occurrences, which could be addressed using other regulatory measures.
- The consensus was that if the serious pollution incident PC applies to water incidents of WaSCs, that it should also apply to WoCs as well.

Should discharge permit compliance PC be applied to WoCs and should it be a separate PC?

- As with the serious pollution incident PC, there was a concern over the potential for double counting, given other performance commitments.
- Some were against extending the discharge permit compliance PCs to WoCs, advocating that effort should be focused where it counts the most, that it would add little value and PCs should only be used when needed.
- Other companies supported excluding the water side of WaSCs from the measure if the PC was not extended to WoCs, so that WaSCs were not unduly penalised.
- There was some concern expressed that the introduction of the discharge permit compliance PC to WoCs goes against the aim of increasing asymmetry and reducing the number of PCs. That with the introduction of another penalty only PC the balance of the PC package will be affected.
- The consensus was that if the Discharge Compliance PC applies to water treatment works of WaSCs, then it should also apply to WoCs as well.

Task and Finish Groups

An update was provided on the ongoing work of both the River water quality and Biodiversity Task and Finish groups. The meeting was then shown a worked biodiversity example, which is available to view on the slides for the meeting.