



Via email: [OFWATPandO@ofwat.gov.uk](mailto:OFWATPandO@ofwat.gov.uk)

**02 August 2021**

Dear Ofwat,

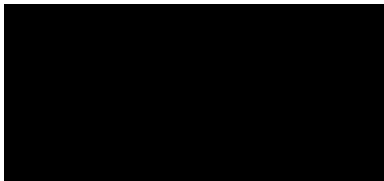
**Ofwat Consultation on overhead cost reporting – revising RAG2**

Thank you for the opportunity to comment on the proposals for additional guidance to RAG 2.

Below are our responses to the questions raised in the consultation.

I hope you find our response helpful, please do not hesitate to reach out if you have any queries.

Yours sincerely,



Nicky Fomes

**Interim Director of Strategy and Regulation**

Question number	Consultation question	Company response
1.	Do you agree with the guidance that we propose adding to RAG2?	We agree with the guidance proposed to be added to RAG2, and we have no further comments or requirements.
2.	Are the 'general and support' categories carried over from RAG 2.08 still appropriate? If not then what should we use instead?	We believe the 'general and support' categories carried over from RAG 2.08 are still appropriate, and we have no further comments or requirements.
3.	Are there any areas that we have not covered by these proposals that we should?	We do not believe there are any areas that have not been covered by these proposals, and we have no further comments or requirements.
4.	For 2021-22 we are considering asking companies to report costs on both their existing approach and the new approach so that we can understand the impact that this has on the allocation of costs across controls. Would you agree with this approach? If not then how could we assess the impact of this in advance of the PR24 business plan submissions?	<p>We agree that companies should be requested to report costs on both their existing approach and the new approach so that the impact that this has on the allocation of costs across controls can be understood.</p> <p>We do however request that this requirement is reported separately to the 2021-22 APR, has a later deadline than that required for the 2021-22 APR submission, and that it is not subject to the same external assurance requirements as the 2021-22 APR itself.</p>