



Rob Lee
Ofwat

Regulation

Name Nicola Cocks
E-Mail [REDACTED]

24 August 2020

Dear Rob,

Consultation on Regulatory Reporting for the 2020-21 reporting year

Thank you for the opportunity to provide feedback on the proposed Regulatory Accounting Guidelines and pro-forma tables for the 2020-21 reporting year. Our detailed feedback is enclosed as follows:

- Appendix 1 – Our response to consultation questions 1 – 22.
- Appendix 2 – Our response to consultation question 1, completed within the requested Ofwat format.

We would highlight the following items within our response:

- Regarding Ofwat’s proposal for amending the publication deadline of the Annual Performance Report (“APR”), our strong preference is for the deadline to remain as 15th July. We believe that any decision to bring forward the deadline may increase the risk of data quality issues and may increase the likelihood of restatements to the APR after publication. We have provided further details on this subject within our response to question 5 in Appendix 1.
- In the proposed RAG 3.12, Ofwat have removed the exemption clause which allowed us to publish our cost assessment tables separately to the APR. We believe that inclusion of all tables (1A – 9A) within the published APR will significantly increase the overall size of the document which may reduce the accessibility of our information for our customers. We have outlined the further implications of this within our response to question 4 in Appendix 1.

Should you have any questions or comments on our response, please do not hesitate to contact either myself or my team. We look forward to working closely with Ofwat in supporting the ongoing development of regulatory reporting through AMP 7.

Yours sincerely,

Nicola Cocks
Regulation Director

Appendix 1

This appendix sets out our response to the consultation questions 1 – 22 on regulatory reporting for the 2020-21 reporting year, as issued in June 2020.

1. What are your views on the proposed changes to the APR tables?

Overall, we agree with the majority of proposed changes, however we have outlined some areas where we require further clarification in our responses to questions 2 – 22, and in Appendix 2.

2. Do you think that the tables allow a comparison of performance to the PR19 business plan tables? Are there areas where this could be improved? Are there areas where we should consider deviating from the business plan formats?

We believe that, in the main, the proposed tables do allow for appropriate comparison of performance to the PR19 business plan tables. However, we have identified the following areas where further clarification is required:

- We note that the current pro forma tables for section 1 are prepared under inconsistent guidance with regards to the treatment of group debt: Table 1C is prepared solely for the appointee i.e. Thames Water Utilities Limited (“TWUL”), whereas the new guidance for tables 4B, 4I (in order to be consistent with 4B) and the net debt figure disclosed within 1E stipulates preparation using the consolidated accounts (TWUL and Thames Water Utilities Finance plc (“TWUF”)). To enable comparability against our PR19 business plan tables (and to provide consistency within the APR itself), we suggest that our section 1 tables (1A, 1B, 1C and 1D – the primary statements) should all be prepared for the appointee together with its financing subsidiary (TWUL and TWUF), on a consolidated basis. This approach would also provide a fairer representation of our funding arrangements and is the view taken by our (debt and equity) investors.
- The pro forma table 2I currently requires wastewater revenue to be split by foul / highway / surface water charges for both measured and unmeasured customers. We note that there was no such split requested in the PR19 data tables for household wastewater revenue and as such, it is unclear why this disaggregation of revenue is required. Please could Ofwat confirm whether it is intended that companies should report our household revenues according to these categories (as implied in the proforma table 2I) or is this only required for non-household reporting?
- The pro forma table 2M currently requires disaggregation of the allowed price control revenue into individual elements for wholesale charges, developer charges (opex and capex) and income offsets. Given that this breakdown is not readily available in the Final Determination, we consider it more appropriate (and understandable for customers) that the revenue reconciliation table includes a single line for ‘amount assumed in wholesale determination’ in accordance with the format of the AMP 6 revenue reconciliation (previously reported in the AMP 6 table 2I).
- We note that in the pro-forma table 4L, there is not currently a line for us to report expenditure incurred for ‘meeting lead standards’ as was previously included in line 6 of the PR19 table WS2. Please could Ofwat include a new line for ‘meeting lead standards’ in the AMP 7 tables to enable consistency with PR19?

