

# Information notice

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## The quality of companies' August data submission

In August 2013 the water and sewerage and water only companies in England and Wales sent us information to help us to prepare for the 2014 price review (their 'August data submission'). In this information notice we explain the:

- quality assurance process that we carried out on this data; and
- the implications if companies provide poor quality data to us in their business plan. In particular, the impact this might have on:
  - how we categorise their plan (our 'risk-based review'); and
  - the impact on our delivery plan for the 2014 price review.

The 2014 price review is our process for setting the price and service packages ('price controls') that each company must deliver over the five years between 2015 and 2020. Each company must send us its business plan for 2015-20 by 2 December 2013.

### Background

In 'IN13/05: August submission data requirements' (published in June 2013) we confirmed our final reporting requirements for companies' August data submission. Each company had

to provide data to us by completing the tables listed in table 1 below. The ten water and sewerage companies needed to complete all the tables and the eight water only companies needed to complete tables 1, 2, 7 and 8.

reasonably robust data to support the modelling of costs.

We excluded companies' service incentive mechanism data (table 8) from this process because it will not be used in our cost assessment models.

**Table 1 List of tables for the August data submission**

Table	Description
1	Wholesale water costs
2	Wholesale water cost drivers
3	Wholesale wastewater costs
4	Wholesale wastewater cost drivers
5	Private sewers
6	Large sewage treatment works
7	Defined benefit pension costs
8	Service incentive mechanism

We are using data from seven of these tables to develop and test models of companies' costs. We intend to use these cost models to inform our assessment of all companies' costs at the 2014 price review.

So, we decided that it would be appropriate for us to carry out a quality assurance process on companies' data to try and make sure that we will be using

### Quality assurance results

In total we made 191 individual queries to companies about the quality of the data. About two-thirds of our queries resulted in companies making data changes. There were 14,000 changes to individual data items, which represents about 10% of the data that all companies submitted.

This is a formal document that alerts our stakeholders to a change in the way that we regulate the water and sewerage sectors in England and Wales.

The most common issues we found with companies' data were:

- incorrect units or price bases;
- data cells incomplete and missing commentaries;
- inconsistencies between companies' August submission data and the data they previously reported to us in their June returns or their regulatory accounts;
- unexplained changes in the base level or trends in data; and
- companies not updating their data to take account of our final definition of retail services or other changes between the draft and final August data reporting requirements. We published our draft requirements in '[Setting price controls for 2015-20 – business planning expectations: A consultation](#)', which we published in April 2013 and our final requirements in '[IN13/05: August submission data requirements](#)'.

Also, we made it an explicit requirement for companies to provide commentary on one aspect of their data submissions, but more than half of the companies failed to provide this commentary.

In table 2 we summarise the quantity of queries we made – and the data changes that resulted – across water and sewerage and water only companies. We provide the highest, lowest and average amounts for both groups.

**Table 2 Summary of queries and data changes by water and sewerage companies and water only companies**

Company	Queries sent	Percentage of queries resulting in data change	Percentage of data changed
<b>Water and sewerage companies</b>			
Lowest	9	44%	2%
Average	15	66%	10%
Highest	22	94%	15%
<b>Water only companies</b>			
Lowest	1	0%	2% <sup>1</sup>
Average	4.5	69%	10%
Highest	19	100%	42%

**Note:**

<sup>1</sup> We made certain corrections to the data before initiating the formal query process, such as checking that data expressed as percentages had been formatted correctly.

**Implications for companies of providing poor quality data**

In '[Setting price controls for 2015-20 – final methodology and expectations for companies' business plans](#)', which we published in July 2013, we confirmed that each company is responsible for the assurance of the data and evidence it provides as part of the price review.

The quality of companies' August submission data suggests that the quality assurance processes that companies have in place at present are not fit for purpose. The business plans that companies will provide in December 2013 require companies to provide 63 tables of supporting information, which is

substantially more than the eight tables provided in the August data submission.

Companies should be aware that if they make significant errors and mistakes in their business plan data, it will affect how we categorise their plan. As a minimum is it is unlikely that we will categorise such plans as 'enhanced' and we may require them to substantially rework their plan.

Issues with companies' data quality in their business plans could also have a substantial effect on our 2014 price review delivery plan. In '[Setting prices for 2015-20 – delivery plan](#)', which we published in September 2013, we

confirmed that we will carry out our risk-based review from December 2013 until the end of March 2014. But if we cannot rely on companies' data in their business plans then it could delay all subsequent activities. This includes our announcement of companies' business plan categories and the timing of our draft and final decisions ('determinations') of their price controls.

### Next steps

As a matter of urgency, we suggest that companies assess the effectiveness of their quality assurance processes. Where necessary companies should put in place substantially improved quality assurance processes to ensure that their business plans are properly supported by robust data.

### Enquiries

If you have any questions about this information notice please send them to [price.review@ofwat.gsi.gov.uk](mailto:price.review@ofwat.gsi.gov.uk).



**Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We are responsible for making sure that the water and sewerage sectors in England and Wales provide consumers with a good quality and efficient service at a fair price.**

## More information

['IN13/05: August submission data requirements'](#), June 2013

['Setting price controls for 2015-20 – final methodology and expectations for companies' business plans'](#), July 2013

['Setting price controls for 2015-20 – business planning expectations: A consultation'](#), April 2013

[Setting prices for 2015-20 – delivery plan](#), September 2013

[2014 price review web pages](#)

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