



TMS-DD-046  
Thames Water PR24 DD  
Response  
Reporting and additional  
requirements

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## Executive Summary

### Our approach to assurance in AMP7 and beyond

Reporting accurately on our performance is critical in terms of maintaining customer and stakeholder trust in our performance. We fully appreciate the need to provide and publish timely, accurate and reliable data about how we are performing, and we take our regulatory obligations to report accurately on our performance extremely seriously.

This is why we have subjected all our AMP7 performance commitments (“PC”) that have money flows associated with them to full independent ISAE 3000 assurance, while assuring our remaining AMP7 PCs either externally under Agreed Upon Procedures (medium risk) or via our internal processes (low risk). We believe our approach in this regard goes above and beyond industry best practice and will continue to hold ourselves to high standards in AMP8.

### Our reporting record over AMP7

We have a strong track record of accurately reporting our performance. We have not had to resubmit any data in relation to our PCs in AMP7<sup>1</sup> and have obtained unqualified assurance opinions in each year. Therefore, we fail to understand Ofwat’s view that more assurance is required to combat “misreporting”.

### Our overview of Ofwat’s proposed AMP8 reporting regime

We do not agree with the proposed AMP8 reporting and assurance regime, believing that the enforcement action Ofwat has taken against Welsh Water for “misreporting its leakage and per capita consumption performance” is the correct mechanism for dealing with misreporting issues (i.e. escalating regulatory oversight when a misreporting has occurred). The proposed regime appears to be based on the premise that, if Ofwat does not prescribe assurance, companies will not report accurately. This fails to acknowledge that most companies deliver high quality reporting against tight deadlines, that will be even tighter if the publishing date for the Annual Performance Report is moved from July to June.

The prescriptiveness of the AMP8 regime is contrary to Ofwat’s expressed intentions that company Boards and senior management teams are expected “to properly scrutinise and challenge the data not only to ensure accuracy, but to use it to drive better outcomes for customers and the environment”<sup>2</sup>.

In the same letter to water company Chief Executives, David Black says “The outcome of this case [enforcement action against Welsh Water] is an opportunity for you and your Boards to take stock and satisfy yourselves that you are doing the right thing. We expect companies to have suitable governance and robust risk-assessment and assurance arrangements to support their functions, including reporting”. It is unclear how our Board can apply governance and oversight given that Ofwat’s requirements are so rigid.

### Other points to note

We propose that we work with Ofwat to agree practical expectations around how the AMP8 gated process will work from a reporting and assurance perspective – having regard to our experience of the AMP7 conditional allowances assurance regime. As explained later in this

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<sup>1</sup> The restatement of leakage and PCC cannot be classified as “misreporting” as we are improving the accuracy of our calculation,

<sup>2</sup> Letter from David Black to Chief Executives “Companies’ compliance with their licence and statutory obligations” 14 Mar 2024

document, we refute Ofwat's claim that the capital allowances need additional assurance because of our poor reporting practices in AMP7.

Please note that further requests for both general and specific clarifications, as well as other observations can be found in sections 1 to 3 of this document.

This should not be considered an exhaustive list as we may find other points we want to raise as we begin reporting in AMP8.

## 1. Our response to specific areas raised by Ofwat

Ofwat has requested specific feedback in some areas<sup>3</sup>: A summary of our feedback can be found below while additional information to support our position can be found later in this document:

### Feedback area 1 &2: Financial penalties - approach and associated risks

Ofwat's proposal to penalise late delivery of reporting and assurance information, and "misreporting" via ODI penalties should be removed to avoid the unintended consequence of companies feeling unable to openly discuss data concerns with the regulator.

Further, we believe that companies should be given the freedom to assess the appropriate level of assurance required and that the requirement to share draft assurance reports with Ofwat should be removed or, as a minimum, the reason for the requirement should be clarified, (i.e. what is Ofwat expecting to do with draft reports, which by their very nature are provisional and therefore subject to, potentially material, change).

