

February 2023

**RAG 3.14 – Guideline for the  
format and disclosures for the  
annual performance report  
Draft for consultation**

## About this document

### Version control

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V1	3 February 2023	For consultation

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# 1. Explanatory note

## Introduction

- 1.1 Water companies<sup>1</sup> are required to prepare a set of regulatory accounting statements for each twelve-month period ending on 31 March. Condition F of the companies' licences sets the purpose and framework for the regulatory accounting guidelines (RAGs) and the checks and balances associated with them but omits any specific detail as that detail is already contained in RAG 3.
- 1.2 Condition F makes it clear that the requirements in the RAGs must be complied with, albeit within the scope and purpose set by Condition F as a whole. Within the published RAGs there are some matters which are outside the framework of Condition F. One example of this is information required on outcomes performance. We are, however, able to require the provision of this information, with the form and content set out, under other conditions in the licence. In order to help people understand the basis on which we require information we include the basis for requesting information within annex A3 of this guideline.

## Annual information notice 'Expectations for monopoly company annual performance reporting'

- 1.3 Ofwat will publish an information notice annually. This will include any required amendments to RAG3 for the upcoming reporting year. If any new accounting standards mean that a departure from UK GAAP is necessary it will be covered in this notice.

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<sup>1</sup> By "water companies" we mean water undertakers, sewerage undertakers and licensed infrastructure providers.

## 2. Accounting statements

### Condition F requirements

- 2.1 This guideline requires all water companies to prepare accounting information as set out in the RAGs (in line with paragraph F2 of Condition F).

### Pro forma tables

- 2.2 We require that regulatory accounting statements should be prepared in accordance with the formats, accounting policies and principles which apply to the statutory annual accounts of the appointee.
- 2.3 The information in the regulatory accounting statements must be provided in a common format for all companies and with a 31 March year end. The pro forma tables for the submission of data are included in Appendix 1.

## Publication of accounting statements

### Reports to be delivered

- 2.4 Appointees should submit the following documents to Ofwat:
- ultimate UK holding company accounts (whether this is an ultimate holding company or an intermediate holding company as part of an overseas group of companies);
  - annual performance report including the regulatory accounting statements; and
  - statutory accounts (if not bound with the annual performance report).
- 2.5 We require the appointee to deliver to Ofwat a copy of the annual performance report (including regulatory accounting statements and auditors reports prepared under Condition F) as soon as reasonably practicable and in any event not later than 15 July following the end of the financial year to which they relate. Appointees can submit electronic copies by email to Ofwat.
- 2.6 Companies may refer in the annual performance report to any relevant commentary provided as part of the latest available statutory accounts. A clear cross-reference and link needs to be provided.

2.7 Table 4B (Analysis of debt), table 4L (enhancement expenditure water), table 4M (enhancement expenditure wastewater), table 6E (Leakage activity detailed analysis), table 6F (WRMP annual reporting on delivery - non-leakage activities), table 7B (large sewage treatment works) and table 7F (Wastewater network+ - WINEP phosphorus removal scheme costs and cost drivers) are not required to be included as part of the APR due to their size. However, these tables must still be prepared in accordance with these RAGs, submitted to Ofwat and published on the company website.

## Website publications

- 2.8 Companies should publish their annual performance report on their websites at the same time as the report is submitted to Ofwat.
- 2.9 Companies may split the APR between a single published document and more technical tables. Where companies do this then the links to each part of the tables should be adjacent to each other and should be of equal prominence. This also applies to tables listed in paragraph 2.7. Where the main published document omits tables then there should be a clear reference to this in that document together with a link to the remaining tables.
- 2.10 Companies should publish the ‘accounting methodology statement’ on their websites. They may include this statement in the annual performance report but there is no specific obligation to do so. The required contents of the methodology statement are set out in A2.
- 2.11 We expect that companies should allow access from the website to historic APRs and tables. This may be from the same location as the current year documents or it could be accessed from an ‘archive’ location which is clearly accessible from a link adjacent to the current year documents and of equal prominence.

## Audit

### Auditors’ reports

- 2.12 We require auditors to address reports to Ofwat concerning:
- accounting records; and
  - accounting statements.

- 2.13 As a minimum the audit opinion should cover the pro forma tables in section one and section two of the annual performance report.
- 2.14 The required wording of the audit opinion will be set out in our annual information notice on the annual performance report.

## Definition of the appointed business

- 2.15 The licence<sup>2</sup> separates the activities of an appointee into appointed and non- appointed business activities.
- 2.16 Appointed activities are those activities that are necessary in order for an appointee to fulfil the functions and duties of a water undertaker and/ or a sewerage undertaker. A1 in RAG4 sets out more information on appointed and non-appointed activities. Companies should discuss areas of difficulty, in advance of preparing the accounts, with Ofwat.

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<sup>2</sup> Tideway's project licence uses the term "Licensed Business" (meaning the business consisting of the carrying out of the Licensed Activities and the management and holding of any Protected Land) to separate regulated and non-regulated activities."

## 3. Accounting disclosures

### Disclosures required in the annual performance report

3.1 Companies shall include:

- a statement on executive pay and performance;
- a statement as to disclosure of information to auditors;
- a statement on dividend policy for the appointed business;
- an accounting policy note for price control units;
- a note on revenue recognition;
- a note on capitalisation policy;
- a note on bad debt policy;
- a ring-fencing certificate;
- the tax strategy for the appointed business;
- a statement on differences between statutory and RAG definitions;
- a long term viability statement;
- a statement explaining out/under performance of the return on regulatory equity (Financial Flows and RORE);
- a statement explaining the variance on infrastructure network reinforcement charges; and
- a statement on innovation competition.

### Statement on executive pay and performance

#### Background

3.2 These disclosure requirements are underpinned by Section 35A of the Water Industry Act 1991 and must be read alongside the following:

- ‘Putting the sector in balance’ position statement, July 2018<sup>3</sup>;
- Board leadership, transparency and governance principles, January 2019<sup>4</sup> and related licence obligations;
- PR19 final determination: Aligning risk and return technical appendix<sup>5</sup>, December 2019<sup>6</sup>; and

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<sup>3</sup> Ofwat, [Putting the sector in balance: position statement on PR19 business plans](#), July 2018

<sup>4</sup> Ofwat, [Board leadership, transparency and governance – principles](#), January 2019 (updated July 2019)

<sup>5</sup> Ofwat, [PR19 final determinations: Aligning risk and return technical appendix](#), December 2019



- Ofwat Chief Executive's letters to water company remuneration committee chairs, February 2022<sup>7</sup> and December 2022<sup>8</sup>.

