

January 2019

Trust in water

Annual Performance Report Consultation 2018-19

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About this document

This consultation concerns proposed changes to the reporting requirements for the Annual Performance Report (APR). The reporting requirements for the APR are contained in our regulatory accounting guidelines (RAGs). The RAGs are an important regulatory tool. They set out the information companies must collect and publish, and ensures that data is published consistently across the sector. This promotes transparency and allows all stakeholders to understand and challenge companies.

We intend to publish the finalised RAGs in April 2019. These changes will be effective for the 2018-19 reporting year.

This document covers the following areas:

1. Proposals for our reporting requirements for 2018-19, in particular taking into account recent reporting issues, new information requirements for financial flows and for costs and revenues associated with new connections; and,
2. Potential new requirements for 2019-20 onwards.

We invite comments from all stakeholders.

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Responding to this consultation

We would welcome any comments on this document. Please email them to FinanceAndGovernance@ofwat.gsi.gov.uk or post them to:

Regulatory reporting consultation response
Ofwat, Centre City Tower
7 Hill Street
Birmingham
B5 4UA.

The closing date for this consultation is **22 February 2019**. We will publish responses to this consultation on our website at www.ofwat.gov.uk, unless you indicate that you would like your response to remain unpublished. **For responses in respect of question 3 we would be grateful if you could use the template provided in appendix 2.**

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Freedom of Information Act 2000 (FoIA), the General Data Protection Regulation 2016, the Data Protection Act 2018 and the Environmental Information Regulations 2004.

If you would like the information that you provide to be treated as confidential, please be aware that, under the FoIA, there is a statutory ‘Code of Practice’ which deals, among other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on Ofwat.

Consultation questions

We welcome responses from stakeholders to these specific questions and on any of the issues and matters we raise in this document.

Questions relating to 2018-19 reporting

The RAGs and tables referred to below are contained in Appendix 1.

Q1	<p>Transparency of financial flows - Appendix 1 contains our new table 1F;</p> <p>a. Do you agree with the scope of the proposed information items in the new table?</p> <p>b. Is there any information missing from this table which you think should be included in order to achieve transparency and consistency for financial flows reporting?</p> <p>Do any of the line item definitions require further explanation?</p>
Q2	<p>New connections - Appendix 1 contains our new table 2K;</p> <p>a. Do you agree with the scope of the proposed information items in the new table?</p> <p>b. Is there any information missing from this table which you think should be included in order to achieve transparency and consistency for new connections reporting?</p> <p>Do any of the line item definitions require further explanation?</p>
Q3	<p>What are your views on the proposed changes to the existing tables in Appendix 1?¹</p>
Q4	<p>What are your views on the issues highlighted in section 3 ‘Future developments in performance reporting’? Are there any other issues which we should consider? We are particularly interested in your views on the impact of additional price control units (section 3.2).</p>

¹ Appendix 2 provides a template to respond to this question.

Q5	What are your views on our preference to require all costs associated with the 'Traffic management act' to be reported (section 6)?
Q6	What are your views on our additional asset type descriptions for Water resources which recognise 'desalination' and 'effluent reuse' abstraction assets (section 7)?

Timeline

The following table sets out our recent meetings and publications which have had an impact on the changes to the RAGs in this consultation. After the conclusion of this consultation we will consider the responses and then publish a finalised version of the RAGs.

Timeline	
8 February 2018	Regulatory accounts working group (RAWG) meeting.
3 April 2018	OFWAT publishes IN 18/07: Expectations for monopoly company annual performance reporting 2017-18
3 April 2018	OFWAT publishes IN 18/08: Expectations for companies reporting of financial flows for 2017-18
3 July 2018	OFWAT publishes Putting the sector back in balance - summary of Ofwat's decision on issues for PR19 business plans
10 January 2019	OFWAT publishes RAG consultation (6 week consultation period)
22 February 2019	RAG consultation closes
22 March 2019	Publish: <ul style="list-style-type: none"> • Information notice, • summary of changes made to proposed RAGs; and, • finalised RAGs for 2018-19 reporting year.
15 July 2019	Deadline for companies to publish annual performance report for year ended 31 March 2019.