### Feedback area 3: Extending in-period determinations deadline

We do not consider that Ofwat needs additional time to complete in-period determination reviews and would like to understand why this is being requested. We also seek a more complete understanding of "company reporting improving"<sup>4</sup> that Ofwat has said may allow them to reduce this timeline in the future.

In a related observation about timelines, we would like clarity as to why Ofwat has proposed that the APR submission deadline is brought forwards from July to June<sup>5</sup>. This reduces the amount of time for us to obtain fully assured data and inherently introduces risk into our reporting, as we will need to complete assurance in a shorter time. We propose that Ofwat reconsider keeping the APR reporting date in July.

### Feedback area 4: Improved methodology accounted for at end of AMP

It is wrong for customers not to be in possession of the most accurate information possible and propose that companies report improved methodology in the year at which it is identified. We reject Ofwat's proposal that changes will be reconciled at the end of the price review period.

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<sup>3</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) p41

<sup>4</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) Section 6.2

<sup>5</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) Section 6.2

## 2. General observations and proposed changes

We are concerned that the assurance requirements outlined in the DD will impact on reporting timelines, our relationship with our assurers, and cost to our business. We would welcome feedback from Ofwat on our proposed changes:

### 1. Increased reporting requirements

We propose it is for companies to decide, and if appropriate justify, the level of assurance it conducts on PCs.

While we accept that there are fewer performance commitments than in AMP7, we do not agree with Ofwat's view that there will be a streamlined reporting framework<sup>6</sup>. The addition of multiple PCDs means that our overall reporting and assurance requirements will increase in AMP8, particularly when one considers the multiple reporting components of some PCDs (e.g. Mains renewals).

We consider the reporting requirements in AMP8 to be more onerous than in AMP7. When the PCD assurance requirements are added to those of PCs, along with the requirement to provide Ofwat with draft reports, we anticipate that our total assurance costs for AMP8 will be significantly higher than for AMP7 and note there is no additional funding for this cost increase. Our initial estimate is that our third-party assurance costs in AMP8 will be at least double what they are in AMP7 due to the increased number of assured reports (e.g. initial assurance reports, interim reports, change of circumstance reports, forecasting reports from 2028, and delivery reports to name a few<sup>7</sup>).

### 2. Prescriptive assurance requirements

We propose that the assurance requirements for AMP8 are revisited considering our comments below.

We note that our Licence Condition M requires that “the Appointee must provide Ofwat with any information that Ofwat may reasonably require for the purpose of carrying out its functions under any enactment” and that “the Appointee must provide any Information required by Ofwat by such time, and in such form and manner, as Ofwat may reasonably require”. This requirement clearly implies that companies must take reasonable and cautious steps to assure themselves that information provided to Ofwat is accurate and complete.

However, we have concerns that Ofwat's AMP8 assurance proposal and its requirements about third party assurance (including scope, Ofwat's request to have an “actionable duty of care”, and approach to our gated allowance) extend beyond the definition of a reasonable requirement. It will add unnecessary time and cost to our reporting process, and we recommend changes be made that will retain the high bar required for accurate reporting while removing the excessive burden the proposed regime will have on our time, resources (internal and external) and cost.

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<sup>6</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) section 6.2

<sup>7</sup> [PR24-draft-determinations-Expenditure-allowances-Assurance-requirements-for-delivery-of-enhancement-schemes-appendix](#) section 2, including Table 6

We do not accept Ofwat's view that as ODI rates at PR24 are stronger overall than at PR19, more assurance is required<sup>8</sup>. Our assurance risk framework has always been designed to make sure that we report accurately on our performance, irrespective of the size of any potential penalty or reward.

The approach proposed by Ofwat removes our ability to risk assess our assurance requirements so that we can balance the added value of the assurance with the costs of obtaining that assurance. We believe that the level of assurance required should be assessed at company level and be in line with what our Board considers is needed to sign Board Assurance Statements.

We believe it should be for companies and their Boards to agree and explain, if necessary, why they consider their levels of assurance to be appropriate. Ofwat should retain backstop powers to intervene if it considers the levels of assurance that a company has obtained is inadequate. We consider that a "one size fits all" assurance approach is not appropriate for an industry with such diverse characteristics. We also believe that this prescriptive approach is contrary to the requirement that the Board is responsible for making sure that data is accurate.