3.3 Water companies provide a vital public service. It is important that water companies are transparent about performance related executive pay (PRP) and how it aligns to stretching delivery for customers and the environment. Transparency is a key enabler for sustaining trust and accountability.

## Disclosures

3.4 Section 35A of the Water Industry Act 1991 contains a requirement for each company to make a statement to Ofwat at the end of each financial year, regarding links between directors' pay and standards of performance. The annual performance report should contain this statement.

3.5 The statement should detail any arrangements linking the remuneration of the directors of the company to standards of performance (metrics) in connection with the carrying out of functions of a relevant undertaker. It should cover any person who has been a director of the company at any time and received remuneration during the financial year. Remuneration means any form of payment, consideration or other benefit (including pension benefit).

3.6 Each company should disclose how it has applied its remuneration policy in the year including how any PRP has been calculated and assessed. We expect the remuneration report to be clear about how arrangements for directors sit in the context of the company's overall approach to executive remuneration.

3.7 Where a policy applies at a group level, we expect the policy to take account of the service delivered to the customers of each regulated company within the group. We expect that where directors have shared responsibilities within the group, the policy should clearly explain how it applies to each regulated company and how any group responsibilities are reflected. We also expect that the customers of each regulated company within the group only contribute to any PRP in relation to the performance of that regulated company. The application of the policy by reference to the above should be explained clearly in the annual report so that stakeholders can readily understand the overall remuneration package and related incentives that apply.

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<sup>7</sup> Ofwat, [Letter from David Black to Chairs of Remuneration Committees – Performance related executive pay for 2021-22](#), February 2022

<sup>8</sup> Ofwat, [Ofwat letter to Chairs of Remuneration Committees regarding performance related executive pay](#), December 2022

3.8 The disclosure statement should cover the requirements set out in section 35A of the Water Industry Act 1991 and address the expectations set out in the documents listed in paragraph 3.2. It must include the following, including in particular by reference to PRP:

- an explanation of the company's remuneration policy;
- an explanation of any changes made or proposed to the policy, including the underlying reasons for the change;
- an explanation of the role of the remuneration committee in developing, implementing and monitoring the policy, including how the committee ensures that targets remain stretching and aligned to delivery for customers and the environment and that the application of the policy reflects overall company performance;
- an explanation of how the criteria for awarding short and long-term elements of PRP are substantially linked to stretching delivery for customers and the environment;
- the date the arrangements were made;
- a description of all metrics and targets relating to those metrics and why they were chosen;
- an explanation of how all the metrics are monitored and assessed and the source of the data;
- an explanation of:
  - whether targets were achieved or not;
  - how the remuneration was calculated for each metric; and
  - details of the amounts paid to all individual directors;
- an explanation of how any PRP award is justified in the context of the overall performance of the regulated company (see paragraph 3.9);
- a description of any gateway or underpin arrangements or other conditions that must be met in order for a PRP award to be made whether by reference to any particular metric and/or overall; and
- an explanation of how discretion was exercised, including whether to withhold PRP or to defer it, or the application of malus or clawback.

3.9 When considering how its remuneration policy and decisions take into account company performance overall in exercising discretion under any aspect of company remuneration policy, each company should set out what factors it has taken into account. This should include factors which are wider than the individual metrics used as part of PRP arrangements. Factors which, when taken together or individually, may provide an indication of company performance overall could include:

- performance by reference to performance commitments not otherwise included as part of individual metrics;
- financial resilience;

- reputational issues, including significant events impacting customers and/or the environment in the course of the year;
- compliance issues, including enforcement action or litigation by reference to the company meeting its legal obligations as an undertaker; and
- progress made in the year in question by reference to the company's overall categorisation as set out in our Water Company Performance Report (or equivalent publication) and Environmental Performance Assessment rating (as relevant) in previous years.

## Statement as to disclosure of information to auditors

3.10 Section 418 of the Companies Act 2006 requires each director to make a statement in the accounts that:

- so far as the director is aware, there is no relevant information of which the company's auditors are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of the information.

3.11 Typically this is included in the directors' report for statutory purposes. Ofwat requires this statement to be made in companies' annual performance reports.

## Statement on dividend policy and explanation of dividends paid

### Background

3.12 The relevant requirements are set out in either licence condition P or I, 'Putting the sector in balance' position statement published in July 2018, PR19 final determination: Aligning risk and return technical appendix and our Board leadership, transparency and governance principles.

3.13 Appointees are required by either condition P or I to have in place a dividend policy that complies with the following principles<sup>9</sup>,

- that dividends declared or paid will not impair the ability of the appointee to finance the appointed business; and

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<sup>9</sup> The second principle does not apply to Dŵr Cymru Cyfyngedig (Welsh Water) because of its unique ownership structure.

- under a system of incentive regulation dividends would be expected to reward efficiency and the management of economic risk.

3.14 We set out our expectations for dividend policies for 2020–25 in our PR19 final determinations<sup>10</sup>. This includes the factors companies should take into account in the design and application of dividend policies and our assessment of a reasonable base dividend. It is important that customers and wider stakeholders can understand how decisions companies make about total dividends declared or paid reflect delivery to customers and their wider obligations.

## Disclosures

3.15 Conditions P or I require the appointee to ensure that any dividends are declared or paid in accordance with the dividend policy that has been approved by the Board of the Appointee.

3.16 Our PR19 final determinations set out our expectations for reporting on dividends over 2020–25. In summary, we expect companies to:

- set out details underpinning their approach to dividends and factors that influence dividends transparently in their published dividend policy;
- set out how their approach takes account of delivery for customers;
- ensure that their dividend policy is clearly set out in the annual performance report and is consistent with all other narrative in relation to dividend policy or dividends declared or paid within the remainder of the annual performance report, within the statutory accounts and within any other publication, and,
- clearly signal any changes to their dividend policy in their annual performance report.

