

Regulatory reporting consultation response
Ofwat
Centre City Tower
7 Hill Street
Birmingham
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Dear Sir/ Madam

Further consultation on regulatory reporting for the 2016-17 reporting year

On behalf of Dee Valley Water ('the Company'), we appreciate the opportunity to respond to your proposals on the regulatory reporting requirements for the period ended 31 March 2017 ('FY16-17'). The comments below cover the questions outlined on page 4 of your consultation paper.

Consultation queries 1 and 2

We welcome the approach that you have taken towards the development of regulatory reporting in FY16-17, making relatively limited amendments to the prior year reporting and providing additional clarification in respect of certain of the definitions where it was required.

We appreciate the need for development in reporting over time, but believe it is important that the volume of annual amendments is minimized as far as possible. This helps to ensure consistency between both financial years and companies, in the latter case by providing time for any uncertainties over the reporting definitions to be resolved. The approach that you have taken to the FY16-17 reporting strikes a good balance. We have no specific comments on the content or format of the proposed reporting tables.

We also understand the rationale for the elevation of the Water Resource reporting from Section 4 to section 2 of the APR. Whilst a separate Water Resource control is not in place at the moment, the introduction of such a control at PR19 has now been confirmed and it therefore seems sensible to increase the focus on cost and asset allocations into this service in FY16-17.

Consultation query 3

Clearly the allocation into the Water Resources and Network + services needs to be supported by unambiguous definitions of the service boundaries. Whilst the location of these boundaries is outside of the scope of this consultation, we welcome your efforts to enhance the definitions of each service boundary, and to provide a worked asset allocation example.

This additional clarification is helpful and should provide sufficient detail to enable the completion of the relevant APR tables.

Consultation query 5

The impact of changes to the Water Resource boundary definition require further consideration in advance of the FY16-17 year-end. However, following discussions in our targeted review meeting concerning the allocation of costs associated with our borehole, we did review and update the allocation approach for this site in our FY15-16 reporting.

As the allocation of this and other assets was reviewed at the FY15-16 year-end, our expectation is that the changes proposed in FY16-17 (many of which originated from the targeted review process) should not have a significant impact on the Company.

Consultation query 6

Whilst the introduction of a de minimus threshold for use in the allocation of raw water transport between Water Resources and Raw Water Distribution may not be appropriate for every site, defining a threshold (based on length of pipe, as suggested) would at least provide clarity and guarantee consistency in the allocation of transport costs across the sector.

Given this, we would support the introduction of such a threshold. If there is wider industry support for this approach, we would be happy to apply the industry consensus on the value of the threshold.

Yours Faithfully,



Ian Plenderleith
Chief Executive