### 3. Ofwat's relationship with our assurers

We request that Ofwat provide more information so that we can fully understand the proposal.

It is unclear how our relationship with our assurers will work in AMP8 given the new requirements. In AMP7, a company contracts with the assurer directly so that we can evidence to our Board's that the data submitted in our APR is accurate. Ofwat requires that when we appoint third party assurers in AMP8, it must be done in such a way that it gives Ofwat "an actionable duty of care"<sup>9</sup>.

We request further details about how this will work in practice. It appears that such assurance may be more expensive to contract for.

### 4. Sharing drafts with Ofwat

We believe this requirement is unwieldy and unnecessarily expensive from an assurance viewpoint and propose that it is removed.

We do not agree with Ofwat's requirement that, in the interests of improved transparency, our assurance provider must circulate draft assurance reports to Ofwat at the same time as to the company<sup>10</sup>. This will not only reduce the already shortened timeframe for assurance but also introduces the risk that Ofwat will be reviewing (and potentially relying on the content) assurance reports that are still subject to possible material change.

Company review of draft reports is important to enable factual corrections, resolve simple points and identify misunderstandings which can occur during any rapid external review. Sharing results before these checks have been carried out risks causing confusion and reducing trust between companies and regulators unnecessarily.

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<sup>8</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) section 6.3

<sup>9</sup> [PR24-draft-determinations-Expenditure-allowances-Assurance-requirements-for-delivery-of-enhancement-schemes-appendix.pdf \(ofwat.gov.uk\)](#) p3

<sup>10</sup> [PR24-draft-determinations-Expenditure-allowances-Assurance-requirements-for-delivery-of-enhancement-schemes-appendix.pdf \(ofwat.gov.uk\)](#) p4

## 5. Ofwat's ability to request additional assurance

We propose that this is removed in the final determination.

The proposed approach means that Ofwat may request additional assurance at short notice<sup>11</sup>. This undermines the ability of the company to assess its own proportionate level of assurance and may result in additional costs that the company do not consider to be necessary. There may also be practical challenges that need to be overcome in terms of obtaining short notice assurance – including cost and resource availability.

## 6. Suitably qualified technical specialists

We request specific examples of what constitutes a suitably qualified technical specialist for a reporting area.

It is unclear what is meant by “*suitably qualified technical specialists*”<sup>12</sup>. This could result in increased assurance costs as multiple specialised assurers may need to be used for the APR where previously we have used a single assurer. There is also a potential supply chain issue as the number of qualified assurance providers in the industry is limited. There is also a risk that Ofwat will end up in disputes with assurance providers regarding the technical competence of individual assurance specialists.

## 7. Coverage of Ofwat's assurance requirements

We propose that Ofwat clarifies whether the appendix applies to PCs as well as PCDs and enhancement schemes.

It is not clear whether the whole of “Expenditure allowances – Assurance requirements for delivery of enhancement schemes appendix”<sup>13</sup> applies to PCs as well as PCDs and enhancement schemes (as could be implied by section 6.3 Reporting and assurance of performance data<sup>14</sup>). Please could Ofwat provide clarity on whether this appendix should be applied to all reporting requirements.

## 8. Thames asset improvement gated allowance

We propose that the process is reviewed and amended to reflect our view that our submissions were of good quality.

We disagree with Ofwat's view that “because of the poor quality of the evidence provided by Thames Water, we are proposing a framework that provides substantially more scrutiny than we would usually apply to company investment programmes<sup>15</sup>”. Whilst we recognise that our original WSSRP Gate 4 submission was inadequate to enable Ofwat to make a final determination due to cost, scope, and timeline uncertainty, we believe that this was largely driven by the timescales in which we were required to submit our original Gate 4 submission. This was addressed by the time the updated Gate 4 submission was made in July 2023.

