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Regulatory reporting consultation response  
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By email: [financeandgovernance@ofwat.gsi.gov.uk](mailto:financeandgovernance@ofwat.gsi.gov.uk)

21 February 2019

Dear Ofwat,

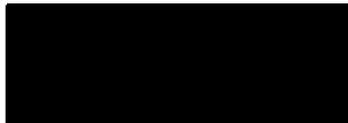
**Ofwat's Annual Performance Report (APR) 2018-19 Consultation**

Thank you for the opportunity to respond to this consultation.

We continue to support the provision of the Annual Performance Report; we view the reporting requirements as complementary to other work we do to inform our customers and stakeholders about our operational and financial performance. Our responses to the consultations questions can be found overleaf.

Please do not hesitate to contact me if you have any further queries on our comments or if we can be of further assistance.

Yours faithfully,



**Iain McGuffog**  
Director of Strategy and Regulation  
Bristol Water

Enc. Wholesale Cost Sources Allocation Call - Friday 13<sup>th</sup> October 2017

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*Q1: Transparency of financial flows - Appendix 1 contains our new table 1F;*

*a. Do you agree with the scope of the proposed information items in the new table?*

A key priority for Bristol Water in recent years has been financial transparency; we therefore welcome the inclusion of this new table and the scope of the proposed information included within it. We agree that it is preferable for this information to be included within the APR rather than as a separate submission, as this should make it easier for interested customers and stakeholders to locate. We think it will be helpful to provide precise guidance, with a worked example, based on any lessons learned from last year, to ensure the guidance can be applied consistently.

*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?*

We have previously supplied supporting working files; however, if elements of the workings are contained in an extended version of the table it may provide greater transparency and consistency for customers and stakeholders.

In addition, in the proforma table the sixth column of data in row 9 is identified as calculated, whereas it was an input cell previously and looks like it should still be an input cell.

*Do any of the line item definitions require further explanation?*

Where values should align with other parts of the APR, Final Determinations or other published data, it would be useful to set this out in the guidance, giving specific details as to the relevant equivalent published data and expected reconciliations. The calculation of the RCV in particular could be set out in detail.

*Q2: New connections - Appendix 1 contains our new table 2K;*

*a. Do you agree with the scope of the proposed information items in the new table?*

The scope of the table is appropriate.

*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? Do any of the line item definitions require further explanation?*

Cross references and validation checks to values which should agree to other data tables would be very useful.

*Q3: What are your views on the proposed changes to the existing tables in Appendix 1?*

As requested, we have formatted our comments in the template table below.

Table	Line	Issue
3A	Heading	A column (column J in last year's excel file) has been changed from 'CPL met?' to 'PCL met'? CPL (Committed Performance Level) was the terminology used within the PR14 final determination so we think it is preferable to retain that for the 18/19 and 19/20 APRs.
3A	SIM	In RAG 4.08 <sup>1</sup> it states that for SIM Ofwat is "not expecting companies to report an earned, accrued or forecast financial outperformance payment or underperformance payment in table 3A". We therefore suggest that the columns for out/underperformance payments for SIM could be 'greyed out' to make clear no inputs are expected.
3S	3S.9	Our view relates to consistency of reporting within the entire table. We welcome the inclusion in this specific line of the requirement to provide supporting information relating to the performance level and certainty grade for this performance commitment. We would however recommend that such comment boxes be included for all performance commitment lines in the table and that this then replaces the requirement, as stated in Rag 4.08 <sup>2</sup> , to submit a separate note on amber/ red assessments.
4H	1, 2, 3, 5, 17, 18, 19, 27, 28 and 29	Can formulae be inserted to the table (so Input cells changed to Calculation cells) where the guidance says the data for those cells is a product of data in other cells / tables?
4H	4H.26	Clarification in RAG 4.08 guidance for line 4H.26 that where it says "Equal to 4H.5" it specifies this validation relates to the AMP to date column.
4L	4L.15	The APR table requires the reporting of expenditure for SEMD purposes, which has been a reporting requirement since the table was introduced. In the comparable business plan tables, WS2 and WS2a, companies were also required to report the line "non-SEMD related security enhancement" (Line 16 and 55 of WS2 and Line 16 of WS2a), which have not previously been required in the APR tables or are not currently proposed in the APR 2018/19 pro-forma. Please confirm whether it is your intention not to collect information on the "non-SEMD related security enhancement" spend category?
4J, 4L, 4P, 4Q and 4V	New lines and lines with new definitions	For the new lines, please confirm whether you expect companies to provide retrospective historical data for the reporting years 2011/12 to 2017/18, as well as the 2018/19 figure?  Similarly, for the lines with updated definitions, where this alters the reported figures, please clarify whether you

<sup>1</sup> RAG 4.08 – Guideline for the table definitions in the annual performance report, page 29, <https://www.ofwat.gov.uk/wp-content/uploads/2019/01/RAG-4.08-Guideline-for-the-table-definitions-in-the-annual-performance-report.pdf>