1. Introduction

Water companies deliver vital services that are essential for public health, the environment and the economy and a well-functioning society. Our goal is a thriving water sector that holds the trust and confidence of customers and wider society and recognises the importance of focusing on delivering in the interests of customers. Building and maintaining that trust and confidence requires water companies to be accountable to their customers and stakeholders and to demonstrate their accountability by showing how they are delivering for them. We expect companies to report on their performance directly to customers and other stakeholders (including Ofwat) and engage effectively with their customers to find out what they want to see.

Useful, timely and accurate information about company performance is essential in ensuring companies can be held to account. Information that is easy to understand and navigate provides transparency, which allows stakeholders to understand how a company is performing, how it is run and how it makes decisions on how it will deliver resilient services in the long term.

It is for each company to decide how they report their performance and we would expect companies to continue to challenge themselves to improve their performance reporting. Nonetheless, consistency of reporting is also important: consistency in the collection, reporting and publishing of financial and non-financial data by water companies better allows customers and other stakeholders to compare the performance of water companies and hence to understand and challenge that performance.

We therefore require all companies to publish an Annual Performance Report (APR) and we set out specific mandatory requirements for the form and content of the information within it. We expect each company's APR to explain its performance. We have also set requirements about the assurance companies should provide about the information they report, via our Company Monitoring Framework.

The Regulatory Accounting Guidelines (RAGs) set out our expectations for the content and form of information in the APRs, including the treatment of particular items (for example, revenue and interest) where Ofwat disclosure and accounting requirements differ from those normally required under UK accounting standards and applicable legislation. We then use the information in the APR to monitor performance and to inform future policy in relation to the regulated activities.

The RAGs can change from time to time to reflect developments affecting the industry. We have typically updated the RAGs annually in time for companies to implement necessary data gathering and reporting changes ahead of annual reporting.

Among other developments, the changes we are proposing this year reflect new requirements for companies to provide greater transparency about the financial returns to their equity holders as well as the recent conclusions of our work to simplify companies' licences. These recent developments have prompted us to consult on RAGs changes later than would usually be the case. However, subject to consultation responses, we still intend to conclude the revised RAGs in time to take effect for the 2018-19 reporting year.

This consultation seeks stakeholders' views on proposed changes to the RAGs and highlights potential changes to take effect in future years.

2. Our proposals for 2018-19

2.1 Transparency of financial flows

Following the submission of the pilot data in 2017-18, we are proposing to incorporate table 1F into the APR. This data provides greater transparency and clarity about the financial returns to the company's equity holders each year. A more detailed explanation is contained in section 4.

2.2 New connections – infrastructure

We are proposing a new table 2K 'Network Infrastructure reinforcements reconciliation' where companies will be asked to provide a commentary on the balance of costs and revenue. This is explained in more detail in section 5.

2.3 Cost assessment data

We first collected data in our cost assessment tables in 2017-18. We have made amendments as a result of observation from the companies, these are predominantly corrections to cross references and omissions. We have also updated the APR requirements to ensure alignment, where possible, with the business plan data tables. This is explained in more detail in section 6.

2.4 Water resources

A new appendix 2 to RAG4 has been created to deal with specific technical issues. This is explained in more detail in section 7.

2.5 Interaction between companies' licences and APR requirements

On 18 December 2018 we published our [Conclusions on licence simplification and modification of all instruments of appointment](#) to simplify and modernise various conditions of all appointees' licences. This included replacing Condition F. The replacement Condition F will come into force on 1 March 2019. The old Condition F contained detailed requirements about the construction and presentation of

accounting data. The new Condition F omits that detail as that detail is already set out in RAG 3.11, but sets the purpose and framework for the RAGs and requires compliance by companies with the RAGs.

Within the published RAGs there are some matters which are outside the framework of Condition F. One example of this is information required on outcomes performance. This information is therefore requested under other licence conditions. In order to help users understand the basis on which we require information we therefore propose to include within RAG 3.11 a table setting out the source of the requirement to provide specific information.

