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15 March 2018

Dear ,

Information quality

High quality information is vital for trust and confidence in the water sector. It also underpins the 2019 price review (PR19).

It will be essential that business plans and company data are accurate, assured and consistent with our information requirements. Given the importance of data to successful outcome for the 2019 price review, I am writing to you to set out my concern that companies are not placing sufficient priority on the provision of accurate and high quality information to Ofwat.

Companies should already be clear about the importance of high quality information in our approach to economic regulation. The quality of information forms a key part of the company monitoring framework and the 2019 price review. We have said that poor information quality can, in some instances, be sufficient justification on its own to move companies down assurance categories.

Both the company monitoring framework and the initial assessment of business plans in 2018 will take account of the quality of information and what this means for the confidence that we and wider stakeholders can place on the information provided by companies.

The 2017 company monitoring framework (CMF) shows some progress has been made by companies. However, based on recent data collection processes, I am concerned that companies may fall well short of business plan requirements and expectations. This includes market data for bioresources, bioresource RCV allocation and companies' 2017 cost assessment submissions.

While I accept that the cost assessment data was the first capture of data for PR19 cost assessment and that necessarily there will be learning points and clarification of definitions, there are large number of cases where values have changed since the original submission back in July. The table below sets out the details for companies on an anonymised basis. The table does not distinguish between data changes

made to correct company errors and changes to align with clarification of line definitions. The table demonstrates that there have been a large number of data revisions by some companies. This raises concerns over the robustness of the data originally submitted and the assurance processes around it.

Table 1: Number of data point revisions for water and sewage companies and water only companies

Water company	1	2	3	4	5	6	7	8	9	10
WASC	531	470	469	618	342	119	413	152	106	120
WOC	75	162	58	97	103	92	140			

The recent data collection for bioresource markets, which I am writing to wastewater companies separately, found that seven out of 10 companies failed to provide complete and accurate information. I consider such performance is disappointing – if companies are unable to perform relatively simple data provision accurately, then it suggests that companies may well struggle with requirements for PR19.

As set out in the PR19 methodology, our initial assessment of business plans includes two specific tests on company information, one focusing on companies' track record of producing high quality data and the other on the consistency, accuracy and assurance of companies' PR19 business plan tables. We have consulted and published business plan tables setting out data requirements and companies have had significant opportunity to raise any concerns or questions about the requirements.

It is companies' responsibility to ensure that their information is consistent not only across their submissions but also in comparison with the wider industry. If companies have any outstanding queries about table definitions then these should be submitted as soon as possible.

We expect companies to complete a full set of data tables in-line with the guidance and line definitions for each table. If a company restates previously reported historic data in its business plan, we expect it to clearly highlight and explain this in its commentary. We expect consistency between models and business plan tables, and between data tables. We expect companies' submissions on 3 September 2018 to be complete, accurate and final. We expect companies' assurance processes to ensure their information is consistent and accurate and can be relied upon.

We have also included some validation checks in business plan tables to help companies identify inconsistencies and errors in their submissions. To be clear, any company that submits data with outstanding validation issues as part of their

business plan on 3 September is falling short of our expectations. This will be taken into account in our initial assessment of business plans.

We expect companies to undertake robust assurance processes on the information included in their business plan. Where required this should include independent assurance. When deciding on the level of assurance, companies should take into account the robustness of their previous data submissions and their CMF assurance category.

Today we have published updated data tables, financial model and a further set of query responses. This includes a number of validation checks built into the updated business plan data tables to improve data quality. We will increase the number and coverage of validation checks for the final version we issue on 3 May. The deadline for queries is 31 March. This will allow us to finalise data tables and the financial model on 3 May. Companies should ensure that they undertake adequate assurance on their information before submission by 3 September.

I am concerned about the quality of company data provision and would urge you to take all possible steps to ensure the accuracy and reliability of your data and business plan information for PR19.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Black', written in a cursive style.

David Black
Senior Director