<sup>2</sup> RAG 4.08 – Guideline for the table definitions in the annual performance report, page 37, <https://www.ofwat.gov.uk/wp-content/uploads/2019/01/RAG-4.08-Guideline-for-the-table-definitions-in-the-annual-performance-report.pdf>

Table	Line	Issue
		expect companies to re-state historical figures in line with the new definition or just report the 2018/19 figure against the updated definition?
4V	4V.7 to 4V.9 and 4V.12	<p>The current proposals are not an exact match between this table and tables 4D and 4J, for example:</p> <ul style="list-style-type: none"> <li>• Table 4V has the new lines “Total functional expenditure” and the existing line “Depreciation”, which Table 4D (and equivalently Table 4J) do not; and</li> <li>• Table 4V has the new lines “Other operating expenditure excluding renewals – direct” and “Other operating expenditure excluding renewals – indirect” in comparison to Table 4D (and equivalently Table 4J) which has a single line “- Other operating expenditure excluding renewals”.</li> </ul> <p>As a result, we would recommend aligning the structure of expenditure lines in Table 4V to those in Table 4D (lines 4D.1 to 4D.11) and equivalently Table 4J (lines 4D.1 to 4D.11). Having consistent lines will make the allocation of expenditure to categories easier to interpret between Table 4V and the Water Resource columns of Table 4D and Table 4J.</p>
4V and 4P	4P.7 and 4P.8  4V: Column “Other”	<p>These proposed changes to introduce new water resource categories, to inform the allocation of total DI by water resource type in Table 4P and to inform the allocation of total water resource costs by water resource type in table 4V, mean that there is a misalignment between the water resource categories that allocate DI (Table 4P) and those that allocate costs (Table 4V). We consider that the current proposals will provide a skewed view of efficiency and will not enable companies to accurately report costs towards the water resource activities, by source type, where they are actually incurred. As a result, we would recommend aligning water resource categories across Table 4P and Table 4V. Our recommendation reiterates our views previously shared with Ofwat in October 2017 (please see our enclosed document for notes of the correspondence) which subsequently led to the alignment of the water resource categories in the reporting requirements for the 2017/18 APR.</p>
4V	4V: Column “Other”	<p>Our view is that the “Other” category should be removed from the reporting requirements (as was the case in the 2017/18 APR). In part this relates to the above issue and in part this is an issue in its own right. It is not clear what costs need to be reported in the “Other” category and so ensuring consistency in reporting across companies is difficult as it is effectively a ‘catch-all’ category for the leftovers.</p>
4P	4P.17  (and 4P.8)	<p>For water reuse schemes, we would be grateful if further clarification be provided over what would fall into this this category. In particular, we would be grateful if you could confirm whether this relates to wastewater from potable water treatment that is recirculated through a treatment works or whether it is final effluent from sewage treatment works.</p>
4P	4P.24	<p>With regards to this line (the total length of raw water abstraction mains and other conveyors), could you please clarify what should be considered as “the first water resource asset” in the definition section of the line.</p>

Table	Line	Issue
4P	4P.29 to 4P.43	<p>The line title for these data lines asks companies to allocate the “total water treated” across their water treatment works according to different categories of treatment complexity. The supporting RAG definition however asks for companies to allocate “distribution input”<sup>3</sup> which is subtly (although quantifiably) different to “total water treated”.</p> <p>We understand that “total water treated” captures the volume of water entering the treatment works, compared to the slightly lower “distribution input” figure, which captures the volume of water leaving the works and therefore accounts for water lost in the treatment process or through site leakage as examples. If we were to report on this we would need clear definitions to report against; we would therefore be grateful for greater clarity over the terms and the reporting requirements for these lines, including which volume of water measure you would like to see allocated in the reporting of these lines.</p>
Various		<p>There were a number of incorrect validation routines in the 2017/18 excel tables which require correction in the 2018/19 version, e.g. Table 4V.8 should have referenced 4V.6, Table 4D.20 identified an error that did not exist and Table 2I.20 identified an error that did not exist.</p>

<sup>3</sup> RAG 4.08 – Guideline for the table definitions in the annual performance report, pages 71-73, <https://www.ofwat.gov.uk/wp-content/uploads/2019/01/RAG-4.08-Guideline-for-the-table-definitions-in-the-annual-performance-report.pdf>



*Q4: 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).*

The key purpose of the APR should be to support comparability to ensure customers and stakeholders benefit from consistent reporting across the sector, and as such we welcome the expansion of table 2A to include the revenues for all the price control units currently included in this table.

*Q5: What are your views on our preference to require all costs associated with the 'Traffic management act' to be reported (section 6)?*

We agree with Ofwat's proposal to include reporting of all costs that arise as a result of compliance with the TMA.

*Q6: What are your views on our additional asset type descriptions for Water resources which recognise 'desalination' and 'effluent reuse' abstraction assets (section 7)?*

Bristol Water does not currently have any assets which would be included in these categories, and as such has no comments to add on this proposal.