

Date: 02 August 2021

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By e-mail: OfwatPandO@ofwat.gov.uk

Dear Colleagues

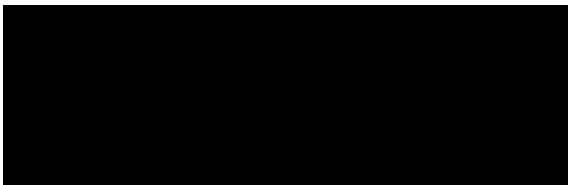
REVIEW OF OVERHEAD COST REPORTING - CONSULTATION

We write further to your consultation and welcome the opportunity to respond to the request.

Answers to your consultation can be found in Appendix 1.

Please feel free to contact me should you require any further information or clarity.

Yours faithfully



Lisa Gahan
Regulatory Director



Appendix 1

Q1: Do you agree with the guidance that we propose adding to RAG2?

We agree with the proposed guidance set out in RAG2.09. Clearer definitions are always welcomed especially when a new price control is being introduced as this avoids ambiguity and allows for comparisons between Water companies. We note the suggested, revised allocation of regulation costs including allocation to developer services control. Although this is subject to separate consultation, we do not believe an additional control is required.

Q2: Are the 'general and support' categories carried over from RAG 2.08 still appropriate? If not then what should we use instead?

We agree the 'general and support' categories are still appropriate and further categories could dilute the meaningfulness of the data.

Q3: Are there any areas that we have not covered by these proposals that we should?

We do not have any additional comments regarding the proposals.

Q4: 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?

We would support the request to report costs on both the new and existing approach ahead of the PR24 business plan submission, by exception and where there is a material difference. We do not believe all tables should be submitted twice as this would add undue additional regulatory reporting to companies.