3.17 When explaining dividends declared or paid, we expect each appointee to explain how any base dividend and any adjustment to it (including any dividend paid by the appointee for any reason, including dividends paid to a holding company to allow it to pay interest on an intergroup loan from the appointee) takes account of all relevant factors in respect of the appointee’s wider obligations and responsibilities, and to demonstrate that the final dividend takes account of the interest of customers. In all cases, we expect companies to clearly justify and be transparent about dividend payments, explaining all factors that have been taken into account. We expect companies to:

- set out how total dividends declared or paid have been determined and how they are consistent with the appointee’s dividend policy,

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<sup>10</sup> Ofwat, [PR19 final determinations: aligning risk and return technical appendix](#), December 2019. See section 9.1.

- clearly explain and provide justification for any deviations from the policy,
- clearly explain how performance for customers and the environment has been taken account of in dividend decisions, including performance against FD expectations and wider considerations set out in our PR19 final determinations: and
- where dividends paid in the year reflect performance in earlier years, this should be clearly set out and explained.

3.18 Where companies pay dividends to holding companies which offset amounts of interest receivable under intergroup loan arrangements, they should separately provide a description of the arrangement and the amounts paid and received in the year. This should be linked with the disclosures required for transactions with associates detailed in paragraph 6.5.

3.19 The board leadership and transparency objective of our Board leadership, transparency and governance principles sets out a guiding provision that companies should publish an explanation of dividend policies and dividends paid. Companies will need to consider how the information provided under paragraphs 3.15–3.17 of this guideline may help them demonstrate they are meeting the objective and how best to reference this when explaining how they have met the objective.

## **Accounting policy note for price control segments**

3.20 Companies must include an accounting policy note for price control units which are disclosed in section 2 of the annual performance report. This should summarise the basis of the allocation of operating costs and assets and any major changes in the year. Companies should state that the accounts have been drawn up in accordance with RAG2 – Guideline for classification of costs across the price controls. They should also refer to the accounting methodology statement and provide a reference to this document.

## Revenue recognition note

3.21 The revenue recognition note should cover the following.

- A description of any adjustments between amounts recorded as turnover in the statutory accounts and amounts recorded as turnover in the regulatory accounting statements. This should be split between adjustments relating to IFRS15 deviation and any other adjustments.
- Whether or not the company bill void properties speculatively, that is to ‘the occupier’. If so, it should confirm that this bill is then recorded in turnover.
- If the company does not speculatively bill, how it checks that the property is indeed unoccupied. It should also describe how it ascertains the identity of any occupier.
- A description of steps that the company takes to establish whether properties with no occupier information are void or occupied, e.g. visits to properties or searches using third party electronic data such as council tax/electoral roll records.
- Any changes in methodology in calculating the measured income accrual.
- Any significant differences between a retrospective review of the previous years measured income accrual and the amounts actually billed in the year.

## Capitalisation policy note

3.22 Companies should explain the basis for capitalising costs. Companies should also clearly state any general rules which have been used (e.g. a rule requiring the capitalisation of any expenditure on a physical asset greater than £100). Companies should also detail any changes in judgements, apportionments or adjustments since the prior year, including changes to their capitalisation policies.

## Bad debt note

3.23 Companies should set out details of their write-off policy and explain any changes from the prior year in their policies, procedures or practices in relation to write-offs along with the reasons for any changes.

3.24 Where a change in write-off policy (including ‘house-keeping’ exercises) results in a material change in the level of reported write-off, companies should explain whether this level is likely to continue in future years or is being reported as an atypical cost in this reporting year only.

3.25 Where a change in the bad debt provisioning policy results in a material change in the bad debt charge, companies should explain the reasons for the movement. The effect of any changes should be quantified.

3.26 Where there has been significant movement in the trade debtor balance companies should explain the reasons for the movement. This should refer to outstanding customer debt and the bad debt provision.

## Ring-fencing certificate<sup>11</sup>

3.27 The annual performance report should contain a ring-fencing certificate which paragraph P30 of Condition P (or paragraph I17 of Condition I) requires companies to submit at the same time as the regulatory accounting information.

3.28 This certificate is from the Board of Directors (“the Board”) and states that the appointee will have available to it sufficient resources and systems to enable it to carry out its regulated activities, for at least twelve months following the date on which the certificate is submitted to Ofwat.

3.29 The contents of the ring-fencing certificate are normally set out in condition A. It covers the following areas;

- Financial resources,
- Management resources,
- Non-financial resources; and,
- Contracts with associate companies.

3.30 **Non-financial resources** are normally detailed in paragraph P14 of Condition P and relate to operations under a special administration order.

## Tax Strategy for appointed business

3.31 The Finance Act 2016 introduced the requirement for large companies to publish their tax strategy annually. We are also requiring all companies to publish details of their tax strategy (relating to the appointed business) within the annual performance report. The tax strategy should cover the following key areas:

- The approach to risk management and governance arrangements;
- The attitude of the company towards tax planning;
- The level of tax risk that the group is prepared to accept; and
- The approach of the company towards its dealings with HMRC.

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<sup>11</sup> Also known as ‘Certificate of adequacy’ or, the case of Tideway, a Condition K Certificate.

3.32 References and links may be made to tax strategies published in the statutory or group accounts as appropriate.

## Differences between statutory and RAG definitions

3.33 Pro formas 1A, 1B, 1C and 1D all have a column to report any resulting differences between statutory and regulatory definitions on a line by line basis. Where any individual values recorded in these lines are considered material then a narrative explanation should be provided on what these differences relate to.

3.34 Companies should provide a reconciliation between the total borrowings figures included in the statutory accounts and the borrowings shown in the regulatory accounts with a brief explanation of the reasons for the differences.

## Long term viability statement

3.35 Companies and their management are responsible for ensuring that they are financially resilient. We expect companies to include a statement in their annual report which confirms that they are financially viable over the longer term. Companies should take account of the requirements of the UK Corporate Governance Code, when preparing their statement.

3.36 We expect companies to prepare and stress test a forward looking business plan in a robust manner and to consider the financial viability of the appointee over an appropriate forward looking period. Companies are responsible for determining the period over which they make their assessment, however justification for the choice will be required. We do not consider the period of the price control to constrain the period over which financial resilience should be assessed and as part of the PR19 process, all companies committed that their assessment of financial resilience will extend beyond the period of the price control. Companies are responsible for determining the appropriate level of stress testing they undertake. Companies are also responsible for determining the level of third party assurance that they believe to be appropriate to ensure the quality and robustness of their statements.