- 3. Do you think that the transactions between price control units, in particular for the sludge liquors which Network+ treats on behalf of Bioresources, are sufficiently transparent? If not, please give examples as to how this could be improved.**

We believe that the transactions between price control units are sufficiently transparent.

- 4. Are there any practical presentational issues we should consider e.g. Do any tables have too many lines to publish easily? Do you have any preference for landscape verses portrait format?**

During AMP 6, we were permitted to include a reference/link to our cost assessment tables (formerly known as 4J – 4K) within our published Annual Performance Report. This enabled us to publish our cost assessment tables in an excel format on our website, which is significantly more user friendly given the size of the tables (as these can be difficult to present within a standard A4 published document).

We note that, in the proposed RAG 3.12, Ofwat have removed the exemption clause which allowed us to publish our cost assessment tables separately to the APR, thereby implying that we would no longer be able to publish our tables separately in an excel format. This will cause significant presentational problems, in particular for the proposed tables 4L, 4M, 6A, 6B, 7B and 7D. We recommend that Ofwat resume the option for companies to publish certain sections of the APR separately (we recommend for tables 4J – 9A).

We also note that inclusion of all tables (1A – 9A) within the published APR will significantly increase the overall size of the document which may reduce the accessibility of our information for our customers. Additionally, it may not facilitate publication of the APR within the same document as our Annual Report and Statutory accounts, and could therefore lead to staggered publication of the separate documents. Please can Ofwat provide their views on staggered publication of a separate Annual Performance Report?

Regarding the format of the APR, our general preference would be for landscape orientation, however as noted above, if the option remains to publish certain tables on our website in an excel format, we have no issues with the currently proposed format.

- 5. We are considering moving the 15 July deadline for the APR publication earlier in July so that we can more easily accommodate the in-period determinations. Would it be practical to implement such a change?**

Our strong preference is for the deadline of the APR to remain as 15th July. In previous years, while we have published the majority of our APR deliverables by 30th June, we have chosen to submit several APR deliverables (such as shadow reporting and bioresources information) separately, by 15th July. This is due to time constraints to take these deliverables through appropriate governance and assurance. Any decision to bring forward the 15th July deadline may therefore increase the risk of data quality issues and may increase the likelihood of restatements to the APR after publication.

Given the scope of changes in the reporting requirements for 2020/21, we would also value the option to report our APR separately from our Annual Report and Statutory accounts, by the 15th July.

6. Do you agree that we should embed the ODI performance model within the annual performance reporting tables?

We strongly support the approach to embed the ODI performance model within the APR tables. As we proposed in our PR19 reconciliation rule book response, to ensure consistency, and to avoid manually populating the same set of information multiple times in a different format, it may be helpful to integrate the ODI performance model with the relevant APR performance reporting worksheet. If it is not possible to embed the ODI performance model within the APR tables, then a mapping tool to convert from the APR format to the ODI performance model format could be developed as an alternative.

**7. Do you agree that companies should report performance against the PR19 asset health long list on table 3E?
If so, should information be restricted to water companies and regulators or made publicly available?**

We do not agree with the proposals for pro-forma table 3E for the reporting year 2020/21. We consider that the common performance commitments are sufficient to provide consistency of key reporting metrics across the industry and that a further requirement to report against the PR19 asset health long list may be costly to produce, without clear sight of the purpose for this data.

We understand that in future years, further data may be required to enable PR24, however we would recommend that such reporting should be requested at the time the need is identified, and following consultation from the industry.

If the information is reported, we consider that such information should only be made available to water companies and regulators.

- 8. Developer services are open to competition. Most site-specific services are contestable and can be provided by an undertaker (incumbent company or NAV), self-lay provider (SLP) or (primarily in the case of sewers) developers.**

We are introducing a new table 2N for developer services to measure the level of third-party activity in areas served by incumbent companies. This should enable us to measure that activity in a way that ensures the information is insightful and consistent. It will provide an insight on how competition in developer services is evolving over time.

We have also added granularity for our cost information for growth-related expenditure in tables 4L and 4M. We propose a re-definition of our cost lines to capture the main elements of growth activities, and to capture specific on-site and off-site costs separately.

We welcome comments and views on our proposed approach.