2.6 RAG4 clarifications and corrections

Following the publication of the RAGs for the 2017-18 reporting year we have received comments from companies who have encountered difficulty when using the line definitions to complete the APR tables. We have also taken this opportunity to rationalise and improve the logic in some tables. These changes are not significant and we have listed them all in section 9 of this document for completeness.

2.7 Outcomes, performance commitments and outcome delivery incentive data

We made changes to table 3S late in 2017-18 following completion of a joint Ofwat and Water UK targeted review of the consistent reporting guidance on the common performance commitments. We have now set the consistent reporting guidance for the PR19 common performance commitments following extensive engagement with our stakeholders. For 2018-19, we have proposed that further explanation should be provided accompanying table 3S to provide context for the two resilience common performance commitments.

2.8 Dividend and executive pay policies

There are a number of existing reporting requirements in RAG3 relating to dividends and executive pay. During 2018, as part of our 'Putting the sector back in balance' position statement we asked companies to transparently demonstrate how their policies relating to dividends and performance-related executive pay take account of delivery for customers. Subsequently, we launched a review of the Board Leadership, Transparency and Governance (BLTG) principles, where we [consulted](#) on incorporating transparency requirements into the revised principles. We are

expecting to publish our decision on a revised set of principles shortly. We have made some minor changes to RAG 3 to ensure alignment between the reporting requirements and the consulted on revised principles.

2.9 Company direction and performance

In April 2018 we asked companies to produce an annual statement setting out how they are delivering for everybody who depends on their services and how the company has set its aspirations. The BLTG consultation incorporated an expectation for this annual statement in the revised principles. We are expecting to publish our decision on a revised set of principles shortly and at this stage we are not proposing to make any changes to the RAGs.

3. Future developments in performance reporting

3.1 New accounting standard; IFRS 16 - Leasing

There is no impact from this standard until the 2019-20 reporting year. We are not proposing that companies disapply this standard for regulatory purposes. However, this new treatment of finance leases will mean that adaptations will need to be made to our price setting calculations to ensure that companies' remuneration remains comparable.

Our business plans tables for PR19 contained a requirement for information on assets acquired under finance leases, covering 2020-25. We also expect that, for 2019-20 only, companies will be able to explain and quantify the operating costs that would have been recorded as expenditure in the income statement had IFRS16 not been introduced, so that the difference can be explained and compared with the forecasts included in the business plan.

3.2 Table 2A - Impact of additional price control units

We expect that table 2A will be expanded to include the revenues for all of the price control units currently included on this table. Currently only costs are split out for the price control units that will have binding controls set for the period 2020-25 for the first time. This change will enable profits to be published for all of those price control units.

We also intend to revisit the way in which companies should disclose recharges between business units for the joint use of assets. Such transactions should follow the 'principal use' rules which are set out in RAG2. It is important that companies are seen to be properly recognising costs for such assets in order to give confidence to stakeholders that transactions between price control units are consistent with the RAG5 transfer pricing rules. We invite suggestions as to how we might change the current presentation and derivation of these transactions.

3.3 Bioresources trading

Table 1A currently shows revenues for imported sludge which is a non-appointed activity. We intend to expand this analysis to include costs and profits for bioresources. This should provide transparency in order to support the bioresources trading market.

3.4 Impact of Retail non-household exit

At the last RAWG meeting in 2018 a small number of companies suggested that there may be a need for an update of the activities listed under each of the wholesale and retail price controls. We will revisit this area in time for the 2020-21 reporting requirements when we be updating the reporting requirements for the expanded number of price control units.

3.5 Income from 'diversions' activity

At PR14 we allowed diversions income to be recorded as being outside of price controls as some companies had made this assumption in their business plans. We intend to align RAG 4 appendix 1 with our PR19 confirmed approach of treating diversions income as part of the price control.

4. Transparency of financial flows

4.1 Overview

Transparency is a key tool to promote trust and confidence. We want to encourage greater transparency as to how companies report their financial performance and the way that they instil confidence in that information.