3.37 We expect companies to include a clear and unambiguous statement in their annual performance report which sets out the steps that company Boards have undertaken to assess the long term financial viability of the company and evidences how they have concluded on the long term financial viability of the company. We do not expect companies to publish information that is commercially sensitive, but we do expect the statement to clearly set out the approach taken, explain the details and severity of the stress tests undertaken and evidence consideration of any concerns arising from the



stress testing, including detail of mitigating actions proposed. We also expect the statement to provide a suitably robust justification for the approach undertaken, the selection of the sensitivities assessed, the forward looking period considered and the extent to which (if any) third party assurance has been used.

- 3.38 If companies publish the same statement in the statutory accounts and this is published simultaneously with the annual performance report then it need only be included in the statutory accounts with a suitable cross reference in the annual performance report.

## Return on regulatory equity

- 3.39 We expect companies to include a statement which explains RoRE performance compared to the base RoRE set at the last price review. Companies should identify and quantify the key components of the out/under performance. RoRE should be presented for both the reporting year and for the period to date, calculated on an arithmetic average basis for the period from the start of the control period.

## Infrastructure charges

- 3.40 We expect companies to include a statement which explains the variance between revenues and costs arising from providing infrastructure network reinforcement for developers, which is proportionate to its value. The variance is calculated over a rolling five-year period, as set out in the definition of terms in RAG4.

## Innovation competition

- 3.41 We expect companies to provide a breakdown of their innovation competition spend to explain how activities and expenditure comply with the terms of any innovation competition funding decision, including clarification that innovation competition funding is not being used to fund business as usual activities funded through totex.
- 3.42 Where companies have recovered revenue from customers for the purposes of the innovation competition but this revenue has not been paid into the innovation competition fund in full, we will require full justification from the companies.
- 3.43 Companies should provide a narrative which includes a breakdown of the cash balance [reported in table 1C] between that which relates to the innovation competition and other appointed activities.

## 4. Narrative disclosures on performance

### Outcomes

- 4.1 Companies should provide narrative commentary explaining how the information reported in the section 3 tables relate to the information on outcome performance it has published and reported to its customer challenge group or similar body and customers more generally.
- 4.2 Companies should provide narrative commentary where it thinks forecasting an underperformance or outperformance payment would be inappropriate for a particular performance commitment. The commentary should explain why a forecast would be inappropriate.

### Totex

- 4.3 Narrative commentary should be provided on any difference between the actual and allowed totex values disclosed in section 4. Separate commentary should be provided for both water and wastewater.
- 4.4 Commentaries should make reference to the following areas (this is not an exhaustive list):
  - efficiency savings;
  - changes resulting from expenditure being delayed or brought forward;
  - expenditure on outputs which are not included in the PR19 baseline; and
  - other changes.
- 4.5 Where actual totex includes costs which the company believes to be exceptional or atypical, these should be disclosed separately in the commentary. The commentary should highlight clearly relevant links between the narrative on outcome performance and delivery and the totex costs reported in the year.
- 4.6 Commentaries should be provided on those costs categorised as disallowable. In setting price controls, we have used an overarching principle that costs should only feature in our totex for cost sharing for activities where it is appropriate for a company to share an over (or under) spend with their customers. We define disallowable items as costs that do not conform to this overarching principle. These include:
  - costs associated with impairment of other businesses;
  - costs related to financing (bond issuance fees, refinancing, takeover costs);

- fines and investigation costs;
- compensation claims; and
- any other costs where the activity driving it does not, ex ante, have a reasonable expectation of customer benefit.

4.7 Where companies have recharges between business units in respect of the ‘principal use’ of assets then the nature and extent of these charges should be included in the commentary. Companies should not duplicate text included in the accounting methodology statement.

## Retail

4.8 Narrative commentary should be provided on any material difference between total operating costs reported in pro forma 2C and the retail revenues allowed in price limits. Separate commentary should be provided for residential and business retail.

4.9 Commentaries should make reference to the following areas (this is not an exhaustive list):

- efficiency savings;
- changes in customer numbers;
- changes in metering levels;
- material one-off / atypical items of expenditure; and
- other changes.

## Wholesale revenues

4.10 Narrative commentary should be provided on the difference between allowed and actual revenue under the wholesale control disclosed in pro forma 2M, lines 2M.3 and 2M.8. Companies should explain any subsequent consequences of any variations in revenue for future periods.

4.11 Commentaries should make reference to the following areas (this is not an exhaustive list):

- Changes in metering levels;
- Changes in customer demand;
- Numbers of customers;
- Number of new connections and expected charges; and
- Number of void properties.

- 4.12 Following the commencement of the competitive retail market (on 1 April 2017), companies should disclose both the income and the payments relating to ‘performance charges’. It is not sufficient for companies to disclose the net set-off position.
- 4.13 Where there is a penalty related to wholesale water revenue imbalances between the water resources and water network-plus control we would generally expect companies to allocate the penalty proportionately to the control causing the imbalance. However we have provided discretion to companies to allocate the penalty using an alternative approach. Therefore companies should either;
- state they have allocated any penalty proportionately to the control that creates a revenue imbalance resulting in RFI penalties; or
  - explain why they have chosen a different approach.

## Current tax analysis

- 4.14 An analysis is required of the appointed current tax charge or credit reported in line 1A.12 comparing this to that charge or credit resulting from applying the standard corporation tax rate to the profit or loss on ordinary activities for the appointed business before tax and any fair value movements as shown in table 1A. There should be no netting off of material positive or negative amounts.
- 4.15 The analysis should make reference to the following areas (this is not an exhaustive list):
- Prior year adjustments
  - Impact of group relief; including any amounts paid for these – these transactions should also be disclosed in the transfer pricing table template (see sections 6.2 and 6.3)
  - Adjustments for fair value gains / losses subject to tax

## Current tax reconciliation

- 4.16 A reconciliation is required to explain any significant variations between the appointed current tax charge or credit reported in line 1A.12 for the appointed business to the total current tax charge allowed in price limits. The reconciliation should quantify the £m difference relating to each particular area and narrative should be provided to explain at a high level the circumstances which led to the difference arising. Where there have been legislative changes that have impacted, eg changes to capital allowance rates, then these should be highlighted separately to the related revenue or expenditure impacts, such as lower totex expenditure due to efficiencies.