Overall, we agree with the additional reporting requirements presented in the proposed table 2N, however we have raised some requests for clarification on specific line definitions as detailed in Appendix 2. We believe the data tables provide sufficient information to monitor developer services obligations such as trend on the average revenue cap, D-MeX and balancing of infrastructure charges and network reinforcement expenditure.

However, we would recommend that this table should not be included within the proposed section 2, as we do not consider that this table should be subject to audit opinion.

Regarding new definitions for cost lines included within tables 4L and 4M, we have raised queries against specific lines within Appendix 2.

- 9. We currently calculate the reconciliation in table 2K using infrastructure charges before any efficiency discounts. We are aware of some views that this should be changed to use infrastructure charges after discounts. What are your views on this?**

We believe that the current approach of reconciling infrastructure charges before efficiency discounts is appropriate. Given that efficiency discounts are discretionary for companies and are typically used to support the delivery of PCC targets, this method is appropriate to prevent cross-subsidy between developers and end users who ultimately benefit from the lower consumption.

- 10. Is there scope to rationalise the number of areas where we ask for specific assurance?**

We acknowledge that assurance is vital to ensure that the data and information that we publish to our customers and stakeholders is accurate and complete. Following Ofwat's decision to no longer publish the Company Monitoring Framework (CMF) assessments, we have continued to apply the principles of the CMF with regards to our Statement of Reporting Risks, Assurance plans and Data Assurance Summary. However, we value the option proposed by Ofwat to allow flexibility in the design of our assurance activities so that these may be more tailored to our individual company needs, and to minimise the extra burden of increased reporting requirements.

We agree that section 1 of the pro-forma APR should continue to be covered by an external audit opinion. However, there are some tables within section 2 of the APR where other forms of assurance could be sought. For example, pro-forma tables 2B and 2C display a summary of cost information from section 4 tables, which, for Thames Water, are externally assured by agreed upon procedures. It may be sensible for companies to conduct a risk-based analysis over individual data lines, to determine the appropriate assurance required.

We would value the opportunity for a workshop to discuss this topic further with Ofwat and the industry.

11. We currently collect information on property and customer numbers, including voids etc, in various places in the APR. We could move all of this information into a single table – what are your views on this?

Are there any other useful metrics for property and customer numbers which we should specify?

We acknowledge and agree that users of our regulatory accounts will value property and customer information being reported in a single table. However, we note that there are some instances (e.g. for proposed tariff tables 2F – 2H, and the proposed table 2N) where customer / property information is considered alongside other data. Isolation of property and customer numbers within a single table, may limit understanding of the full context of the information reported in those tables.

Further to this, if customer and property numbers are to be included within a single table going forward, please could Ofwat provide BON Code allocation in the new APR tables for all items to enable companies to consolidate and analyse historical APR information. We note that BON Code allocation is available in previous APR tables but has not currently been included in the proforma tables for 2020/21.

12. Table 4U line 23: Total volume of network storage.

We are aware that companies have had difficulties completing this item and are concerned that this may mean there could be inconsistencies across the industry.

How might this definition be improved to avoid ambiguity and improve consistency of reporting?

We do not consider the definition for this line to be ambiguous. However, we note that there is likely to be some inconsistency for the reporting of this line across the industry due to inherent data constraints. As an example, we do not readily have access to the volumes of all storage tanks, and we must therefore apply assumptions to our available data to provide our estimated volumes.

13. Strategic water resources – we have included more granular information on bulk supplies revenues and volumes in our proposed table 4A in order to promote trading activity. Currently, for cost information, we have a single line for third party costs, of which bulk supplies is a constituent. We asked companies to forecast individual costs for new bulk supplies in their PR19 business plans. Is it practical to disclose granular cost information for bulk supplies?

We believe that inclusion of a total line for third party costs relating to bulk supplies would be sufficient information for the end users of the APR, and would therefore recommend that table 4A is simplified to show the revenue, costs and volumetric data for bulk supply imports and exports as a total.

14. Social tariffs – we have proposed additional information to table 2F. Is this sufficient to provide a view of company activities in this area? What additional information should we consider adding to this table?

