Green Economic Recovery 2021/22 update

Appendix to Annual Performance Report 2021/22

Contents

1. Introduction

This document provides an update on our performance against the Green Economic Recovery (GER) programme, which focuses on the installation of 204,700 additional smart meters in AMP7, including new household meter installations in the Thames Valley region, the replacement of existing basic non-household meters and installation of bulk meters.

There has been no delivery on the programme in 2012/22 as we continue to forecast the commencement of GER in 2022/23. These dates differ slightly from the original GER submission profiles, due to the continued impacts of Covid-19 on workforce availability to make up non-GER programme meter installations, plus the ability to secure long-term smart meter stock due to the global shortage of microprocessors.

The document contains the required narrative as requested as part of the additional reporting requirements set out in Ofwat's Final Decisions document [1] published in July 2021.

Where necessary, we have also included commentary for section 10 of the Annual Performance Report (APR).

2. Road to completion

We will provide our initial views on the areas noted below in our 2022/23 annual report.

- Measurement and quantification of green recovery benefits, including
    - job creation numbers including specific impacts on individual groups; and
    - environmental enhancements realised;
- Working effectively with partners
- Customer and stakeholder engagement
- Cost and benefit outturns including delivery of efficiencies
- Data sharing and benefits of open data
- Use of novel technology/innovative techniques
- Impacts on the supply chain
- Deliverability

3. Progress on our 2020-25 metering programme

Our current strategy is to install only smart meters in our optant, selective and replacement programmes. These meters can be read in Automated Meter Reading (AMR) or Advanced Metering Infrastructure (AMI) modes when a Local Communications Equipment (LCE) is installed, in areas of fixed network coverage. All meters installed are therefore classified as 'smart' based on the definition outlined by Ofwat. However, there will be instances when a customer may request a 'basic' meter, either through the Non Household (NHH) Retail market (meter to be logged) or for our Household (HH) customers for religious grounds.

[1] Source: Green economic recovery: Final decisions - Ofwat

Within our London water resource zone (WRZ), which is covered by our wide area radio network, we deploy meters that can work in AMR mode where they can be read by driving or walking by the meters. When combined with a LCE these meters can alternatively operate in AMI mode, this is our preferred deployment mode as it allows meter reads to be collected remotely through our wide area network. This allows us to receive daily a profile of either 15 minute or hourly read data, this rich source of data allows us to better understand water usage in our supply area and identify leakage and wastage, enabling us to work with customers to help reduce demand and leakage. Outside of our wide area network coverage the same meter is installed but operates in AMR mode.

Our meter installations for 2021/22 have increased from 2020/21 due to Covid-19 restrictions being lifted and we have hit our M01 and M02 performance commitments for the year. However, our meter and LCE deliveries continue to be impacted by the global microchip shortage restricting manufacturing in the supply chain. As a result, the replacement programme slowed, and all household proactive replacement activity was paused for February and March to mitigate potential stock shortages.

In 2021/22 we installed 175,474 meters, which is an increase of 87% from the previous year.

Compared to our business plan we have exceeded the 2021/22 forecasts by 23% but due to the Covid-19 restrictions last year we have exceeded our cumulative position for the AMP by 4%.

For the NHH and HH replacement programme we are ahead of target for the cumulative AMP position, however for the optant and selective programmes we are slightly behind and aim to recover this shortfall by the end of 2022/23. Our water resources management plan forecast aligns to the business plan shown below:

	Business Plan Forecast			Actual		
	2020/21	2021/22	Total	2020/21	2021/22	Total
Residential meters renewed	33,895	33,895	67,790	25,850	49,285	75,135
Business meters renewed	877	877	1,754	11,360	10,639	21,999
Optant installs	17,289	17,289	34,578	12,353	21,006	33,359
Selective meters installed	64,743	88,971	153,714	44,137	94,454	138,591
New business meters installed	-	0	0	24	90	114
Total	116,804	141,032	257,836	93,724	175,474	269,198

Table 1: metering actuals v PR19 forecasts

4. Update on proposal

Update on milestones

As the programme is yet to commence, there are no milestones to report on. We remain on target to commence our GER programme in 2022/23 and will provide an update on proposals and milestones in our report next year.

Update on benefits – PR19 outturn v forecast

Table 2 below shows the forecast benefits Ofwat have set out in their Final Decisions.