We are working towards improving the transparency concerning financial flows to the company's investors. This requires a clear comparison between the actual financial flows to investors under the actual capital structures that companies have adopted and what they would have been under the structure we have used for setting the prices that customers pay. This is particularly the case where companies have adopted a complex highly-leveraged structure compared with the more traditional capital structure assumed in our price determinations.

4.2 Background

In early 2018 a working group, including representatives from a number of companies, developed an appropriate metric, incorporating those elements that have the most significant impact on the financial flows to investors. This metric allows clear comparison between the financial flows under actual capital structures that companies have adopted and the structure we have used in setting the prices that customers pay.

On 3 April 2018 we published [IN 18/08: Expectations for companies reporting of financial flows for 2017-18](#) which contained reporting requirements for companies to complete alongside the 2017-18 APR, although the 2017-18 submission was not formally required to be included in the APR. This requested data for 2017-18 and the two prior reporting periods. Following the submission of the data, the guidance notes were revised to further clarify and explain the information required.

For 2018-19 we propose to incorporate the new 'financial flows' table 1F into the APR.

4.3 Narrative

Companies were also requested to provide a supporting narrative to fully explain and highlight the key features of the analysis for 2017-18 (and the prior periods). This narrative should aid the understanding and interpretation of the data and is a key element in improving transparency. Only a few companies provided any narrative (and some covered only the mechanisms of the calculations).

For 2018-19, we expect all companies to produce a comprehensive narrative to support the financial flows data tables.

5. New connections - Infrastructure

Our [charging rules for new connection services](#) for companies whose areas are wholly or mainly in England (English companies) came into effect on 1 April 2018.

A key change for English companies was the basis on which infrastructure charges are calculated². Under the new arrangements these charges are to be fully reflective of network reinforcement costs resulting from new connections, less any other amounts that the company receives for network reinforcement. To implement this change, we also introduced complementary changes to our Charges Scheme Rules and licence modifications to remove the cap on infrastructure charges previously set out in Licence Condition C.

For companies whose areas are wholly or mainly in Wales, we published [a consultation](#) on charging for new connection services in December 2018 to come into effect on 1 April 2020.

Our new rules for English companies include the redefinition and clarification of the services and costs that developers pay for through infrastructure charges. This is to ensure they are fair and address developers' concerns about being overcharged. The aim of the changes was to make clear what network reinforcement costs companies, whose areas are wholly or mainly in England, can recover through infrastructure charges. We require companies to balance their revenues from infrastructure charges with the costs they are intending to recover over a rolling 5-year cumulative period (starting on 1 April 2018), as far as is reasonably possible. This rule applies at a company-wide basis (rather than a project-by-project basis).

Developers want to see that this rule is being adhered to and to understand how their money is being spent. If there a difference between expenditure and receipts in one year, customers will want to understand the reasons behind it and want assurance that the imbalance will be corrected in future years. We need to monitor companies' compliance with the new rules as a regulator, so we can step in if needed.

² As well as recovering any costs incurred in making connections to a water supply or a public sewer, water companies can also make a charge for the connection to a water supply or a public sewer of premises which have never at any previous time been so connected for domestic purposes (see section 146(2) of the Water Industry Act 1991). These charges are known as "infrastructure charges".

In the past, some stakeholders have attempted to use data in companies' APRs to understand whether companies' charges are appropriate and make comparisons between companies. However, the information companies currently publish is not appropriate for this kind of analysis and has only increased confusion.

We said in our consultation on [New connection charges for the future - England](#) that we would consider how best to address these issues through the APR. We set out our starting point for how this might work and said we would develop our proposals through a dedicated working group.

Our working group comprised a number of water companies and representatives of the Home Builders Association, Home Builders Federation and Fair Water Connections. The group confirmed that transparency through the APR is key to building trust and confidence. Through this collaborative process, we have established the proposals below. These proposals meet the objectives and issues discussed above and enable comparisons between companies by establishing common definitions whilst avoiding undue regulatory burden.

The proposed changes have also been presented and discussed at the RAWG attended by representatives of the water companies.