To provide additional clarity of company activities relating to social tariffs, we would recommend that further information is submitted to Ofwat, alongside the APR, to align with the information request that was submitted by companies at the end of June 2020, which required confirmation of:

- The number of customers on our social tariff
- The average discount received by each customer on our social tariff
- The number of customers contributing to the cross-subsidies funding the social tariff
- The amount of cross-subsidy funded by the company (revenue sacrifice)
- The level of support (obtained from customers through customer engagement) utilised in Business Plans
- The maximum level of support (obtained from customers through customer engagement)

This information would provide additional context regarding each company's social tariffs, including the cross subsidy paid per contributing customer and the cross-subsidy paid by the company per social tariff customer.

It would be our preference for this information to only be made available to Ofwat and other companies.

- 15. We currently have a source type for direct effluent reuse. This is where treated effluent is diverted to network plus price control activities (either via a raw water transport asset, raw water storage asset or to a water treatment works for further treatment and treated water distribution). We define direct reuse as when the effluent does not return to the environment or to the water resources price control activities (abstraction asset before entering the water treatment works).**

Although we consider indirect effluent reuse as being where an effluent discharge is diverted to a location (environment or water company water resource asset) purely for the purposes of abstraction for treatment and treated water distribution, we do not include this currently in the reporting of costs or sources.

Where do you currently report these sources and costs? If we were to introduce an indirect reuse source category do you agree with our definition above?

We have no comments regarding direct effluent reuse.

- 16. In section 8 we have included new data requirements for Bioresources. Should we collect more data to support the Bioresources market?**

We believe that the proposals for data requirements in relation to bioresources allow for greater understanding of the market by WASCs and Ofwat.

We note however that in the pro-forma tables, bioresources market information for contracts is no longer specified as a requirement. Please can Ofwat confirm if this information will still be required for 2020/21? If so, is this to be included within our APR submission?

- 17. We are introducing a new table 9A for the reporting of issues relating to the innovation competition. This is to collect the information required for the 'PR19 Innovation funding reconciliation model' in a format that will also provide stakeholders with relevant information to monitor how the company is performing against its allocated innovation competition fund price control revenue. We propose in section 3.16 of RAG 3.12 that companies provide commentary on its innovation competition spend.**

Do the proposed new table, line definitions and commentary requirements capture the required information to support the reconciliation process? What additional information should we consider adding to this table?

We note the addition of table 9A for the purposes of reporting on the Innovation competition. We agree with the proposed format however, we feel it would be useful to also report cumulative actual expenditure in lines 9A.9 - 9A.12 and 9A.17 - 9A.20 to facilitate reconciliation to the pro-forma table 4C.

18. We propose new reporting requirements for small companies:

- a. Customer-focused performance summary,**
- b. Per capita consumption (PCC),**
- c. Leakage; and,**
- d. Financial security.**

What are your views on these proposals?

We support the proposed new requirements for small companies. The additional requirements will drive improvements in data quality and management by the small water companies, which in turn would help the management and planning of Thames Water.

19. What are your views on how we should collect the information to calculate the bilateral entry adjustment?

We support the second option (to create a new pro-forma for table 5A that would allow for water resources capacity to be disaggregated to water resource zone level).

20. We highlight proposals for Greenhouse gas emission reporting in section 4 ‘Future developments in performance reporting’.

- a) To what extent do you agree or disagree with these proposals and why?**
 - b) Could companies publish annual gross and net greenhouse gas emissions (in tCO₂e) for both water and wastewater? Could this be done for both operational and embedded emissions?**
 - c) In order to aid understanding and to demonstrate progress towards net zero, should there be a further breakdown of this data – for example by source (grid electricity, process emissions, etc) and by type of greenhouse gas?**
- a) We support the proposals for operational greenhouse gas emission reporting. This aligns with our work on public value and our net zero by 2030 goal.

Greenhouse gas emissions reporting is currently shared through our annual integrated report in line with the requirements of BEIS ‘Streamlined Carbon and Energy Reporting’ (SECR) and via an annual ‘Greenhouse Gas Report’, published since 2010 and following Defra guidance. We would recommend Ofwat’s reporting expectations are in line with BEIS’ SECR requirements. Ofwat should take care to ensure that within their guidance, water companies have the freedom to report with a boundary consistent to the BEIS SECR requirements. Our operational carbon data is independently reviewed by PWC to ensure it meets SECR, and it is supported by our ISO 50001 Energy Management System certification.

