

March 2019

Trust in water

RAG changes following the January 2019 consultation

1. Summary of changes to RAGs 3 and 4

1.1 Background

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

1.2 Changes to text proposed in the consultation version

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 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 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	Issue	Description	Paragraph affected
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

1.3 Further changes to text made between the consultation version and this finalised version

RAG	Issue	Description	Paragraph affected
RAG 3	Introduction	Section 1.1.3 was a repeat of section 1.1.2. Text has now been simplified.	1.1.2 and 1.1.3
RAG 3	Accounting statements	Deadline for submission of annual performance report clarified.	2.2.2
RAG 3	Disclosures	In the requirement to make the disclosures we replace “companies should..” with “companies shall,,”.	3.1.1
RAG 3	Disclosures	A statement rather than a note is required which describes the link between directors’ pay and standards of performance.	3.1.1
RAG 3	Long term viability statement	Footnote added to refer to our information note IN 18/04.	3.13.1
RAG 3	Wholesale revenue control reconciliation	Commencement date of the competitive retail market reference updated.	4.4.3
RAG 3	Current tax reconciliation	“or” replaces comma in the last sentence.	4.5.2
RAG 3	New connections	The variance is calculated over a rolling five-year period, as set out in the definition of terms in RAG4.	4.7.1
RAG 3	RAG5 transactions to be disclosed	Replace “associate” with “associated”.	6.2.4
RAG 3	Transfer pricing templates	Replace “service provided by” with “service provided by” in third table heading.	6.3.1
RAG4	Non-infrastructure assets	The definition of ‘other assets’ has been reworded to avoid confusion.	Chapter 4
RAG4	Opening sentence	Reference to licence conditions has been corrected.	Appendix 3

1.4 Changes to tables (RAG3) and definitions (RAG4) proposed in the consultation version

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 Addition of units and amendment to presentation of calculations in line definitions.	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

Table	Issue	Description of change	Table changes	Line definition changes
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
4O	Update	Functional expenditure lines 4O.11 - 4O.16 reorganised to give a more logical presentation.	Y	Y
4O	Update	Additional guidance rationalised and cross referenced to RAG2.	N	Y
4O	Minor correction	4O.19-4O.23 units changed to £'000.	N	Y
4P	Correction	Size banding now based on 'maximum production capacity (MPC) rather than 'distribution input' for lines 4P.103-110.	Y	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	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	N
4V	New lines	New lines added to allow reconciliation to table 4D.	Y	Y
4W	Update	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 'AAD' and 'total'.	Y	N

1.5 Changes to tables (RAG3) and definitions (RAG4) that were proposed in the consultation version but not listed in the table of changes in section 8.3 of the consultation document

Table	Issue	Description of change	Table changes	Line definition changes
1A	Update	1A.15 – change from ‘paid’ to ‘declared’	N	Y
1E	Update	1E.9 and 1E.13. Revised wording.	N	Y
1E	Update	1E.11 and 1E.12. Commentary requirement moved to para 4.6 of RAG 3	N	Y
3A	Terminology update	3A.7 and 3A.8. References to ‘Committed Performance Level (CPL)’ changed to ‘Performance Commitment Level (PCL)’	Y	Y
3D	Minor correction	3D.6 and 3D.7. To ensure greater accuracy and consistency of reporting.	N	Y
4M	Update Minor correction New line	Table 4M restructured to include new expenditure categories with subsequent impacts on cross references. Changes include updated definition to 4M.11, updated cross references to 4M.4, 4M.14, 4M.15, 4M.24, 4M.28 and new line for capex relating to transferred private sewers.	Y	Y
4N	Update Minor correction	Table 4N restructured to include references to ‘Functional expenditure’ and cross references to table 4O. Sludge column deleted – previously included in error. Lines 4N.8 to 4N.14 re-organised to allow flow of data from table 4O in respect of size band 6 STWs.	Y	Y
4P	New lines Minor correction Move Deletion Update	Table 4P restructured to include new lines and various other changes to the table. New lines 4P.7, 4P.8, 4P.15, 4P.17 for data on saline sources and water reuse schemes; 4P.27 for total length of raw and pre-treated (non-potable) water transport mains and 4P.28 for data on water resources capacity (measured using water resources yield).	Y	Y

Table	Issue	Description of change	Table changes	Line definition changes
		<p>Various changes to; 4P.13, 4P.16, 4P.17, 4P.21, 4P.22, 4P.24</p> <p>Various changes to; 4P.55, 4P.57-59, 4P.60-63, 4P.64, 4P.69, 4P.83-90, 4P.91.</p> <p>Moved 4P.63 to line 27.</p> <p>Deleted 4P.64</p> <p>Updated clarification for 4P.16, 4P.17, 4P.19</p> <p>Updated 4P.72. The cross reference to a June return diagram has been replaced with new guidance in RAG 4.</p>		
4Q	Terminology update	References to 'Households' changed to 'Residential' and 'Non-households' changed to 'Business properties'.	Y	Y