5.1 Our proposals

In 2017-18 we introduced a new table (2J – Infrastructure Network Reinforcement Costs) which details expenditure on network reinforcement. This expenditure is split between water and wastewater as there are separate infrastructure charges for each. The expenditure is then further analysed into distribution mains, pumping stations, and storage facilities etc, in response to customers' requests to understand how their money is being spent by the companies.

We are now proposing a new table 2K 'Network Infrastructure reinforcements reconciliation'. In this table companies are asked to quantify and provide a commentary in their APR on the balance of costs and revenue each year from 2018-19 onwards. This will be proportionate to the scale of variance each year. Table 1 below demonstrates which years the company is reporting variances between costs and revenues – it is based on a single year in 2018-19, two years in 2019-20 building up to a rolling five year comparison commencing 2022-23. There are likely to be greater variances in the earlier years as the new charging rules are implemented and transitional arrangements are made. The new rules for the calculation of the infrastructure charges came into effect on 1 April 2018 so 2018-19 will be the first

reporting year for which both revenue and expenditure will reported on a consistent basis.

Table 1 Proposed monitoring and reporting of infrastructure charges

Reporting year	Cumulative variances between costs and revenues							APR review	Cumulative period
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		
2019	X							High level	1 year only
2020	X	X							2 years
2021	X	X	X						3 years
2022	X	X	X	X					4 years
2023	X	X	X	X	X			Detailed	5 years
2024		X	X	X	X	X			Rolling 5 years thereafter
2025			X	X	X	X	X		

6. Cost assessment data

The cost assessment tables were first included in the APR for the 2017-18 reporting year. These tables were built on our 2016 Information Request and their development has been an iterative process. Since then we have published and consulted on the business plan data tables for PR19.

Our proposed changes to the cost assessment tables for the 2018-19 reporting year reflect:

- corrections to the 2017-18 requirements (such as cross references and requirements that were incorrectly omitted).
- responses to queries from companies on both the 2017-18 APR requirements and the business plan data tables.
- removing references to the June Return Reporting Requirements and including the information in RAG4 directly.
- aligning, where appropriate and possible, the APR requirements with the business plan data table requirements.

In tables 4V and 4W, we ask for the costs associated with the Traffic Management Act. The definition we use is:

Costs associated with the impact of the introduction of permit schemes made pursuant to the Traffic Management Act and excluding penalties or fines incurred by the company.

We have been asked to provide further guidance on what costs companies should include in this line. For example, should only the direct costs of the permits be included? Should the administration or implementation costs (such as the additional costs arising from working under the legislation) be included as well? Or should all the costs associated with the permit as well as the permit itself be included?

We are minded to require that all costs that arise as a result of complying with the legislation should be recorded.

We welcome companies' views on what costs should be included in this category.

7. Water resources

For water resources we have created a separate water resources technical appendix (RAG 4.08 – Appendix 2) covering the water resources **boundary** and the **calculation of water resources yield**. This appendix includes:

- Minor clarification edits to the boundary of water resources section that was originally an annex of RAG 4.07
- A new section on the calculation of water resources yield used to define capacity for the separate water resources control. This builds on the guidance provided in Appendix 5: water resources control of the December 2017 final methodology for PR19.

We have proposed additional asset type descriptions for Water resources – Raw water abstraction. This now recognises **desalination** abstraction assets and **effluent reuse** abstraction assets.

We also propose an additional reporting requirement for **water resources capacity** as described in pro-forma 4P (4P.28). This measure will support the separate water resources control.

8. Summary of changes to RAGs 3 and 4

8.1 Background

This chapter summarises the changes proposed to RAGs 3 and 4 included in this consultation.