Enabling consistent reporting across the sector, Thames Water developed the basis for the UKWIR Carbon Accounting Workbook (CAW) and have been an active participant in its use and further development since its adoption. This is independently updated on an annual basis to reflect changes in measurement methodologies and to incorporate the latest data. Therefore, we would strongly support that any data reported within APRs is sourced directly from the CAW to maintain consistent annual reporting across the sector.

To support our challenge related to Net Zero operational emissions by 2030 the CAW will need to further evolve to include emerging carbon reduction opportunities. This will ensure that reporting of net emissions is aligned with the developing sector route map and government guidance.

The net zero carbon 2030 target is for operational emissions only as these represent emissions that can be reduced in absolute and measurable terms.

- b) We confirm that we are able to provide annual gross and net greenhouse gas emissions for both water and wastewater for operational emissions. There will be further work undertaken as a sector to develop the CAW to ensure it continues to meet operational carbon reporting requirements. We are not currently able to provide annual embedded carbon emissions. However, we would support the use of PAS2080 as a common frame of reference and have begun to explore how it can be used to understand and reduce our embodied carbon. The alignment and collaborative approach of this common framework could help product suppliers, designers, constructors, asset owners and government work together over time to identify and unlock more opportunities and innovation for carbon reduction than individual parts of the value chain working in isolation.
- c) We have previously reported our greenhouse gas emissions in our Environmental, Social & Governance report, and since 2010 in our annual report and interim report, directly to Ofwat. We have also included reporting on our renewable generation, and in AMP7 will be reporting our renewable energy produced in a new performance commitment. The combination of this reporting provides a rich granularity, history and transparency of data, and qualitative commentary describing our progress in reducing our emissions to our customers and wider stakeholder groups.

It is common practice (as part of BEIS SECR reporting guidelines and as part of the CAW) to report emissions by scope (scope 1 for direct emissions, scope 2 for electricity, scope 3 for outsourced emissions, and finally net-off and offsets). We recommend that Ofwat should align to this approach, combined with separate reporting of water and wastewater emissions which would give significant granularity and allow progress towards net zero to be demonstrated.

It is common practice (as part of BEIS SECR reporting guidelines and as part of the CAW) to report all greenhouse gas emissions in a single common unit of "carbon dioxide equivalent". We recommend that Ofwat should align to this approach. We are against reporting of individual greenhouse gasses as the global warming potential of each types of greenhouse gas is different and they cannot be directly compared.

It is important to highlight that for English water companies to achieve net zero carbon by 2030, extensive collaboration and support from a wide range of stakeholders including customers, suppliers, regulators and government is required. To provide reporting data at a proportionate level in demonstrating progress to net zero will be a helpful step in order to understand the resources, funding and support required to reach our common goal.

Working together, Ofwat and the water companies have previously developed frameworks for measuring operational carbon. This illustrates the positive steps that can be achieved when responding in collaboration to the issue of greenhouse gas emissions, and the threat of climate change. We hope Ofwat will continue to work with Thames and the Water Industry to support our commitment to achieve Net Zero operational emissions by 2030, and to respond to the Government's target for the UK to reach Net Zero by 2050.

21. We highlight proposals for nature based solutions reporting in section 4 'Future developments in performance reporting'.

- **To what extent do you agree or disagree with these proposals and why?**
- **Which type of nature based solutions do you think should be included in any reporting, and how could they be reported against?**
- **What work do you think is required to establish relevant baselines?**

We acknowledge the proposals set out in section 4 'Future developments in performance reporting' regarding the importance of nature based solutions, to help protect and improve the environment and provide greater public value.

We are keen to support mechanisms that would facilitate delivery of these solutions as part of our planning.

We consider the key barriers to this are: The difficulty of quantifying the multiple benefits of nature based solutions in one planning process with criteria that promote these benefits; higher uncertainty in quantifying benefits leading to solution rejection; and, a longer than 5 year period being required to realise benefits presenting difficulties for funding.

We believe that baselining activities should seek to make use of open data sets already used by regulatory (e.g. Defra) established methods and tools.