4.17 The reconciliation should make reference to the following areas (this is not an exhaustive list):

- Prior year adjustments
- Impact of group relief; including any amounts paid for these – these transactions should also be disclosed in the transfer pricing table template (see paragraph 6.5)
- Effect of corporation tax rate changes
- Capital allowances
- Interest
- pensions

4.18 Details of factors affecting future tax charges should be given.

## Interest

4.19 Analysis is required of the appointed interest expense reported in 1A.7 and the appointed other interest expense reported in 1A.8. The breakdown should provide detail of the components which make-up the interest figure, not the interest attributable to each debt instrument. Interest charges arising in relation to the recognition of direct procurement for customers (DPC) arrangements under IFRS16 should be separately disclosed.

4.20 The breakdown should make reference to the following areas where applicable (this is not an exhaustive list):

- Interest charged on external borrowings, excluding those relating to DPC arrangements
- Interest payable on intra-group borrowings
- Interest charges in relation to DPC arrangements under IFRS16
- Interest payable in relation to other leases under IFRS16
- Amortisation of debt issuance costs
- Amortisation of any debt premiums/discounts
- Interest paid in relation to pension scheme liabilities
- Preference share dividends
- Any other financing costs/ interest charges

## Financial flows

4.21 Information reported on financial flows aims to improve the transparency concerning financial flows to the appointee's investors. This requires a clear comparison between the actual financial flows to investors under the actual capital structures that

companies have adopted and what they would have been under the notional capital structure used in our determinations.

- 4.22 We expect companies to provide a supporting narrative to fully explain and highlight the key features of the analysis. This narrative should aid the understanding and interpretation of the data and is a key element in improving transparency. In particular,
- 1F.5 ‘Gearing’ and 1F.9 ‘Cost of debt (adjusted for hedging instruments)’: if the company considers that a weighted average is more accurate in the calculation, a narrative explanation must be provided;
  - 1F.17 ‘Other exceptional items’: if the line is used then the company must include an appropriate and clear supporting narrative of the associated transaction(s);
  - 1F.21 ‘Voluntary sharing arrangements’: The table narrative should include an explanation of each arrangement and payment made.

## Narrative on costs

- 4.23 The lines in Tables 4L and 4M generally correspond to the standard lines in the PR19 business plan tables WS2 and WWS2 respectively. Where lines from the business plan tables have no corresponding lines in Tables 4L or 4M it is because these lines were either not used by companies or by just one or two companies. Tables 4L and 4M have lines for companies to insert their own expenditure purpose categories. If companies would have allocated expenditure to any of the standard lines in the business plan tables that have not been copied across to RAG4.09 tables, they should instead allocate the expenditure to these ‘freeform’ lines. If these lines have been used, companies should provide commentary to explain them.
- 4.24 Companies should provide commentary to explain whether any costs have been proportionally allocated between expenditure categories in tables 4L and 4M or between enhancement and base expenditure. Companies should include details of how much has been subject to proportional allocation and which cost drivers they have used.
- 4.25 In table 6A.13 to 6A.27 companies are required to report water treatment works that have not been used in the year but have not been decommissioned. Companies should provide commentary on any instances where this is the case.
- 4.26 Companies should provide commentary on how they have calculated population and household growth in table 4R including how they have taken account of the 2011 census.
- 4.27 Companies are encouraged to provide commentary on how they interpret ‘structurally refurbished’ in completing line 7C.15. If a company is unable to identify the actual

length of rising main that has been replaced or structurally refurbished, then it should submit an estimate and fully explain the methodology used and the assumptions made in the accompanying commentary.

- 4.28 Companies should explain the basis of its estimate for line 8A.4 of all the untreated sewage sludge (primary, secondary, tertiary) produced by in-area wastewater treatment processes in the report year, and which is produced as a result of treating non-appointed liquid wastes through appointed wastewater treatment assets.
- 4.29 In lines 8A.10 and 8A.13 we ask for a measure of intersiting work done by tanker. In line 8A.11 we ask for a measure of intersiting work done by truck. In lines 8A.15 and 8A.18 we ask for a measure of work done in sludge disposal operations by tanker. In line 8A.16 we ask for a measure of work done in sludge disposal operations by truck. If actual road distances are not available companies should estimate the road distance and state in the commentary if this is the case.
- 4.30 In table 8A where both the incumbent and a third-party service provider undertake different stages of sludge treatment, eg dewatering followed by lime stabilisation, sludge quantities should not be doubled-counted and should be reported either in line 8A.1 or line 8A.2, not both. Where this situation occurs the companies should report on the quantity involved and the line to which it has been allocated in the commentary.
- 4.31 Companies should explain the basis of their estimate of total sewage sludge produced from non-appointed liquid waste treatment reported in line 8A.4.
- 4.32 The default assumption will be that the population equivalents reported in lines 7D.17 to 7D.20 will be served by sewage treatment works (STWs) at which the required output has been delivered primarily by a capex solution. Where this is not the case companies should report the population equivalent benefitting from (primarily) opex solutions in their commentary.
- 4.33 Where companies have used a different methodology to calculate non-resident population in table 4R they should provide details in their commentary.

## **Supply-demand balance and metering**

- 4.34 Tables 4L, 6D and 6F require companies to provide details of their expenditure and benefits delivered in the area of improvements to the supply-demand balance and development of strategic regional water resource solutions. We expect companies to include narrative commentary to report on progress and deliverables in these areas. This should include explanation of any variances from their business plan and water resources management plan proposals.

- 4.35 Table 6B requires companies to report their total annual leakage. This figure should be derived from the same leakage data that is used in both leakage performance reporting (as an input to the three-year average calculation) and annual water resources management plan reporting. Companies should include explanation of any variances from their business plan and water resources management plan proposals.
- 4.36 Table 6D requires companies to provide detail of their smart metering programmes. We understand that a number of alternative smart meter technologies can be adopted by companies. Companies should include narrative commentary explaining the smart metering technologies it is utilising and the capabilities and benefits these provide.
- 4.37 We expect companies to include narrative commentary to explain how the metering and leakage figures reported in Table 6D relate to their business plan and water resources management plan forecasts.