8.2 Proposed changes to text

RAG	Issue	Description	Paragraph affected
RAG 3	Revenue reporting	Text modified to accommodate the introduction of a new reporting standard IFRS15.	1.2.2 3.6.1
RAG 3	Licence modifications	References to the licence updated to accommodate the simplified licence structure.	2.1-2.3, and Appendix 3: Basis for requesting information
RAG 3	Executive pay disclosures	Changes to remove overlap with the consulted on BLTG principles.	3.2
RAG 3	Financial flows	Requirement for narrative added	4.6
RAG 3	New connections	Requirement for narrative added	4.7
RAG 3	Small companies	Reporting requirements for small companies have been clarified.	5.1.4 (table 2)
RAG 4	References to the June return	We have eliminated all references to the June return and included additional text where necessary.	All sections
RAG 4	Minor correction	Cross-references have been updated.	Chapter 1, table 4L general guidance
RAG 4	Water treatment works size bands	Definition changed to 'maximum production capacity'.	Chapter 1, table 4P general guidance

RAG	Issue	Description	Paragraph affected
RAG 4	Guidance deleted	Peak factor guidance deleted in line with changes to the lines included in the table.	Chapter 1, table 4Q general guidance
RAG 4	Minor correction	Cross-reference has been updated.	Chapter 1, table 4T general guidance
RAG 4	Guidance expanded	Explanations added for <ul style="list-style-type: none"> Artificial recharge schemes Aquifer storage and recovery (ASR) schemes 	Chapter 1, table 4V general guidance
RAG 4	Water resources	Additional asset type descriptions included for desalination abstraction assets and effluent reuse abstraction assets.	Chapter 2
RAG 4	Income	Reference to 'WSL' updated with 'WSSL'.	Appendix 1
RAG 4	Income	New item included for Infrastructure charges collected by NAVs on behalf of incumbents.	Appendix 1
RAG 4	Water resources	Changes for the water resources boundary and the calculation of water resources yield.	Appendix 2

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

Table	Issue	Description of change	Table changes	Line definition changes
1E	Minor correction	1E.2 should refer to 1C.28 not 1C.27	N	Y

1F	New table	A new table 'Financial flows for the 12 months ended 31 March 20xx and for the price review to date (2012-13 financial year average RPI)' is proposed following extensive consultation and collaboration with companies as part of the 2017-18 reporting process.	Y	Y
2A	Minor correction	2A.3 should refer to 2B.11 not 2B.9 2A.4 should refer to 2D.10 not 2D.8	N	Y
2E	Legal references	References to the Water Act have been removed.	Y	Y
2E	Sewer connection charges	Sewer connection charges included within 2E.11	N	Y
2I	Bulk supply charges	Clarified reference to 'Bulk supply charges' rather than 'all income'.	N	Y
2K	New table	A new table 'New connections reconciliation'	Y	Y
3A 4C	Terminology update	References to 'rewards' changed to 'outperformance payments' and penalties changed to 'underperformance payments'.	Y	Y
3C	Minor correction	Change in units for 3C.4 and 3C.6.	Y	Y
3S	Updates	Updated guidance to cross-reference to detailed descriptions that sit outside of the RAGs and to insert two resilience common performance commitments.	Y	Y
4B, 4G	Minor correction	4B.1 should refer to 2B.24 not 2B.21 4G.2 should refer to 2B.11 not 2B.9	N	Y
4C	Correction	4C.2 is a stand-alone calculation for presentation purposes and does not reflect any calculations in the PR14 reconciliation rule book. Line description clarified along with 4C.1 and 4C.3	Y	Y
4H	New lines	New lines 4H.21-4H.26 for the components of the RORE for the year.	Y	Y
4J	Minor correction	Signage clarification for 4J.25-4J.29	N	Y
4K	Minor correction	Signage clarification for 4K.25-4K.29	N	Y