We would value the opportunity for a workshop to discuss this topic with Ofwat and the industry.

22. We highlight proposals for household bills reporting in section 4 'Household bills'.

- **To what extent do you agree or disagree with these proposals and why?**
- **What additional information on household bills do you think should be included in the APR?**

We consider that the proposals relating to household bills, currently set out in section 4.4, may not provide further clarity for customers. The information currently presented regarding average bills is sufficient for customers to understand, and company comparison of average bills is presented well through the 'Discover Water' website.

We believe that within the APR, customers may value more information with regards to a 'typical' bill using a set of customer examples, e.g. a metered customer using 120m³ per annum. This information would be more relatable for customers as it would provide a more accurate representation of what they can expect to pay for their water and wastewater services.

Specifically, for point 4.4.1 of the consultation, please could Ofwat provide a pro-forma of the detailed calculation envisioned? Additionally, please can Ofwat confirm whether this calculation is required only for the year end APR (i.e. Relating to actual bill data)?

Regarding point 4.4.2, we strongly disagree with the proposal to present statistical deciles of household bills as this is unlikely to be meaningful for customers. We also note that this would require extensive data analysis which would prove costly, with little/no benefit for customers.

Regarding publication of information about the number of customers in arrears (described in point 4.4.3), we note that further information may be useful for Ofwat and the industry, however, this data will be affected by the individual company's policies for bad debt and therefore unlikely to be directly comparable. We would also argue that this information may not be particularly meaningful for customers and therefore, the APR may not be the correct forum for publication of this information.

Appendix 2:

Table	Line number	TW query
1E / 4B	Interest costs	<p>We note that there are differences in the assumptions for index-linked instruments within tables 1E and 4B as outlined below:</p> <ul style="list-style-type: none"> • 1E.9 Full year equivalent nominal interest cost includes, “RPI and CPI /CPIH should be the latest annualised March monthly figure reported by ONS”. • The pro-forma table 4B mentions that “For the purposes of these calculations we expect companies to use an assumption for RPI of 3.0% per year and CPI of 2% per year.” <p>Please can Ofwat confirm whether this difference is intended as this will result in a variance in the disclosed interest cost for 1E and 4B?</p>
1E	13	<p>Where interest rate hedges have a different maturity from the underlying debt, the weighted average maturity calculation as currently prescribed can lead to results that are not meaningful.</p> <p>Where the swap maturity does not match the debt maturity, we propose that it may be more meaningful to present the swap results for weighted average maturity separately from the underlying debt. Please can Ofwat advise on this?</p> <p>(We also note that on table 4B, such swaps are required to be presented separately from related debt).</p> <p>Also note that guidance on line 1E.4 and 1E.5 should state that these figures should be entered as negative values so that the definition of 1E.6 “sum of lines 1E.3 to 1E5” works</p>
1E, 1C, 1F, 4B	N/A	<p>We note that both table 1E and 1C are prepared post cross currency swap basis. This is also in line with App20 submissions.</p> <p>Please can you update Table 4B guidelines to clearly specify that foreign currency debt should be shown in sterling post cross currency swaps (as applicable). This will make Table 4B consistent with Table 1E and 1C and would also be appropriate for Table 1F.</p>
1F	N/A	<p>Guidance for the pro forma table 1F currently excludes intercompany interest expense from being taken into account. Please can Ofwat confirm if the external interest from the debt of the financing subsidiary should therefore be included? In this way, interest expense can be calculated for the group (i.e. regulated entity plus financing subsidiary). This would ensure</p>