## Analysis of debt

- 4.38 We expect close alignment between tables 1E and 4B. Where the following line items are different, we expect companies to provide a reconciliation explaining the reason for any differences.
- 1E.3: 'Total borrowings' (to align with line 805: 'Totals for all instruments')
  - 1E.11: 'Indicative weighted average nominal interest rate' (to align with line 808: 'Indicative weighted average nominal interest rate')
  - 1E.12: 'Indicative weighted average cash interest rate' (to align with line 809: 'Indicative weighted average cash interest rate')
- 4.39 Some companies may use a different measure of net debt to calculate gearing for the purposes of financial covenants which are of use to the financial community. If a different measure of debt is commonly used by a company, then the restated gearing level should be inserted in line 1E.8 'Adjusted gearing' together with an accompanying commentary.

## Common performance measures

- 4.40 The intention of the red, amber, and green rating and commentary for shadow reporting is to provide transparency on the degree to which a company has been able to implement the reporting guidance for shadow reporting. For any amber or red components companies should provide a separate short commentary covering:
- the reasons for your non-compliance for the reporting year,



- the actions you are taking to become compliant; and,
- your current expectation on when your reporting will be compliant with the consistent definitions.

## **Board statement on accuracy and completeness of data and information**

4.41 Companies should provide a statement, signed by, or on behalf of their boards, stating that the data and information which the company has provided to Ofwat in the reporting year and/or which they have published in their role as water and sewerage undertaker was accurate and complete and setting out any exceptions to this. Companies should explain the reasons for any exceptions.

4.42 This statement should be accompanied by a description of the activities which the board has carried out to allow it to make this statement. This should include how the board has:

- engaged and challenged on the assurance approaches which have been taken;
- taken action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed;
- satisfied itself that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information in particular areas; and
- utilised individual directors and committees in carrying out its activities in this area.

4.43 The requirement to provide the statement set out in paragraph 4.41 does not replace any existing requirements, in this guideline or elsewhere, where we have asked for assurance on specific pieces of data and information which are provided to us. However companies will need to reference these in meeting the requirements set out above.

4.44 The requirements set out above are minimum requirements and where we have concerns we may need to ask companies to provide additional assurance on an annual or more regular basis.

## **Return on regulatory equity**

4.45 Companies should include a narrative to clearly explain any exceptional items they have included in its calculation of RORE (return on regulatory equity) in line 4H.5.

## Financial derivatives

4.46 Where the nature of other derivatives results in an inability to provide this information prevents a full reconciliation with Table 1C, companies should provide a note explaining why.

## Social tariffs

4.47 Companies should provide a note which highlights the use of social tariffs<sup>12</sup> or other forms of assistance they provide to improve affordability and accessibility for vulnerable customers.

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<sup>12</sup> Social tariffs are as described under section 44 of the Flood and Water Management Act 2010 and matters covered by the statutory guidance

## 5. Transactions with associates and the non-appointed business

### RAG5 principles

- 5.1 Appointees are under a duty to trade at arm's length and to ensure that there is no cross-subsidy with respect to transactions between the appointed business and any associated company.
- 5.2 In addition following the introduction of separate binding price controls at the 2014 price review, companies need to attribute or allocate costs between the controls. The revenue allowance for each price control is determined by the estimated costs specific to that particular price control and comparable information on actual costs will be needed for future price reviews. Therefore companies should also ensure that there is no cross subsidy between price control units.
- 5.3 Appointees are required to demonstrate, through the application of the principles set out in RAG5, the basis of any arm's length trading and that there is no cross-subsidy.

### Transactions to be disclosed

- 5.4 We require all transactions between the appointee and its associated companies must be disclosed and if any single transaction exceeds 0.5% of the turnover of the appointed business (or £100,000 if greater) it should not be aggregated. In particular, the following transactions, with related data, must be disclosed if over the materiality limit:
  - loans by or to the appointee;
  - dividends paid to any associated company;
  - guarantees or other forms of security by the appointee;
  - transfer of any asset or liability by or to the appointee;
  - transfer of any corporation tax group losses by or to the appointee;
  - supply of any service by or to the appointee;
  - omission by the appointee or any associated company to exercise a right as a result of which the value of the net assets of the appointee is decreased; and
  - waiver of any consideration, remuneration or other payment by the appointee.

### Transfer pricing table templates

- 5.5 The disclosures required should be included in the published annual performance report in three separate tables:

**Table 2**

<b>Service</b>	<b>Company</b>	<b>Turnover of associate</b>	<b>Terms of supply</b>	<b>Value</b>
<b>Service received by regulated business</b>	Associate providing the service		A statement of the means by which the price charged by the associates has been established, e.g., competitive tendering	Value of service received by regulated business
<b>Corporation tax group relief received by regulated business</b>	Associate surrendering the group relief		A statement of the means by which the payment for the group relief has been established (including the amount paid)	Value of group relief

**Table 3**

<b>Service</b>	<b>Company</b>	<b>Turnover of associate</b>	<b>Terms of supply</b>	<b>Value</b>
<b>Service provided by regulated business</b>	Associate to whom the service is provided		A statement of the means by which the price charged by the associates has been established, e.g., competitive tendering	Value of service provided by regulated business
<b>Corporation tax group relief surrendered by regulated business</b>	Associate receiving the group relief		A statement of the means by which the payment for the group relief has been established (including the amount received)	Value of group relief

**Table 4**

<b>Service provided to the non-appointed business</b>	<b>Basis of recharge made by the appointed business</b>	<b>Value of the recharge made by the appointed business</b>
<b>Treatment of imported sludge</b>	Where appointed business assets have been used to carry out non-appointed activities, then the basis of the recharge should be explained. This should include an explanation as to the contribution to depreciation and finance costs of the assets as well as the incremental operating expenditure and any rental for land or buildings	Value of the recharge made by the appointed business
<b>Treatment of tankered waste</b>	Where appointed business assets have been used to carry out non-appointed activities, then the basis of the recharge should be explained. This should include an explanation as to the contribution to depreciation and finance costs of the assets as well as the incremental operating expenditure and any rental for land or buildings	Value of the recharge made by the appointed business

<b>Service provided to the non-appointed business</b>	<b>Basis of recharge made by the appointed business</b>	<b>Value of the recharge made by the appointed business</b>
<b>Other</b>	Where appointed business assets have been used to carry out non-appointed activities, then the basis of the recharge should be explained. This should include an explanation as to the contribution to depreciation and finance costs of the assets as well as the incremental operating expenditure and any rental for land or buildings	Value of the recharge made by the appointed business