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<sup>11</sup> [PR24-draft-determinations-Expenditure-allowances-Assurance-requirements-for-delivery-of-enhancement-schemes-appendix.pdf \(ofwat.gov.uk\)](#) p10

<sup>12</sup> [PR24-draft-determinations-Expenditure-allowances-Assurance-requirements-for-delivery-of-enhancement-schemes-appendix.pdf \(ofwat.gov.uk\)](#) p4

<sup>13</sup> [PR24-draft-determinations-Expenditure-allowances-Assurance-requirements-for-delivery-of-enhancement-schemes-appendix.pdf \(ofwat.gov.uk\)](#) whole document

<sup>14</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) Section 6.3

<sup>15</sup> [PR24-draft-determinations-Expenditure-allowances-Assurance-requirements-for-delivery-of-enhancement-schemes-appendix.pdf \(ofwat.gov.uk\)](#) p15

It is important that the AMP8 gate allowance regime allows Thames Water to progress schemes quickly to deliver the resulting benefits for customers and the environment. We request a more dynamic approach than that adopted for our AMP7 CAs.

#### 9. Reporting timeline (including in-period determination)

We propose that current AMP7 reporting deadlines, including the in-period determination are retained.

Ofwat has proposed that the APR submission deadline is brought forwards from July to June<sup>16</sup>, reducing the amount of time for us to obtain fully assured data. This inherently introduces risk into our reporting, as we will need to complete assurance in a shorter time.

Elements of year-end reporting, for example, leakage, are extremely complex and we subject them to ISAE3000 assurance – the highest level of assurance available. We are concerned that an earlier submission date could compromise data quality and accuracy and expose companies to a higher risk of incurring ‘misreporting’ penalties (on which we comment in more detail below). By way of example, for the 2023/24 financial year our ISAE3000 assurance of leakage closed on 20 June. The output of our audit programme was then reviewed by our Audit, Risk and Reporting Committee (a subset of our Board) and the Thames Water Board before being published on 10 July 2024.

These timings are already tight for aspects of our AMP7 reporting and we suggest Ofwat formally or informally tests these revised timings with some of the companies who typically carry out more advanced assurance work to seek their views on the feasibility and potential quality impacts of shorter timeframes.

We do not consider that Ofwat need additional time to complete their in-period determination review and would like to understand why this is being requested as well as obtaining a more complete definition of “company reporting improving”<sup>17</sup> that Ofwat has said will allow them to reduce this timeline.

#### 10. Consequences of misreporting

We request that the references to penalties to misreporting are removed.

We do not agree with Ofwat that “If a company does not meet the deadline for providing this information for any performance commitment, the financial adjustment of 1% will be applied to that performance commitment's payments”<sup>18</sup>, as there may be circumstances outside of our control that affect our ability to deliver (e.g. timeliness of assurance and data provision from third parties).

As a minimum, we would argue that, rather than applying a formulaic penalty for missing a deadline, Ofwat seek to first consider the circumstances as to why a deadline was missed (and any company representations) before determining whether the specific facts of the case mean that it is appropriate to apply a penalty.

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<sup>16</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) Section 6.2

<sup>17</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) Section 6.2

<sup>18</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) Section 6.5



Where a company has deliberately misreported data to financially (or otherwise) benefit, there are existing licence obligations that can be used to penalise companies. We believe that to apply potential penalties for general methodological improvements and for simple errors is unreasonable.

### 11. Application of penalties

We request that Ofwat provide illustrative examples so that we can see how the penalty regime may work in practice.

It is unclear whether multiple penalties would be applied for a single incident (an extreme example of this would be missed deadline for reporting a performance commitment, number subsequently found to be “misreported”, and associated commentary/assurance deemed inadequate by Ofwat). Notwithstanding our comments above, we would request that Ofwat provides clarity as to how it anticipates the proposed regime will work.

### 12. Full compliance with reporting requirements at the beginning of the AMP

We propose that Ofwat clarifies how they will assess companies that are unable to fully deliver requirements at the start of the AMP.

There are areas of reporting where we are being asked for splits of information for the first time (e.g. geographical split within the mains renewal PCD and the complex split within the new River Water Quality PC). Given that we are seeing some of these requirements for the first time in the Draft Determination and have not yet had the opportunity to assess whether we have systems and controls in place to deliver these new requirements, we ask that Ofwat consider whether penalties for incomplete reporting are appropriate at the beginning of the AMP.