		<p>consistency with Table 1E, which calculates net debt on a group basis.</p> <p>We also note that non-sterling debt should be presented post currency swap as applicable. In which case such swaps should be excluded from line 1F.10.</p> <p>Can Ofwat please confirm whether any other types of swaps should be excluded from 1F.10, e.g. swaps already reflected in the presentation in 1E where debt and interest are on a post swap basis.</p>
2I	5-10	<p>We note that there are new lines in the proforma table that are not currently defined in RAG (Wastewater splits are omitted). Please can Ofwat confirm if this is intentional?</p> <p>We also note that subsequent line references and calculations are incorrect as these are based on the old table structure.</p>
2I	21/22	The proforma has 2 x line 21 but no line 22
2K	4-7	<p>The way the variance is brought forward on line 4 suggests that the variance between Infrastructure charges and network reinforcement is only being balanced off in total.</p> <p>We believe that the Water and Waste variances should be tracked separately and that the New connection charging rules require these to be balanced separately over five years.</p>
2M	2	We believe the calculation is incorrect in the guidance for this line. Please can Ofwat confirm if it should be the sum of lines 2e.3, 2e.16 and 2e.28 rather than 2e.8 and 2e.19 as stated?
2M	5-7	Please can Ofwat confirm that these figures should be adjusted to outturn prices for comparison with actual revenue recognised?
2N	13-14	The guidance suggests that line 2N.13 should be included in 6B.4 but 2N.14 should not. We believe that both contribute to the total length of new mains to be reported in 6B.4. Please can Ofwat confirm if this is the case?
3A	24-26	PSR common performance metric - the table focuses on the 3 metrics that are key. However, the last published guidance for this performance metric (https://www.ofwat.gov.uk/wp-content/uploads/2019/12/PR19-final-determinations-Reporting-guidance---Common-performance-commitment-for-the-Priority-Service-Register.pdf) also requires data such as numbers of customers who have left the PSR, and the number of individuals on the PSR in addition to households shown in the tables. Please can Ofwat confirm where we should report this data?
3B	all	RAG4 does not currently define lines requested within table 3B. Please can Ofwat confirm definitions for these lines?
3C	all	RAG4 currently defines 9 lines but the proforma only has 5. We have also been unable to reconcile the definitions to the lines. Please can Ofwat confirm the definitions for 3C?

3C	1	We note that table 3C still includes the old AIM definition. Please can this be updated?
3D	2	We note that the definition of this line may need to change dependent on the outcome of the current consultation on changing the Water-UK metrics in D-MeX. Please can Ofwat re-confirm this definition when final RAGs are published?
4B	N/A	RAG 4.09 outlines that "For floating rate debt companies should report in the 'Reference Interest Rate' column the relevant reference rate as of 31 March 2021." Please can Ofwat provide further clarification on this? For example, where 6 months Libor is applicable, should the Reference Interest Rate be 6 months Libor as published on 31 March 2021?
4B/ 4I	N/A	<p>Regarding the proposed table 4B for derivative reporting definition, page 48 of RAG 4.09 implies that, in the case of designated or economic hedging arrangements, the relevant debt and associated hedges are to be shown in one line on a post swap basis.</p> <p>However, for the proposed table 4I, Page 65 of RAG 4.09 mentions that:</p> <p><i>"Figures for this table should be based on company financial instruments, which we have requested companies set out in Table 4B: 'Analysis of debt', which we are requesting from companies as part of their submission. We expect entries to table 4I to be consistent with the derivative positions reported in Table 4B."</i></p> <p>We note that table 4B will not necessarily have the full list of derivatives reflected, as some derivatives may not be in a hedge associated with existing debt, and therefore it will not be possible to directly reconcile table 4B with Table 4I, as Table 4I includes a summary of all swaps.</p> <p>Please can Ofwat also clarify how derivatives with designated or economic hedging arrangements of associated debt should be reported on Table 4B? i.e. whether these should be reported together with the relevant debt on a post derivative basis on a single line, or whether derivatives should be reported separately on independent lines from the associated debt, perhaps with a third line showing the aggregated position for the debt and swaps together.</p>

