June 2013

Water today, water tomorrow

Guidance – August data submission

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About this document

In 2014-15 we will decide the price and service package (the 'price controls') that each of the monopoly water and sewerage and water only companies in England and Wales must deliver in each of the five years between 2015 and 2020.

In 'Setting price controls for 2015-20 – business planning expectations: A consultation' (the business planning consultation), which we published in April 2013, we explained that we planned to collect a limited amount of information from companies in August 2013 (the 'August submission'). This document sets out guidance to help companies complete their submissions. This includes a log of the minor changes – reflecting feedback from companies – that we have made to the draft August submission data tables.

Contents

1. August submission – our requirements

We have set out the information we require, including line-by-line definitions, in a series of data tables: Business planning data tables – August submission.

Companies should submit the requested data to us by **9 August 2013** by emailing the completed data tables to business.plantables@ofwat.gsi.gov.uk.

Unless specified, companies do not need to provide commentary alongside their August submission. But if there are any significant changes in companies' costs over time, they may wish to provide a brief explanation to help us build robust cost assessment tools.

Each company's Board is responsible for deciding the assurance it needs to confirm the accuracy and completeness of its August submission. We expect each company's Board to sign off the data submitted, and confirm it has done this alongside its submission.

1.1 Cost information

We are asking for information about wholesale water and wastewater costs during the period 2010-15. This includes both historic and forecast data.

Historic data should be consistent with information companies have submitted as part of their published regulatory accounts. For forecast data, we expect companies to draw on available management information for 2013-15, and do not expect them to provide us with any data related to their 2015-20 costs.

We have included an additional table which collects historic data for pension costs (table 7). We will use this data to ensure our cost assessment models deal with pension costs appropriately.

We will not require companies to resubmit historic data from the August submission alongside their business plans, but our final methodology statement may mean that companies need to restate some lines. If there are any cases where we require companies to restate of August data, we will make this clear when we confirm our final business plan data table requirements.

We will use the data in tables 1–7 to improve our econometric models for wholesale cost assessment, by updating them to more recent years. This includes forecasts for the remaining years of the current price control period (2013-14 and 2014-15). We will only use these to update our econometric models. For some items, we do not want data for every year of the current price control period. This is because we either already have the data – for example, most information for 2010-11 – or do not need this. Costs should be expressed in nominal prices for historic years (up to 2012-13) and then in 2012-13 prices for forecasts of the remaining years of the current price control. Companies should use whichever accounting protocol they intend to apply for their statutory accounts from 2015-16 as the basis for reporting costs.

1.2 Customer service information

We are asking companies for information for the years 2011-12 and 2012-13. This is so we can use the SIM to assess customer service performance during 2010-15, and make any necessary adjustments to price controls for 2015-20.

The information in the August submission will inform our draft determinations. We will ask companies to provide 2013-14 data in summer 2014 to inform our final determinations.

1.3 Queries about the August submission

If companies have any queries about the tables or guidance, they should email us at business.plantables@ofwat.gsi.gov.uk. We will share answers to common questions by email to companies' regulatory directors, so that all companies have equal access to all relevant information.

2. Guidance for completing the data tables

Table 1 Tables at a glance

	Data table	Contents
Wholesale – water costs	1	Information on wholesale costs and purposes (to help set our baseline)
	2	
Wholesale – sewerage costs	3	Information on wholesale costs and purposes (to help set our baseline)
	4	
	5	Information on transferred private sewers (to help set our baseline)
	6	Information on the costs of large sewage treatment works (to help set our baseline)
Retail and wholesale – pension costs and contributions	7	Information on cash contributions for defined benefit pension schemes (to help set our baseline)
2010-15 performance adjustments	8	Service incentive mechanism (SIM) Collected in August 2013 and summer 2014

1 – Water service expenditure by investment purpose

This table asks for the water service expenditure by purpose for 2008-09 until 2014-15. We have provided some sample expenditure purposes in the table, but where these do not cover all expenditure companies can add more.

Block A asks for capital expenditure by purpose. Although we have provided definitions of the sample expenditure purposes we have included, it is up to the companies to decide how costs should be allocated. Where possible, we have provided driver codes from the last price review to help companies make these decisions.

2 – Explanatory variables for the water service

This table contains historic and projected data on most of the explanatory variables we are likely to need for our econometric models. For years set out from 2010-11 to 2014-15, we would like companies to set out their historic and predicted performance against the defined metrics, which describe the scale or volume of company activities.

