

Regulatory Reporting Consultation Response  
Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham  
B5 4UA

19 July 2017

Dear Sirs,

### **Consultation on regulatory reporting for the 2017-18 reporting year**

We support the vision of open and transparent data which is outlined in this consultation. We agree that companies should own this obligation and be accountable to their stakeholders, including Ofwat.

Please find below our responses to the specific questions in this consultation. We have not answered question 9 which relates to small companies, or questions 10-15, which relate to bioresources.

#### **Q1: Appendix 1 contains new tables for; Information on new connections (table 2J) and information on cost assessment (tables 4J to 4W).**

##### **a) Do you agree with expanding the APR with more tables to capture more granular cost data?**

It seems reasonable to include table 2J in the APR as this has been a cause for concern for developers for a while. It also seems reasonable to include table 4J as this shows costs in the normal course of business and highlights atypical expenditure - this would directly link to exceptional items in the statutory accounts. The additional information in tables 4L to 4W is very detailed and will only be relevant to specific stakeholders. We agree that the information is required and should be published but would argue that this should be published in a separate document on our website and should not be included in the APR.

##### **b) Do you agree costs should be captured through a controlled process?**

It is reasonable that the costs should be collected by Ofwat in a consistent manner across the industry.

##### **c) Do we have sufficient guidance and definitions for the additional line items provided?**

Please can Ofwat confirm exactly what would constitute “Renewals expensed in the year (Non-infrastructure)”, and what they are expecting to see in this line? This is not a term the business is familiar with (within table 4J). We are happy with the content in the other tables.

##### **d) What line items need further definition?**

We would be able to provide the information for table 2J; the definitions appear reasonable. The remaining tables also appear reasonable and in line with the cost assessment tables populated this year.

**Q2: What are your views on the proposed changes to the existing tables in Appendix 1?**

**a) Tax and non-appointed revenue (table 1A)**

Tax: We do not think it is necessary to show this on the face of the income statement in Table 1A. The prior year adjustments are shown in the tax reconciliation in Section 4 of the APR and table 1A simply shows the results for the year at a very high level.

Non-appointed revenue: The proposed changes do not impact water only companies and are therefore not applicable to Affinity Water.

**b) Totex analysis (table 2B, 4D and 4E)**

With respect to table 2B and 4D - please can Ofwat confirm exactly what would constitute "Renewals expensed in the year (Non-infrastructure)", and what they are expecting to see in this line? This is not a term the business is familiar with.

**c) Other minor changes**

We have no issues with the other minor changes, including the changes to table 4C (customer share of cumulative totex over/underspend), split of depreciation in table 4F and changes to the contributions split.

**Q3: Do you agree that there will be some residual non-household retail activities (for example, developer services and meter reading) for an incumbent that exits the non-household retail market?**

Yes, there will still be non-household activity for developer services and meter reading. There will be both costs and income as we sell our meter reads to the non-household retailer.

**Q4: Do we have sufficient guidance around cost allocations between business units?**

We agree that there is sufficient guidance in the current RAGs to allocate costs between the business units.

**Q5: Do we have sufficiently defined boundaries for water resources and Bioresources?**

Boundary definitions provided by Ofwat are deemed sufficient for water resources.

**Q6: Have we provided sufficient guidance for Average Pumping Head in table 4P (wholesale water non-financial data)?**

Yes, we are quite clear on these calculations

**Q7: Should companies accrue for future ODI revenue rewards/ penalties?**

Discussions at the Water UK meetings seemed to favour non-adjustment based on current US standards of accounting for regulated activities and we would agree. We report internally the ODI penalties but are happy with the approach that these are accounted for at the end of the AMP.

**Q8: Do you have any comments on our proposed shadow reporting of leakage, supply interruptions and sewer flooding according to the new consistent reporting guidance?**

We support the proposals for shadow reporting of the new leakage calculation which will improve consistency of reporting between companies whilst making transparent any mathematical discontinuity that is caused to the previous well established pattern of consistent year on year reporting and auditing of leakage and the water balance.

At Affinity Water, we have adopted a leading role in assessing night use, automated water balance reporting at DMA level and have installed an additional 20,000 Permalogs to increase the speed of detection. This means we are already largely compliant with the new method and we have been working with Water UK to establish a transition timetable to assist other companies to be compliant.

We are discussing how output from our fast logging programme can help other companies.

**Q9: Do you agree with the proposal to raise the small company turnover threshold to £10.2m?**

This is not applicable to Affinity Water but it seems reasonable to align Ofwat reporting requirements with the new thresholds.

**Q10 – 15:**

Not applicable to Affinity Water.

If you have any further questions regarding our response, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "C. Offer", written over a light blue circular stamp.

Christopher Offer  
**Director of Regulation**