4L	New lines	New lines; 4L.3, 4L.16-4L.17.	Y	Y
4M	Minor correction	4M.10; Corrected storm tank capacity from 69 l/hd to industry standard of 68l/hd	N	Y
4M	Update	4M.11; Updated definition.	N	Y
4M	Minor correction	4M.4, 4M.14, 4M.15, 4M.24, 4M.28 corrected cross references	N	Y
4M	New line	New line for capex relating to transferred private sewers	Y	Y
4N	Update	Table title updated to 'Functional expenditure'	Y	N
4N	Minor correction	4N.7 cross referenced to 4O.11	N	Y
4N	Minor correction	4N.8 text added	N	Y
4N	Minor correction	Sludge column deleted – previously included in error.	Y	N
4N	Update	4N.12 title updated to 'Functional expenditure'	N	Y
4N	Update	Lines 4N.7 to 4N.14 re-organised to allow flow of data from table 4O in respect of size band 6 STWs.	Y	Y
4O	Update	Functional expenditure lines 4O.11 - 4O.16 reorganised to give a more logical presentation.	Y	Y
4O	Update	Superfluous 'sludge costs' line removed.	Y	Y
4O	Minor correction	4O.19-4O.23 units changed to £'000.	N	Y
4P	New lines	4P.7, 4P.8, 4P.15, 4P.17 for data on saline sources and water reuse schemes.	Y	Y
4P	Minor correction	Various changes to; 4P.13, 4P.16, 4P.17, 4P.21, 4P.22, 4P.24, 4P.	N	Y
4P	New lines	4P.28, 4P.38	Y	Y
4P	Minor correction	Various changes to; 4P.55, 4P.57-59, 4P.60-63, 4P.64, 4P.69, 4P.83-90, 4P.91.	N	Y
4P	Move	4P.63 moved to line 27.	Y	Y
4P	Deletion	4P.64	Y	Y
4P	Correction	Size banding now based on 'maximum production capacity (MPC) rather than 'distribution input' for lines 4P.103-110.	Y	Y
4Q	Update	Clarification for 4P.16, 4P.17, 4P.19	N	Y
4Q	Minor correction	Changes kWh to MWh for; 4Q.24-4Q.26.	N	Y
4Q	Deletion	4Q.27	Y	Y
4Q	New lines	4Q.28 and 4Q.29 for DWI measures	Y	Y

4R	Update	Clarification for 4R.3-4R.4	N	Y
4R	New line	Sludge from non-appointed waste 4R.26	Y	Y
4R	Minor correction	Correction for 4R.27	N	Y
4R	Update	Clarification for 4R.41	N	Y
4S	Minor correction	Changes to 4S.17-4S.24	N	Y
4T	Minor correction	Cross reference to 4R.31 corrected to reference 4R.25.	N	Y
4U	Update	Clarification for 4U.23	N	Y
4V	New column	Column for 'other'.	Y	Y
4V	New lines	New lines added to allow reconciliation to table 4D.	Y	Y
4W	Update	<ul style="list-style-type: none"> • Sludge transport (by method as recorded in table 4R) now added for completeness and to allow reconciliation back to table 4E. • Sludge disposal route columns now align with table 4T. • New lines added to sludge transport and sludge treatment to allow reconciliation back to table 4E. 	Y	Y
4W	Minor correction	4W.41 now refers to 'wastewater'.	N	Y
4W	New column	Columns for 'ADD' and 'total'.	Y	Y

Appendix 1 Proposed regulatory accounting guidelines

No changes are proposed to RAG 1.08, RAG 2.07 or RAG 5.07.

The links below are for the proposed RAGs for the reporting year 2018-19:

[RAG 3.11 Guideline for the format and disclosures for the annual performance report](#)

[RAG 3 pro forma tables \(pdf document\)](#)

[RAG 4.08 Guideline for the format and disclosures for the annual performance report](#)

[RAG 4.08 - Appendix 1 \(Income categorisation\)](#)

[RAG 4.08 - Appendix 2 \(Water resources further guidance\)](#)

[RAG 4.08 - Appendix 3 \(Sludge boundaries\)](#)

[RAG 4.08 - Appendix 4 \(Cumulative totals for enhancement capital expenditure\)](#)

Appendix 2 Template for responses to question 3

Respondents are asked to use the following template when responding to specific table issues as requested under question 3 in the consultation. This may be in Word or Excel format.

Table	Line	Issue

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Phone: 0121 644 7500
Fax: 0121 644 7533
Website: www.ofwat.gov.uk
Email: mailbox@ofwat.gsi.gov.uk

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