



Regulatory reporting consultation response  
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## Annual Performance Report - Consultation 2018/19

Thank you for the opportunity to comment on the Annual Performance Report Consultation for 2018/19.

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?

*Table 1F sets out all the elements needed to reconcile the return to investors under a notional structure and under the actual Company structure, in a normal year. However, if there is an exceptional item in any year, then this should either be reported separately or removed from the analysis completely. Portsmouth Water had an example of this with the sale of the Non-household business.*

- 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 think that it will be the commentary that gives this table the overall clarity and context. Some of the line items are difficult to interpret without an explanation, particularly the lines on Totex and ODI's.*

Do any of the line item definitions require further explanation?

*Having completed the analysis for 2017/18, we think that the line items are now clear. However, there was a lot of confusion at that time about how to calculate the average Regulatory Equity. We calculated the average gearing and applied this to the average published RCV. The wording around this section could be clearer, maybe with an example.*

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?

*We understand the format of the table and the data requested.*

- 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?

*The table compliments Table 2J and clearly needs to be read in conjunction. We do not foresee any issues in completing this table.*

Do any of the line item definitions require further explanation?

*No.*

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

*We have the following comments on the table revisions*

Table	Line	Issue
4C		We are pleased that there is clarification that this table does not reflect the methodology for the PR14 reconciliation. However, it is still unclear what the purpose of this table is and where the term 'shadow' RCV comes from.
4H		Showing the movements in RoRE is largely a duplication of the movements shown in the Financial Flows table. It may be confusing if there isn't consistency between them.
3C		Could you clarify what number means in the table please?

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).

Table 2A – Impact of additional price control units

*It will be a significant piece of work to split the revenue between the price controls.*

Impact of Retail non-household exit

*There are currently some 'stranded' costs which were previously in the Non-household Retail business, which we are now absorbing into the Wholesale Business. These relate to Developer Services and include the staff costs dealing directly with the Developers.*

*Costs relating to non-household meter reading are classified as non-appointed in the Regulatory Accounts.*

Income from 'diversions' activity

*We are concerned that treating the diversion income as part of the price control will impact the level of any WRFIM adjustments in AMP7. This income stream can be extremely variable and has the potential to impact the level of customer bills between years.*

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

*It is difficult to estimate the amount of staff time associated with complying with the legislation. Just reporting the costs of the permits would make it easier to compare these costs between companies. You could consider reporting direct and indirect costs associated with this activity.*

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

*This is not directly applicable for Portsmouth Water as we do not have either of these types of abstraction, but appreciate why this may be collected more widely in the industry.*

We are content that this response is placed in the public domain. If you wish to discuss any of these comments, please contact me.

Regards



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Portsmouth Water