



Ofwat's consultation on regulatory reporting for the 2016-17 reporting year

1. Introduction

- 1.1 The Consumer Council for Water (CCWater) is the statutory consumer organisation representing water and sewerage consumers in England and Wales. CCWater has four regional committees in England and a committee for Wales.
- 1.2 We welcome the opportunity to comment on Ofwat's consultation on proposed regulatory reporting for 2016-17. The consultation looks at common cost and income information from water companies. We consider this to be important as it allows customers and stakeholders, as well as Ofwat, to compare the performance of individual companies relative to the rest of the sector.
- 1.3 We have not responded to the consultation questions relating to the reporting tables or technical accounting requirements. Water companies are better placed to comment on how the required cost data can be gathered and reported. Instead, we have responded to the questions relating to the required transparency of this information and what benefits it could give for customers and stakeholders.

2. Response to the consultation questions

- Q3: Regulatory Accounting Guidelines Version 2 (RAG2) consists of a mixture of high level principles and detailed guidance for cost reporting. Is the balance of principles and rules appropriate? Are there areas where more principles should be provided? Are there areas where more guidance should be provided?**

We support Ofwat's principle of ensuring that there is consistency in reporting across all companies, as this should help ensure that information on company costs to inform price setting can be looked at with confidence by stakeholders. While some companies may propose more innovative ways of separating and reporting data, we think the benefit of consistent reporting using the same methodology justifies Ofwat's approach.

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

Ofwat is considering collecting more disaggregated information from wholesale companies on the installation and capital costs of meters, and associated maintenance costs for these assets. We agree that increasing the transparency of such costs could give clarity on how well wholesalers (or accredited entries acting for wholesalers) are managing these assets in the context of the non-household retail market from 2017.

This may reveal how well wholesalers are working with retailers to meet customer and retailer requirements for new or improved metering assets, and how efficiently this is being delivered. On this basis, we support this added transparency, but note that it will not come into effect until 2017-18 at the earliest.

- 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 note that Ofwat has already introduced some transparency of costs associated with income generated from these activities in the 2015-16 Annual Performance Report. Additional detailed reporting could give further transparency and give a more accurate picture of actual income compared to PR14 assumptions, as well as further information to enable Ofwat to assess the basis of wholesale companies' charges relating to these activities.

We support this proposal as greater transparency could lead to benefit for customers through:

- a better understanding of costs/income compared to wholesalers' charges (or inform a challenge to a wholesaler if this reveals any issues); and
- inform the setting of price controls based on efficient costs in the future.

Enquiries

Enquiries about this consultation response and requests for further information should be addressed to:

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