### 13. Managing improvements to reporting methodologies (“restatements”)

We request that data is restated in the year that the improvements are identified.

Ofwat is proposing that, where companies have improved their reporting methodology, these changes should not be reported until the end of the AMP<sup>19</sup>. This feels like a retrograde step and means that customers and regulators will not have the best, in-period, information available on which to assess company performance.

By way of example, during AMP7 we have made improvements to the accuracy of our leakage reporting to align with Ofwat’s methodology and to bring the company within the +/- 2% water balance discrepancy. We have restated our historic data to reflect these improvements to ensure comparability of historical information and will continue to make improvements in AMP8. We believe that accuracy is the best way to demonstrate transparency for our regulators and customers, and that restatements should be reflected in our performance as soon as we are aware of them. Our ODI position should also be updated to reflect the restated position.

Running two sets of reporting (officially against the original methodology, and unofficially against the restated methodology) duplicates work and adds confusion both internally and externally. It also could lead to the accusation from our customers and stakeholders that we have “two versions of the truth”.

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<sup>19</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) Section 6.4

#### 14. Reporting against outdated baselines

We propose that the baseline of all PCs is reviewed and reset, if appropriate.

We are concerned that using 2019/20 (i.e. pre COVID) position for PCC fails to accurately measure how our performance has changed over time. We also note that the baseline for leakage is unchanged from AMP7. Similarly, the AMP8 pollutions PCL is set using the 2017/18 sewer length, while the river quality baseline is 2020 (which doesn't reflect significant changes post that date).

#### 15. Conflicting trade-offs between PC and PCDs

We request Ofwat confirms our understanding and that this is how PCDs, and PCs are designed to work together.

We note that, in extreme cases, the PCD incentives may work adversely to the PC objectives (e.g. the mains renewals PCD incentivises replacement length, while the PC incentivises fewer repairs). This could lead to uncertainty in the business about prioritisation.

#### 16. Corrigenda process

We request that Ofwat review the corrigenda process and publish a revised process for AMP8.

We note under Condition B: Part 3A Performance Measure adjustments (page 61-63, paragraph 12 to 12.10, of the instrument of appointment) that, in certain circumstances, the Company can request that adjustments are made to its performance requirements in its published Final Determination.

However, it is unclear how the process works in practice and what the conditions and timelines are that must be met for a positive outcome. In AMP7, we unsuccessfully raised corrigenda requests for ES02 Environmental measures delivered, EWS01 Enhancing biodiversity and M01/M02 meter installation. We ask that Ofwat supply a checklist of the criteria, including timelines for responses from both sides, that we need to meet so that any requests can be successful in AMP8.

#### 17. Applying learnings from assurance of AMP7 Conditional Allowance to AMP8 framework

We propose that Ofwat considers amending its requirements in the light of this review.

The proposed assurance approach for AMP8 appears to be like the assurance approach we followed for our AMP7 conditional allowances. We request that Ofwat considers lessons that can be learnt from the assurance process for AMP7 and refine the AMP8 assurance framework accordingly.

### 3. Clarification on reporting and assurance of PCs

In addition to the points raised in our general clarifications chapter above, we have specific observations that we wish to make with regards to PCs:

#### 1. Common guidance checklists

We ask for clarity over the impact of an “amber” or “red” RAG status on the proposed ODI penalty for misreporting, particularly at the start of the AMP.

We fully accept the need for common guidance checklists. However, while we always do our best to fully comply with reporting requirements, there will be instances where our systems are not set up to provide all the information in the detail required. This is particularly relevant for new PCs where systems changes may be required. It may not be practical for all these systems changes to be up and running for the beginning of AMP8, especially noting that outcome of Ofwat’s recent consultation on amended Condition B could mean that Ofwat does not publish its PR24 final determinations until the end of January 2025.

Further, it is not clear whether an “amber” or “red” RAG status would automatically incur a misreporting penalty.

