

RAG changes following August 2016 consultation

Proposed changes to text

RAG	Description	Paragraph affected
RAG1	Background explanation updated.	1.1, 1.4, 2.1.4
RAG2	Further explanation provided as to when the borehole pumping allocation rules should be applied.	Appendix 1
RAG3	Accounting treatment of grants and contributions clarified.	1.2.2
RAG3	New requirement for return on regulated equity (RORE) commentary.	3.1.1, 3.14.1
RAG3	Cross reference to table 4B amended.	4.2.1
RAG4	Water resources; <ul style="list-style-type: none"> • Description; treatment of 'transfer licences' clarified, • Description; classification of assets between different water resource locations clarified, 	Chapter 2

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	<ul style="list-style-type: none"> • Boundary points; reference to 'pumped systems' and 'gravity-fed systems' removed and further clarification provided under 'assets', • Boundary points; more clarity provided for pre-treatment activities, • Assets; 15 days storage rule for reservoirs added, • Assets; clarification regarding the water resource asset type rather than site, • Assets; clarification of 'pipework' between water resources assets, • Assets; inclusion of 'the asset used to control the volume of abstraction'. 	
RAG4	<p>Raw water transport;</p> <ul style="list-style-type: none"> • Description; reworded to allow for changes in the water resources activities, • Boundary points; 'pre-treated' has replaced 'partially treated', • Boundary points; clarification on the 'end' of the process, • Assets; ambiguity removed. 	Chapter 2
RAG4	<p>Raw water storage;</p> <ul style="list-style-type: none"> • Description; reworded to allow for changes in the water resources activities, • Description; cross reference to appendix 2 added, • Boundary points; 'pre-treated' has replaced 'partially treated', • Boundary points; clarification on the 'end' of the process, • Assets; 15 days storage rule for reservoirs added. 	Chapter 2
RAG4	<p>Network + water treatment and treated water distribution;</p> <ul style="list-style-type: none"> • Unit cost description; reference to metered distribution input deleted. 	Chapter 2
RAG4	<p>Network+ wastewater treatment;</p>	Chapter 2

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	<ul style="list-style-type: none"> Reference to appendices for sludge updated. 	
RAG4	<p>Sludge;</p> <ul style="list-style-type: none"> Measurement assets and cake pads now added to asset list in sludge upstream services, Reference to energy generation added to sludge treatment process description, Reference to appendices for sludge updated. 	Chapter 2
RAG4	Appendix 2 revised to reflect changes to water resource boundaries noted earlier in RAG4.	Appendix 2

Proposed changes to tables (RAG3) and definitions (RAG4)

RAG	Table changes	Line definition changes
1A		Line 5; definition clarified.
1D	Line 3; 'depreciation' replaced with 'amortisation' for intangible assets in line with latest UK Generally Accepted Accounting Practice (UKGAAP) terminology.	
1E	Line 13 'Weighted average years to maturity' added to the table.	<p>Line 1 – added text 'Where there is a difference between the figures in Table 1C and table 1E a reconciliation of the differences should be provided.'</p> <p>Line 11 – definition clarified to include 'The nominal interest rate on index linked debt should include inflation accretion'.</p> <p>Line 13 – definition added.</p>
2A	Columns are in accordance with the new price control units i.e. Water is further split between Water resources and Water Network+; Wastewater is further split between Wastewater Network+ and Sludge.	<p>Line definitions that refer to four price controls have been replaced with price control units.</p> <p>Line 4 – cross reference corrected.</p>

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	Line 5; 'depreciation' replaced with 'amortisation' for intangible assets in line with latest UKGAAP terminology.	
2B	Line 6 – Line description changed from 'Local authority' to 'Local authority and Cumulo rates'.	Line 6 – Line description changed from 'Local authority' to 'Local authority and Cumulo rates'. Line 9 – cross reference corrected.
2C	'Depreciation' now broken into 2 distinct lines; <ul style="list-style-type: none"> • Depreciation - tangible fixed assets. • Amortisation - intangible fixed assets. Line 11; 'depreciation' replaced with 'amortisation' for intangible assets in line with latest UKGAAP terminology.	'Depreciation' definitions now broken into 2 distinct lines; <ul style="list-style-type: none"> • Depreciation - tangible fixed assets. • Amortisation - intangible fixed assets.
2D		Lines 5, 9,11, 14 - formula correction. Line 13; drafting error 'third party services' replace 'principal services'.
2E		Column definitions, introductory paragraph added. Line 7 – clarified definition.

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		<p>Line 12 - formula correction.</p> <p>Line 13 – clarified definition.</p> <p>Line 17 - formula correction.</p>
2I	<p>Sub heading 'Principal services – non-price control' added in before line 17.</p> <p>Line 24 - new line inserted for 'Adjustment for WRFIM'. Subsequent lines re-numbered.</p>	<p>Line 15; new line description added to deal with previously made split between water and wastewater.</p>
3A	<p>Added "Unit" and "Decimal places" column. Consequently updated the numeration of the columns.</p> <p>Changed columns 3A.8, 10 and 12 from "(£m absolute value)" to "(£m)".</p>	<p>Added "(empty)" to columns 3A.6, 7, 8, 9, 10 and 11.</p> <p>Changed columns 3A.8, 10 and 12 from "£million absolute value" to "£million 4 decimal places, rounded" and specified "Rewards must be entered as a positive number, penalties as a negative number."</p>
3B	<p>Removed column 3B.2. Consequently updated the numeration of the columns.</p> <p>Added column 3B.5 "Decimal places".</p>	<p>Added line definition for column 3B.5.</p> <p>Added "(empty)" to column 3B.7.</p>

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3D	New table; "SIM score table".	New definitions.
4A	Removed lines relating to 'Number of households billed' because these are already collected in table 2F.	Line references corrected.
4D	Line 6 – Line description changed from 'Local authority' to 'Local authority and Cumulo rates'.	Line 6 – Line description changed from 'Local authority' to 'Local authority and Cumulo rates'.
4E	Line 6 – Line description changed from 'Local authority' to 'Local authority and Cumulo rates'.	Line 6 – Line description changed from 'Local authority' to 'Local authority and Cumulo rates'. Line 9 – formula correction.
4F	Table 4F now correctly aligned with table 2C Line 10; 'depreciation' replaced with 'amortisation' for intangible assets in line with latest UKGAAP terminology.	Line references corrected as now aligned with table 2C.
4G		Line 2 – cross reference corrected. Line 3 – cross reference to RAG1 slightly amended. Line 4 – cross reference corrected.

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4H		<p>Line 5 - amendments made to clarify the reporting requirements for RORE and a note on the notional gearing level of 62.5% for a scenario where a regulated business ceases to undertake a particular activity.</p> <p>Line 16 – clarification added to include ‘before any adjustments in respect of prior period’.</p>
4I	<p>‘Interest rate swap’ section – we have split the ‘to/from’ lines into separate lines. We have added new lines to identify the gross rather than net position of interest rate swaps. Subsequent lines re-numbered.</p> <p>Line 23 – new line added ‘Other financial derivatives’. Subsequent lines re-numbered.</p>	<p>‘Interest rate swap’ section – we have split the ‘to/from’ lines into separate lines. We have added line definitions for these new lines to identify the gross rather than net position of interest rate swaps. Subsequent lines re-numbered. Calculation references updated for the ‘Total’ lines (i.e. lines 4I.7, 4I.12, 4I.17, 4I.22, 4I.23, and 4I.24).</p> <p>Line 23 – line definition added for ‘Other financial derivatives’. Subsequent lines re-numbered.</p>