1.6 Further changes to tables (RAG3) and definitions (RAG4) text made between the consultation version and this finalised version

Table	Issue	Description of change	Table changes	Line definition changes
1A	Update	1A.5 is clarified to state that 'Amortised credits should be recorded in this line where recognition of the asset is spread over a number of years.'	N	Y
1E	Guidance update	1E.1 Guidance clarification added: 'Where borrowings have been swapped, the principal outstanding should be assigned to categories based on the nature of the payable leg of the swap (e.g. a loan swapped from fixed to floating should be categorized as floating).'	N	N
1F	Guidance update	Explanatory bullet points expanded to describe percentage change entries.	N	Y

Table	Issue	Description of change	Table changes	Line definition changes
1F	Minor correction	References to the OFWAT RCV publication have been clarified.	N	Y
1F	Minor correction	1F.17 line definition has been reworded for clarity.	N	Y
1F	Minor correction	1F.19 has incorrect line reference. Should be 'minus line 1F.18'	N	Y
2E	Update	2E.11 line definition updated to include 'inspection and supervision fees' (2.5% of construction costs based on WRC 'Sewers for adoption'.	N	Y
2E	Update	2E.8 and 2E.15 for asset adoptions, is updated to allow data to be entered into column 1 of the table	Y	N
2I	Update	2I.23 and 2I.24 line definitions updated	N	Y
2K	Update	New title	Y	Y
2K	Clarification	2K.1 definition expanded to cross refer to 'total' column in 2E.	N	Y
2K	Clarification	2K.2 definition of discounts expanded and moved from 2K.3 to 2K.2.	N	Y
2K	Correction	"x -1" added to 2K.6 calculation rule to ensure costs are shown as negative.	N	Y
3C	Minor correction	3C.7 has 'MI' in definition but should be 'Nr'.	N	Y
3S	Minor correction	3S.9 and 3S.13 revised definition.	N	Y
3S	New performance commitment	Added block K for shadow reporting of the new PR19 vulnerability common performance commitment. The new rows are: <ul style="list-style-type: none"> • Data block (rows 69-71) • Guidance (rows 118-120) 	Y	Y
4C	Update	4C.1 and 4C.3 line definition updated.	N	Y
4G	Update	4G.6 line definition updated to include 'less any income attributable to the retail business.'	N	Y
4H	Expanded data requirement	An additional column has been added so that 4H.5 is presented on an annual and AMP basis.	Y	Y
4H	Clarification	Line definitions for 4H.21 to 4H.25 have been amended to confirm the treatment of tax and a new line for 'other factors' has been added.	Y	Y

Table	Issue	Description of change	Table changes	Line definition changes
4I	Update	New lines 4I.21, 4I.22, 4I.23, corresponding to additional forward currency contract lines for CAD, AUD, and HKD	Y	Y
4J	Clarification	Table title amended	Y	N
4K	Clarification	Table title amended	Y	N
4L	Minor correction	4L.1 has incorrect line description. Should be 'NEP - Making ecological improvements at abstractions (habitats directive, SSSI, NERC, BAPs)'	N	N
		4L.33 has incorrect line reference. Should be 'Total of lines 4L.1 to 4L.32'.	N	Y
4M	Minor correction	4M.14 has incorrect line reference to line 151. Should be to line 4M.15. 4M.15 has incorrect line reference to line 129. Should be to line 4M.12. 4M.24 has incorrect line reference to line 289. Should be to line 4M.28.	N	Y
4N	Minor correction	4N.9 Definition updated to remove cross reference to line 4N.7	N	Y
4P	Update	4P.24 definition clarified.	N	Y
		4P.45 and 4P.52 Categories of treatment types Table updated	N	Y
		4P.83 inclusion of 'Do not include single property booster pumps'.	N	Y
		4P.103 to 110 revision from MPC back to DI – distribution input	Y	Y
		Band Guidance Table 4P.95 to 4P.110 MI/d column title back to 'Distribution Input'	N	N
4R	Update	4R.7 Removed the word 'collapses' in the line title and definition	Y	Y
		4R.26 Added 'cross-border imports should be excluded' to line definition	N	Y
		4R.27 Definition updated	N	Y
4V	Clarification	Text defining traffic management act costs revised.	N	Y
4W	Clarification	Text defining traffic management act costs revised.	N	Y

Table	Issue	Description of change	Table changes	Line definition changes
All	Bon codes	APR excel file published with Bon codes	Y	N

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