#### 2. Fixing of AMP8 targets

We propose that there should be flexibility to restate targets (see also “corrigenda process” above).

Ofwat states that targets set will be based on the information available at the date of the PR24 final determinations<sup>20</sup>. This fails to consider the element of unknown and we do not believe that Ofwat should proactively foreclose any opportunity to revisit a target.

If a company has compelling evidence as to why a target was set at the incorrect levels or there has been a material change in circumstances (for example, changes in supply-demand / population densities across our area due to wider socio-economic factors (e.g. Covid in AMP7)) we believe that Ofwat should be open to having a discussion as to whether a target should be adjusted.

#### 3. Impact of Thames asset improvement gated allowance on our PCLs/ODIs

We require confirmation on how our PCLs/ODI may be affected.

It is unclear whether our PCL levels may be adjusted by our AMP8 gated allowance process. If there will be changes to our PCL levels, please could Ofwat confirm that it will publish a methodology that defines the mechanism for changes to either our PCL and/or ODI payment rate.

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<sup>20</sup> [PR24-draft-determinations-Delivering-outcomes-for-customers-and-the-environment.pdf \(ofwat.gov.uk\)](#) Section 7

#### 4. Streetworks collaboration PC (Bespoke)

We seek clarification on what would happen if there was a genuine disagreement between ourselves and the GLA over whether the requirements for the PC have been met.

The bespoke PC assurance and confirmation will be completed by the GLA, following minimum and strategic criteria used in other similar utility incentives. However, whilst the company works hard to maintain good stakeholder relationships, we know PC reporting can materially change when third parties are unable or unwilling (for reasons outside of our control) to provide confirmation in line with our assurance requirement deadlines (e.g. our experience with EWS02 Smarter Water Catchments).

We ask Ofwat to provide clarity on what happens in the case of genuine disagreements and if the company could claim the collaboration in our reporting for the year based on our assessment of completion.

#### 5. Leakage, PCC and Business demand PCs

We seek clarification on the impact of rebasing and other changes to the leakage (see also “Managing improvements to reporting methodologies” above).

We continue to make improvements in our leakage and PCC reporting but, in AMP8, it appears as if a restatement to improve data quality would result in a financial penalty. Please could Ofwat confirm how it would treat a restatement of our leakage position in AMP8.

We also require further clarification on detailed aspects of the common guidance for leakage (e.g. nighttime use definition, hour to day correction and supply pipe leakage exclusion). We believe recent edits have introduced errors into the guidance. Will there be further opportunities to discuss these issues prior to the commencement of AMP8?

#### 6. Storm overflows PC

We seek clarity on the definition of publicly available information.

The definition includes the requirement that a “company will also provide a reconciliation of the performance reported under the performance commitment with any publicly available information, including that reported to each appropriate agency”<sup>21</sup>. Please could you provide a more precise definition of “publicly available” as it is too broad, and we could end up reconciling against data issued by a third party that is not factual.

#### 7. Biodiversity PC

We seek clarification on the definition of “common sense” and the consequence of non-compliance of non-PC metrics.

The PC definition states that “the biodiversity metric and its outputs should therefore be interpreted, alongside ecological expertise and common sense”<sup>22</sup>. It may be difficult for our assurers to assess “common sense” given the prescriptive nature of the assurance requirements.

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<sup>21</sup> [Microsoft Word - Storm overflows PC definition.docx \(ofwat.gov.uk\)](#)

<sup>22</sup> [Microsoft Word - Biodiversity PC def.docx \(ofwat.gov.uk\)](#)

We are further concerned that we are being assessed on components outside of the PC requirements. i.e. as defined, the assurance requirements require confirmation that “overall biodiversity across all other company owned sites which are not included in the performance commitment is not deteriorating”. What impact will our performance in “other company owned sites”) have on Ofwat’s overall view as to whether we have met our in-scope PC requirements?

## 4. Clarification on reporting and assurance of PCDs

In addition to the points raised in our general clarifications above, we have observations that we wish to make with regards to PCDs:

### 1. Reporting requirements

We request that Ofwat consider the additional workload associated with reporting of PCDs and further clarification of the PCD reporting regime.