For some explanatory variables, we require annual performance projections for each year of the period 2010-15. For others, only the actual levels of performance to date are required.

3 – Wastewater service expenditure by investment purpose

This table asks for the wastewater service capital expenditure by purpose for 2008-09 to 2014-15. We have provided some sample expenditure purposes in the table, but where these do not cover all capital expenditure companies can add more.

This table focuses on capital expenditure in blocks A and B, and blocks C to E collect operating expenditure.

4 – Explanatory variables for the wastewater service

This table contains historic and projected data on most of the explanatory variables we are likely to need for our econometric models. For years from 2010-11 to 2014-15, we would like companies to set out their historic and predicted performance against the defined metrics, which describe the scale or volume of company activities.

For some explanatory variables, we require annual performance projections for each year of the period 2010-15. For others, only the actual levels of performance to date are required.

5 – Information relating to transferred private sewers

This table asks for the operating costs and explanatory variables required to apply our cost assessment approach for transferred private sewers for the years 2010-11 to 2014-15.

6 – Large sewage treatment works

This table asks for the costs and explanatory variables required to apply our cost assessment approach for large sewage treatment works for the years 2011-12 and 2012-13.

7 – Defined benefit pensions

This table collects the accounting charge and cash contributions for defined benefit pension schemes. As at previous price reviews, we intend to use cash contributions as a measure of pension costs – and so we need this historic data to adjust the reported operating expenditure figures to reflect cash contributions when updating our cost assessment models.

8 – Service incentive mechanism (SIM)

We will use the SIM performance scores to determine the potential service incentive adjustments to allowed revenues from 2015.

A company's comparative SIM performance in 2011-12 and 2012-13 will be the basis of our draft determinations and we will collect this in August 2013. Performance in 2013-14 will be used to update comparisons for final determinations, and we will tell companies when we will require this information in due course.

We will make comparisons at total SIM score level, averaged over the two or three years.

We will use the component level data in checks that the allowed revenue adjustments arising from this incentive do not make artificial distinctions between companies.

When providing their data companies should follow the published guidance, and explain any areas where their company systems yield data that vary from this guidance.

Appendix 1: Summary of updates since consultation

	Data table	Contents and overview of changes since consultation
Wholesale – water costs	1	**Information on wholesale costs and cost drivers (to help set our baseline)**
	2	Changes to table 1 – data definitions clarified for lines 7, 13, 18 and 19. Line 7 split into two rows for clarity. Line moved to this table from table 3 (line 2). Changes to table 2 – data definitions clarified for lines 1, 2, 3, 4, 5, 12, 15, 16, 20, 21, 23, 26, 27, 29, 30, 32, 33, 34. Years collected changed for lines 9, 13, 14, 22, 27, 30.
Wholesale – sewerage costs	3	**Information on wholesale costs and cost drivers (to help set our baseline)**
	4	Changes to table 3 – data definitions clarified for lines 1, 3, 22, 23, 25, 31, 32–36, 37, 38, 39, 43, 47–49. Line 4 split out into four lines. Line 2 moved to table 1. Years collected changed for lines 43. New lines added 17a, 17b, 44 to 49. Changes to table 4 – data definitions clarified for lines 1–6, 13–19, 20–29, 34–39, 46, 55, 57, 58, 59. Lines 31, 43, 53, 60 deleted. Years collected changed for lines 30, 41-50. New lines added 61–63. Lines 3–6 combined into two lines.
	5	**Information on transferred private sewers (to help set our baseline)** Changes to table 5 – data definitions clarified for lines 10, 23.

	Data table	Contents and overview of changes since consultation
	6	**Information on the costs of large sewage treatment works (to help set our baseline)** Changes to table 6 – data definitions clarified for lines 7, 8, 9, 11. Line 13 deleted.
Retail and wholesale - pension costs and contributions	7	**Defined benefit pensions** This is a new table. This table collects the accounting charge and cash contributions for defined benefit pension schemes. As at previous price reviews, we intend to use cash contributions as a measure of pension costs – and so we need this historic data to adjust the reported operating expenditure figures to reflect cash contributions when updating our cost assessment models.
2010-15 performance adjustments	8	**Service incentive mechanism (SIM)** **Collected in August 2013 and summer 2014** Changes to table 8 (previously numbered table 7) – line 12 has been split into three lines (its component parts).

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