Performance commitment	Unit	Forecast green recovery benefits			
		2021/22	2022/23	2023/24	2024/25
BW04: Leakage	Ml/d	0.00	0.96	2.39	3.81
BW05: Per capita consumption	l/p/d	0.00	0.46	1.16	1.87

Table 2: forecast performance commitment benefits from the green recovery programme [2]

5. Managing affordability

Update on CCW metrics

Supporting our vulnerable and low income customers:

We continue proactive offering the full range of financial assistance and independent advice services to all customers that are engaged through our metering customer journey. Our WaterSure and WaterHelp schemes can assist customers on low incomes, larger families or special needs, with discounts on their bills.

All customers can access independent advice from expert organisations including; Citizens Advice, Stepchange, Turn2Us and Money Advice Services. Our customer journeys are also promoting further assistance to financially vulnerable customers through water debt help via our Customer Assistance Fund and our Extra Care Team.

All of our assistance and advice services will be made available to customers that receive new smart meter installations though GER once commenced.

6. Additional reporting requirements

As part of this annual progress report we have converted the additional requirements into a bespoke set of tables. Ofwat have also asked that we provide data for the first two years of AMP7, namely 2020/21 and 2021/22. These are provided in a separate excel spreadsheet which accompanies this report.

In populating the financial data within the tables management have applied a cost apportionment methodology to allocate expenditure to the individual categories

[2] Source: Green economic recovery: Final decisions - Ofwat (p141)

Table GER4: Leakage and usage savings (PR19 data)

GER4.2 – Direct usage savings from meter installations
GER4.3 – Reduction in customer internal losses/wastage from meter installations

New installations: We are currently unable to split the savings between these two lines for so the data input into GER4.2 includes the savings across both usage and wastage. We propose to update our processes for AR23 to be able to calculate these splits.

Large bulk meters: No savings have been associated with large bulk meters.

Table GER6: Coverage

Line GER6.1: Percentage of household properties within your smart metering trial area covered by the company's communication network
Line GER6.2: Percentage of household properties within your smart metering trial area covered by the company's communication network

We do not currently have a methodology in place for calculating this line and, as we are reporting zero this year, it was not considered necessary to produce one. As we are beginning the programme this year we will provide details on how the percentage has been derived in our report for AR23.

7. Section 7 – APR tables 10A, 10B, 10D and 10E: Green Recovery

Table 10A: Green recovery non-cost data for the 12 months ended 31 March 2022

Lines 21-24: Metering activities – Totex expenditure

The installation of GER smart meters in the Thames Valley WRZs has not yet commenced. No GER Totex expenditure has occurred in 2021/22.

Table 10B: Green recovery data capture outcome performance analysis for the 12 months ended 31 March 2022 (water common PCs relevant to Green Recovery reporting)

The installation of GER smart meters in the Thames Valley WRZs has not yet commenced. There is no impact on PCC through GER activities in 2021/22.

Line 1: Per capita consumption

PCC has been significantly impacted by Covid-19 through Government restrictions or working and subsequent changes to customers' places of work, commuting movement patterns and volumes, and longer-term hybrid working practices. As a result of PCC variability and uncertainty, the performance commitment has been changed from in-year to end-of-AMP reporting. We are monitoring PCC through our water balance calculations and report PCC through the relevant parts of the Annual Return.

Table 10D: Green recovery data capture outcome performance analysis for the 12 months ended 31 March 2022 (bespoke PCs relevant to Green Recovery reporting)

Line 1: M01 – Installing new meters in London

In 2021/22, we installed 110,949 meters, which is an increase of 109% from the previous year.

We recovered the slow start that we made to our metering programmes in 2020/21 which was the result of having to suspend work in the first quarter of 2020 due to Covid-19. As a result, we are now ahead of the cumulative target for the first two years of AMP7.

We have worked effectively with our supply chain and delivery partners to address and overcome several challenges including a shortfall in securing additional resources in line with our plan and the constrained availability of smart meters and Local Communications Equipment (LCEs) caused by the global microchip shortage.

Line 2: M02 – Replacing existing meters with smart meters in London

In 2021/22 we replaced 39,721 meters, which is an increase of 92% from the previous year.

As with M01, we have recovered the shortfall in 2020/21 and we are now ahead of the cumulative target for the first two years of AMP7. We successfully managed challenges this year including a shortfall in resources against our plan and the reduced availability of smart meters and LCEs. The supply of these components has been affected by the global microchip shortage, which has, in turn, restricted manufacturing capability in the supply chain. As a consequence, the replacement programme slowed, and all household proactive replacement activity was paused in February and March to mitigate potential stock shortages. We will continue to manage this risk into 2022/23.

Table 10E: Green recovery data capture reconciliation model inputs for the 12 months ended 31 March 2022

We are reporting zero for all lines in this table as activity in the Thames Valley WRZ, through the GER programme, has not yet commenced.


Thames
Water