

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

Response from Northumbrian Water Limited

Thank you for the opportunity to comment on further proposed changes to regulatory reporting for the 2016-17 reporting year.

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

The changes proposed appear reasonable. We believe that there are a small number of minor drafting errors in the proposed Regulatory Accounting Guideline (RAG) 4.06 and Excel proforma, as follows:

- 2D.13 the line definition in RAG4.06 should read 'third party services' rather than 'principal services';
- 2I.14 the Excel proforma includes two rows allowing a water and wastewater split of bulk supply revenue, in line with the intention stated on page 21 of the consultation, but RAG4 has not been updated accordingly; and
- 4A the line referencing is inconsistent between RAG4.06 and the Excel proforma.

Q2 Do you have any comments on our proposal to elevate the reporting for water resources and bioresources from section 4 of the APR to section 2?

As this cost information will support the setting of separate price controls for water resources and bioresources at the next price review, it is important that this information is reported consistently across the sector. We support the elevation of reporting for these activities to section 2 of the Annual Performance Report (APR), bringing it within scope of the external auditor's report.

Q3 Do the definitions for the water resources activities in RAG4 provide sufficient detail for you to complete pro forma tables 2A, 2B, 2D, 4D and 4E?

Yes.

Q4 Do the definitions for the bioresources activities in RAG4 provide sufficient detail for you to complete pro forma tables 2A, 2B, 2D, 4D and 4E?

Yes.

Q5 Please could you provide an estimate of the impact, for the changes that we have proposed to the boundary definitions for both water resources and bioresources at RAG4?

We are satisfied that the boundary definitions are consistent with how we reported costs in our 2015-16 APR and that the changes will have no significant impact.

Q6 [In respect of allocating raw water transport activity between water resources and water treatment] ... Do you consider that a de minimis threshold should be introduced? If yes, what should value of that threshold be?

We do not believe that any further change is required to the definitions in the revised RAGs.

Northumbrian Water
13 September 2016