- 5.6 Where appropriate, formulae may be disclosed in place of figures, for example for interest rates.
- 5.7 Transactions in the last three categories may be aggregated with any other similar transaction in the same category with the same associated company (unless prohibited by the ‘single transaction’ rule in paragraph 7.2.1). This aggregation does not include netting off transactions to the appointee against transactions by the appointee or vice versa.
- 5.8 Additionally where more than one associated company has transactions which are below the threshold then these should not be amalgamated such that there becomes a disclosure between the appointee and ‘various’ associates, even for common transaction types.
- 5.9 If a company is an associated company of an appointee for only part of a financial year then transactions with that associated company will only need to be disclosed whilst they were an associated company.
- 5.10 Amounts disclosed should not be rounded below the £1,000 level e.g. £0.652m rather than £0.7m.
- 5.11 Where a consent is required from Ofwat to enable the company to enter into a particular transaction which is otherwise prohibited by the company’s licence (for example loans or guarantees to an associated company), companies should provide a confirmation that an appropriate consent is in place and that there have been no changes to the arrangement which would invalidate the basis of that consent.

## A1 Pro forma tables

Section 1 Regulatory financial reporting	
Pro forma 1A	Income statement
Pro forma 1B	Statement of comprehensive income
Pro forma 1C	Statement of financial position
Pro forma 1D	Statement of cash flows
Pro forma 1E	Net debt analysis (appointed activities) at 31 March 20xx
Pro forma 1F	Financial flows for the 12 months ended 31 March 20xx and for the price review to date
Section 2 Price review and other segmental reporting	
Pro forma 2A	Segmental income statement for the 12 months ended 31 March 20xx
Pro forma 2B	Totex analysis for the 12 months ended 31 March 20xx - wholesale
Pro forma 2C	Operating cost analysis for the 12 months ended 31 March 20xx - retail
Pro forma 2D	Historic cost analysis of tangible fixed assets
Pro forma 2E	Analysis of 'grants and contributions' for the 12 months ended 31 March 20xx - water resources, water network+ and wastewater network+
Pro forma 2F	Residential retail
Pro forma 2G	Non-household water - revenues by tariff type
Pro forma 2H	Non-household wastewater - revenues by tariff type
Pro forma 2I	Revenue analysis for the 12 months ended 31 March 20xx
Pro forma 2J	Infrastructure network reinforcement costs for the 12 months ended 31 March 20xx
Pro forma 2K	Infrastructure charges reconciliation for the 12 months ended 31 March 20xx
Pro forma 2L	Analysis of land sales for the 12 months ended 31 March 20xx
Pro forma 2M	Revenue reconciliation for the 12 months ended 31 March 20xx - wholesale
Pro forma 2N	Residential retail - social tariffs
Pro forma 2O	Historic cost analysis of intangible fixed assets
Section 3 Performance summary	
Pro forma 3A	Outcome performance - Water common performance commitments
Pro forma 3B	Outcome performance - Wastewater common performance commitments
Pro forma 3C	Customer measure of experience (C-MeX) table
Pro forma 3D	Developer services measure of experience (D-MeX) table
Pro forma 3E	Outcome performance - Non financial performance commitments
Pro forma 3F	Underlying calculations for common performance commitments - water and retail
Pro forma 3G	Underlying calculations for common performance commitments - wastewater
Pro forma 3H	Summary information on outcome delivery incentive payments
Pro forma 3I	Supplementary outcomes information

Section 4 Additional regulatory information - service level	
Pro forma 4A	Water bulk supply information for the 12 months ended 31 March 20xx
Pro forma 4B	Analysis of debt
Pro forma 4C	Impact of price control performance to date on RCV
Pro forma 4D	Totex analysis for the 12 months ended 31 March 20xx - water resources and water network+
Pro forma 4E	Totex analysis for the 12 months ended 31 March 20xx - wastewater network+ and bioresources
Pro forma 4F	Major project expenditure for wholesale water by purpose
Pro forma 4G	Major project expenditure for wholesale wastewater by purpose
Pro forma 4H	Financial metrics for the 12 months ended 31 March 20xx
Pro forma 4I	Financial derivatives
Pro forma 4J	Base expenditure analysis for the 12 months ended 31 March 20xx - water resources and water network+
Pro forma 4K	Base expenditure analysis for the 12 months ended 31 March 20xx - wastewater network + and bioresources
Pro forma 4L	Enhancement expenditure for the 12 months ended 31st March 20xx - water resources and water network+
Pro forma 4M	Enhancement expenditure for the 12 months ended 31st March 20xx - wastewater network+ and bioresources
Pro forma 4N	Developer services expenditure for the 12 months ended 31st March 20xx - water resources and water network+ (price control)
Pro forma 4O	Developer services expenditure for the 12 months ended 31st March 20xx - wastewater network+ and bioresources (price control)
Pro forma 4P	Developer services non-price control expenditure for the 12 months ended 31 March 20xx
Pro forma 4Q	Developer services - Non financial information
Pro forma 4R	Connected properties, customers and population
Pro forma 4S	Green recovery expenditure for the 12 months ended 31st March 20xx - water resources and water network+
Pro forma 4T	Green recovery expenditure for the 12 months ended 31st March 20xx - wastewater network+ and bioresources
Pro forma 4U	Impact of Green recovery on RCV
Pro forma 4V	Mark-to-market of financial derivatives analysed based on payment dates
Pro forma 4W	Defined Benefit Pension Scheme – Additional Information
Section 5 Additional regulatory information - water resources	
Pro forma 5A	Water resources asset and volumes data for the 12 months ended 31st March 20xx
Pro forma 5B	Water resources operating cost analysis for the 12 months ended 31st March 20xx
Section 6 Additional regulatory information - water network plus	
Pro forma 6A	Raw water transport, raw water storage and water treatment data for the 12 months ended 31st March 20xx
Pro forma 6B	Treated water distribution - assets and operations for the 12 months ended 31st March 20xx -
Pro forma 6C	Water network+ - Mains, communication pipes and other data for the 12 months ended 31st March 20xx
Pro forma 6D	Demand management - Metering and leakage activities for the 12 months ended 31 March 20xx
Pro forma 6E	(not used)
Pro forma 6F	WRMP annual reporting on delivery - non-leakage activities
Section 7 Additional regulatory information - wastewater network plus	
Pro forma 7A	Wastewater network+ Functional expenditure for the 12 months ended 31st March 20xx
Pro forma 7B	Wastewater network+ Large sewage treatment works for the 12 months ended 31 March 20xx
Pro forma 7C	Wastewater network+ Sewer and volume data for the 12 months ended 31st March 20xx
Pro forma 7D	Wastewater network+ Sewage treatment works data for the 12 months ended 31st March 20xx
Pro forma 7E	Wastewater network+ - Other data including energy consumption and scheme delivery for the 12 months ended 31 March 20xx
Pro forma 7F	Wastewater network+ - WINEP phosphorus removal scheme costs and cost drivers
Section 8 Additional regulatory information - bioresources	
Pro forma 8A	Bioresources sludge data for the 12 months ended 31st March 20xx
Pro forma 8B	Bioresources operating expenditure analysis for the 12 months ended 31st March 20xx
Pro forma 8C	Bioresources energy and liquors analysis for the 12 months ended 31st March 20xx
Pro forma 8D	Bioresources sludge treatment and disposal data for the 12 months ended 31st March 20xx
Section 9 Additional regulatory information - innovation competition	
Pro forma 9A	Innovation competition
Section 10 Green recovery	
Pro forma 10A	Green recovery non-cost data for the 12 months ended 31st March 20xx
Pro forma 10B	Green recovery water outcome performance analysis for the 12 months ended 31st March 20xx
Pro forma 10C	Green recovery wastewater outcome performance analysis for the 12 months ended 31st March 20xx
Pro forma 10D	Green recovery data capture outcome performance for the 12 months ended 31st March 20xx
Pro forma 10E	Green recovery data capture reconciliation model inputs for the 12 months ended 31st March 20xx
Section 11 Greenhouse gas emissions	
Pro forma 11A	Greenhouse gas emissions reporting for the 12 months ended 31 March 20xx

