

Regulatory reporting consultation response
Ofwat, Centre City Tower
7 Hill Street
Birmingham
B5 4UA

22nd June 2016

Dear Ofwat

RE: Regulatory reporting consultation response, June 2016

I write in response to your consultation on regulatory reporting for the 2016-17 year.

Overall we are quite happy with your proposals. We think you need to be little careful about using the APR as a 'catch-all' for any data that you collect. The overall size of the 2017 return will already increase considerably with the addition of the non-financial data that is going to be included in the August 2016 return. The APR is expensive to assure and you need to guard against the tendency for it to grow out of control. We have opted in 2016 to publish our APR with our annual report and statutory financial statements in order to provide clear cross-references in the APR to more detailed explanations and ensure data consistency. Adding further requirements to the APR may make it harder, in future, for us and other companies to prepare a combined report.

Please see below the answers to your specific questions:

Q1 What are your views on the content and format of the proposed tables in Appendix 1?

We have no objections to these tables and anticipate that we will be able to provide the information requested.

Q2 Do you have any views on the revised guidance in RAG1 which is intended to assist completion of pro forma table 4G?

We have no concern with these changes

Q3 RAG2 consists of a mixture of high level principles and detailed guidance for cost reporting;

Q3a Is the balance of principles and rules appropriate?

We think that the balance is appropriate for this kind of guidance. It does not cover every possibility, and nor is it possible to do so. The important principle here is that Ofwat staff are available to assist and guide companies in cases of uncertainty. Our experience is that Ofwat staff usually fulfil this role well.

Q3b Are there areas where more principles should be provided?

There are none that cause us immediate concern.

Q3c Are there areas where more guidance should be provided?

No, but as we have mentioned in previous consultation responses we are concerned about the allocation of costs between water and wastewater. This question is addressed, but not in great detail.

Q4 & Q5 relate to wastewater services and are not answered here (we are a WOC)

Q6 In RAG2 we have set out how imported potable bulk supplies should be treated – do you have any views on this approach?

This is different to what we do now, but we anticipate being able to comply with this in 2016-17

Q7 In RAG3 we have clarified our expectations for reporting transactions with associates and the non-appointed business. Do you have any comments on these?

This does not represent a significant change for us, and we are confident of being able to comply.

Q8 Our intention is to include the metrics for the Financial monitoring framework and site data for the Abstraction Incentive Mechanism (AIM) in the Annual Performance Report. Do you agree with this approach?

This seems like a reasonable place to put this information

Questions relating to future reporting

Q9 Should the Annual Performance Report contain more transparency over metering assets and installation and maintenance costs from 2017?

We do not have a strong view on this. If you think that such information would provide more clarity to the market, we should be able to provide it.

Q10 Ofwat is working with the sector to develop new charging rules covering activities such as connection charges, infrastructure charges and other contributions from third parties. Should the Annual Performance Report contain more detailed cost information on new connections and other costs associated with these charges?

We have no objection in principle to this idea. However, we query whether the APR is the right place to collect such information. The provision of such information comes with a cost, particularly if it is part of the APR. This cost mainly arises from the costs of assurance. We would like to register a minor concern, as stated at the start of this response, and also applying to our answer to Q9. There is a danger of endless information being added to the APR, and turning it into a huge (June Return) production.

Yours sincerely,

Tim Charlesworth
Head of Economic Regulation
Affinity Water