4D & 4E	15&16	<p>The line definitions include spend to "deliver base levels of service". Does "base" mean a) to maintain performance at AMP6 levels or b) to meet our AMP7 performance commitments?</p> <p>If a) then should we add lines to 4L/4M for all spend to deliver improvements to service (e.g. pollution, blockages etc.)?</p> <p>If b) then should we exclude spend to reduce the risk of flooding in order to deliver our flooding performance commitment, from the 'reduce risk to flooding' line in enhancement table 4M?</p> <p>Please can Ofwat confirm?</p>
4E	29	Population associated with bioresources may be different to the definition due to trading activities. Per capita sludge production is also different regionally so may not be the most appropriate metric (normally £/tDS).
4E	31-35	Please can Ofwat confirm if self-generated heat should be included in the measure?
4H	RORE	Please can Ofwat confirm whether the RORE calculation should include the GSM penalty?
4L	24	The scope of coverage for this line has changed from AMP6. Previously this only covered investment to protect against a 1 in 200-year flood. The RAG now describes the "National Flood Resilience Review" and "Hazards beyond customers control". Could this include some of the additional enhancement lines included at PR19 e.g. Outage, Interruptions and CRI?
4L	5&11	Please can Ofwat confirm the definitions for these lines. We believe the definition of these lines should be amended to read "Other off-site capital expenditure for growth" because, if it is associated with connecting a new property, it should be included in lines 4&10.
4L	5&11	We are unclear of the purpose of lines 5 & 11. Our understanding is that lines 1-12 of table 4L are dedicated to New Development (DS related). Any other "Growth" related expenditure is covered in the lower sections (lines 17-22). Please can Ofwat provide clarification on the definition of these lines?
4L	3,5,9,11	Please can Ofwat provide examples of the expenditure they would expect to be disclosed in lines 3,5,9 and 11 (rather than 1,2&4, 7, 8&10)

4M	30	<p>Resilience spend:</p> <p>1. Please can Ofwat confirm what is meant by events being "beyond management control"? The definition includes spend to address "low probability high consequence events" where "failure and consequence" are "beyond management control". However, if we can address the risk (by spending the money reported on this line) then the element of risk being addressed must be within management control.</p> <p>2. The definition excludes spend that "<u>contributes</u> to the delivery of common performance commitments" but should we include spend that <u>reduces risk</u> against delivery of common performance commitments? For example, the definition states that spend related to the national flood resilience review should be included, and this spend would help reduce the risk against delivery of common performance commitments (e.g. interruptions to supply, flooding). Another example would be spend to reduce the risk of low probability high consequence hydraulic flooding which will reduce the risk against delivery of the flooding performance commitment.</p> <p>3. Should we include spend related to health and safety (for example, inspection and maintenance of vehicle bridges or sewers crossing railways)?</p>
4M	1-12	For these lines, are the terms on-site and off-site costs still relevant as the real distinction is costs to connect to our network (borne by a developer) and enhancement of our network (either as Network Reinforcement or growth ahead of need). Please can Ofwat clarify?
4N	1-3	Please can Ofwat clarify whether these lines exclude any traffic management and lane rental costs as these are presumably already accounted for in Developer Services Expenditure in lines 4L 1-12 and 4M 1-3 and 7-9?
4P	1-3	We note that the line descriptions in RAG 4 does not match the proforma table 4P. Please can Ofwat confirm the definitions?
5A	16 & 17	The line references here are transposed in the RAG and the proforma tables. Please can Ofwat confirm the definitions?
6D	N/A	Within table 6D, we note that Ofwat have requested information on expenditure relating to metering and leakage. Please can Ofwat clarify within the line definitions whether this should include all costs (including an allocation of general and support overheads), or whether this should only show direct costs associated?
7D	23 & 24	Sometimes it's possible to meet the WINEP aspirations 'indirectly', for example, achieving an FFT requirement by reducing infiltration (rather than increasing FFT), or achieving a storm volume requirement by increasing FFT (rather than adding storm volume). Please can Ofwat confirm how these approaches would/should best be captured in the tables?

8A	7	Given that the producer who has traded sludge out to the 3rd Party has no influence over the volume disposed (as the treatment process may not be known, or the 3rd Party may stockpile the sludge) it may not be possible to obtain accurate figures for this data line.
8A	10 & 13	Please can Ofwat confirm that this should only present sludge that is moved between STW and STC and that it excludes any sludge between STW and inlet of another STW?
8C	all	We note that new lines in table 8C are not currently defined in RAG 4. Please can Ofwat confirm the definitions?
8D	12	If alternative thermal disposal options (incineration, pyrolysis, gasification etc) are used, do these need to be specified separately or as a single line?
Other	N/A	Please could Ofwat share their workings or provide a worked example of their "Regulatory Capital Values" spreadsheet which shows how line 20 "RCV growth from inflation" is calculated? We would like to ensure our understanding is consistent with this methodology.