

# Bioresources net MEAV and depreciation data: Data request

27 January 2021

## Questions and our responses

Number	Question	Response
1	Tab 2- Sludge Treat by site and Sludge Thick by site request for the volume of sludge produced. Can you confirm which years data you require please.	2019-20.
2	Can you please confirm whether the line definition in line 1 of tab 'Depreciation & NMEAV' should be amended to include depreciation for intangible assets as well as depreciation reported in table 2D, as the guidance document on page 19 states that the depreciation should also include amortisation of intangible assets where appropriate.	Yes, we agree that amortisation of intangible assets should be included where appropriate.
3	Line 1: The completion of historical cost depreciation in Table 5 will be difficult for early years (eg 2012-14 for us). Will Ofwat accept 'best endeavours' for this data?	<p>At PR19, we had access to <a href="#">data</a> from companies that went back to 2011-12. As noted in the information request, companies should provide information that is consistent with the information they provided to us at PR19.</p> <p>We expect companies to provide a complete timeseries of data as requested.</p> <p>We accept that there may need to be some degree of estimation to apportion data where companies do not have records to cover that period.</p>
4	Line 7: Could Ofwat confirm that, as per worked example 3, that the depreciation values for assets revalued in 2017 will be back-calculated for the 2011-17 period? This will mean that depreciation for those years will not match the values reported in the regulatory accounts at the time.	Yes, we fully expect that values for those years may not match the reported values previously published.
5	Block B: Would Ofwat expect the values in this block post 2020 to match those in Tab 10: Projected depreciation and NMEAV – Total (unless there are unusual circumstances)?	It would match for the 2020-21 b/f value only and from then on be projected using additions and depreciation based on assumed asset lives.
6	Finally, it would help if Ofwat could confirm the purpose of this MEAV data request. Our interpretation is that it is to help Ofwat assess the implications of a move from totex to depreciation. As such, Ofwat will not be using the data as part of a PR24 depreciation	<p>The objective of this data request is set out in the cover worksheet.</p> <p>We will consider what data we need in future to implement our approach. We expect to use the PR24</p>

	allowance calculation for each company (that will presumably be part of the PR24 business plan submissions). In other words, this is not an early PR24 submission, but rather a data request for Ofwat methodology testing.	business plan submission to collect further data that may be required for our finalised methodology.
7	For Table 5 Line 1 the guidance states 'Depreciation for Bioresources assets as reported in APR table 2D, for pre 2020 assets.' Table 2D only included Sludge depreciation from 2016-17, prior to 2016-17 Wholesale depreciation was allocated Water: Wastewater. For 2011-12 to 2015-16 should we leave the table blank or pro-rate Wastewater depreciation using the allocation to Sludge post 2015-16?	For 2011-12 to 2015-16 you should populate the table by allocating the previously reported depreciation data between N+ and Bioresources.  As noted above and in the information request, please provide information that is consistent with the information you provided to us at PR19.
8	Indexation question; We are basing our submission from the 2018 September submission which was updated based on the original 2016-17 Bioresources MEAV data submission. The data within these tables are in 2016-17 FYE prices. My approach inflation was to follow the same approach as used within the price review to obtain the RCV number published in the final determination. This is to inflate to 2017-18 FYE using RPI to align with the value published in WWS12. App8 then restates the RCV to 2017-18 FYA (CPIH Deflated) using the RCV feeder model. Finally, the data will be inflated to 2019-20 using CPIH.	Yes, we agree if you follow the indexation logic of the FD publication then that should ensure alignment with this exercise.
9	The proposal is to use this method of inflation for the table 1,2 and 3 of the spreadsheet for the MEAV values so the values align with the Final Determination RCV value.  Can I check which inflation indices should be used for the Additions and Depreciation tabs please. Would you like the approach outlined below of inflating to 2019-20 FYE using RPI and delating using CPIH to be used for the values up to 2019-20 or would you like us to inflate or deflate using CPIH?	Please inflate or deflate the additions and depreciation using CPIH only.
10	How does this request relate to Ofwat's legal powers?	The conditions of water companies' appointments (licences) include obligations to provide Ofwat with information that we may reasonably require for the purpose of carrying out our functions (see, in particular, Condition M: Provision of Information to Ofwat)
11	Does the information companies provide need to be assured?	Yes, we would expect this information to be appropriately assured. Indeed, it would be useful to include any accompanying commentary, particularly where judgements/estimates have been used, in order to facilitate independent assurance and to assist us in the data analysis.