We consider that PCDs are effectively PCs and so feel that far from AMP8 reporting being streamlined against AMP7, our reporting burden has instead increased significantly. For example, we will report on 24 PCs and add 17 PCDs, almost all of which have more than one PCL (e.g. our metering PCD has 5 PCLs). We estimate that our reporting requirements could be as much as double what they are in AMP7, in terms of data points and the increased number of assurance requirements (e.g. initial assurance reports, interim reports, change of circumstance reports, forecasting reports from 2028, and delivery reports to name a few <sup>23</sup>).

We would like more information about the format of the six-monthly reporting against a delivery plan will work, along with further clarification of what the monitoring regime will look like, in practice <sup>24</sup>. We also request clarity of what is meant by “sufficiently off-track” that further engagement and monitoring is required.

### 2. Uncertainty of reporting requirement

We request leniency in applying penalties in the initial reporting of AMP8 PCDs.

In our opinion there is ambiguity in some of the requirements and we would like to understand Ofwat’s view on whether, for example, a genuine misinterpretation of a requirement will activate a misreporting penalty.

### 3. Ability to be fully compliant at the beginning of the AMP

We request leniency in applying penalties in the initial reporting of AMP8 PCDs.

There may be limited instances where we do not have the infrastructure in place to be fully compliant at the beginning of the AMP. Will Ofwat be providing compliance checklists, similar for PCs, where we can clearly articulate the reasons for non-compliance and our plans to become compliant? How will Ofwat view elements of non-compliance in the early part of the AMP?

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<sup>23</sup> [PR24-draft-determinations-Expenditure-allowances-Assurance-requirements-for-delivery-of-enhancement-schemes-appendix](#) section 2, including Table 6

<sup>24</sup> [PR24-draft-determinations-Price-control-deliverables-appendix.pdf \(ofwat.gov.uk\)](#) Section 2.2 Reporting requirements

#### 4. Categorisation of all PCDs as enhancements

We propose Ofwat provide a list of PCDs that fall outside of “enhancement” so that they can be removed from future enhancement analysis requests.

We do not believe that all the PCDs (e.g. PCDWW35 PR19 WINEP carryover) should be classified as enhancements and propose that they are explicitly removed from any enhancement spend analysis that we are asked to complete.

#### 5. Metering PCD

We seek clarity on how Ofwat will view elements of non-delivery outside of our control.

The metering PCD requires that we “measure and record water consumption data at least once an hour with a 95% or higher success rate and Transmit the recorded consumption data to the smart infrastructural network at least once every 24 hours with a 95% or higher success rate”<sup>25</sup>. There will be instances where this is not in our control to deliver (e.g. power outage, issues with the data provider) nor is the requirement to “engage with collaborators and water companies to agree common standards by 31 December 2025. How will Ofwat view any non-compliance in such circumstances?

#### 6. WINEP River Water quality PCD

We seek clarity on how Ofwat will view elements of non-delivery due to technological resource that will extend into early AMP8.

The WINEP continuous river water quality monitoring PCD requires that we “show the water quality impacts of its assets by making data publicly available in near real time (within one hour), and in a common format, in line with the Continuous Water Quality Monitoring Guidance”<sup>26</sup>. This guidance is the same applied to our Storm Overflow Map available on our website, and this map involved significant work from our Data Science Team to develop, launch, and then bug-repair. A similar resource level will be required to implement publicly available data for river quality monitoring and will take time at the beginning of the AMP to develop.

We seek clarity from the regulator on any non-compliance in such circumstances and request consideration of the technological resources this will require. It should also be noted that, consistent with other operational assets we are unable to guarantee that monitors will be available 100% of the time.

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<sup>25</sup> [PR24-draft-determinations-Price-control-deliverables-appendix.pdf \(ofwat.gov.uk\)](#) p88

<sup>26</sup> [PR24-draft-determinations-Price-control-deliverables-appendix.pdf \(ofwat.gov.uk\)](#) p113, Section 9.1.2