Follow this [link](#) for the Excel template for the tables.

## A2 Accounting methodology statement

- A2.1 This appendix sets out our requirements for the disclosures to be included in companies' accounting methodology statements. Each company must publish their statement either on their website or in the annual performance report.
- A2.2 The 2 areas that should form the focus of the statement will be to describe how costs are reported across:
- Price control units (annual performance report section 2); and
  - Wholesale upstream services (annual performance report section 4).

### High level overview

- A2.3 Details of the company's systems for producing disaggregated cost and asset data (eg spreadsheets or integrated accounting systems), including any changes year on year.

### Price control units

- A2.4 We expect that companies will apply the principles and guidance set out in RAG 2.
- A2.5 Companies should:
- Confirm they have followed the principles and guidance set out in RAG 2;
  - Describe the method used to calculate revenues for each price control unit;
  - Describe the method or cost driver that the company has used to calculate allocations between the price control units (where specific guidance has not been prescribed);
  - Where there has been a change to the methodology compared to the previous year give reasons for the change and quantify the impact;
  - Describe significant changes in reported costs at the price control unit level compared to the previous year;
  - Where there has been a significant movement in a particular cost type (e.g. power or local authority rates) between the price control units then reasons for this should be included;
  - For both 'power' costs and 'other operating expenditure' quantify the percentage split between directly coded and allocated costs;
  - Describe how power costs are disaggregated when it is consumed at sites that cover more than one price control unit;
  - Quantify the percentage split of M&G costs across the price control units; and



- Describe any planned improvements for future years.

A2.6 For assets companies should adopt the ‘principal use’ rules whereby the asset is recorded in a single price control unit which then makes recharges.

A2.7 Companies should:

- Confirm they have followed the principal use rules set out in RAG 2;
- Describe the method used to calculate the appropriate recharge. This should have reference to the depreciation and the finance costs of maintaining the asset; and
- Describe any significant movements in the amounts recharged between the price control units.

A2.8 Companies should also refer to the equivalent recharges to the non-appointed business for activities set out in appendix 1 of RAG4 such as tankered waste.

## Wholesale upstream services

A2.9 Companies should provide an explanation of:

- how the company has disaggregated the operating costs across the upstream services for each cost type, specifying cost drivers where necessary;
- describe how power costs are disaggregated when it is consumed at sites that cover more than one upstream service;
- how treated bulk supply imports have been allocated between water resources and water treatment;
- significant changes in reported costs at the upstream services level compared to the previous year; and
- where there has been a significant movement in a particular cost type (eg power or local authority rates) between the upstream services then reasons for this should be included.

A2.10 Where companies encounter difficulties in completing tables 4D and 4E, they should describe how they have completed the table and suggest how alternative methods could be used.

## A3 Basis for requesting information

A3.1 OFWAT has the power to request information in licence conditions B, F, I, K, M and P. This appendix sets out our requirements along with the relevant licence condition under which it is requested.

### Pro forma tables

Section 1 Regulatory financial reporting		Accounting information - licence condition F	Other information - licence condition M
Pro forma 1A	Income statement	✓	
Pro forma 1B	Statement of comprehensive income	✓	
Pro forma 1C	Statement of financial position	✓	
Pro forma 1D	Statement of cash flows	✓	
Pro forma 1E	Net debt analysis (appointed activities) at 31 March 20xx	✓	
Pro forma 1F	Financial flows for the 12 months ended 31 March 20xx and for the price review to date	✓	

Section 2 Price review and other segmental reporting		Accounting information - licence condition F	Other information - licence condition M
Pro forma 2A	Segmental income statement for the 12 months ended 31 March 20xx	✓	
Pro forma 2B	Totex analysis for the 12 months ended 31 March 20xx - wholesale water & wastewater	✓	
Pro forma 2C	Operating cost analysis for the 12 months ended 31 March 20xx - retail	✓	
Pro forma 2D	Historic cost analysis of tangible fixed assets - wholesale & retail	✓	
Pro forma 2E	Analysis of 'grants and contributions' and land sales for the 12 months ended 31 March 20xx - wholesale	✓	
Pro forma 2F	Residential retail	✓	✓
Pro forma 2G	Non-household water - revenues by tariff type	✓	✓
Pro forma 2H	Non-household wastewater - revenues by tariff type	✓	✓
Pro forma 2I	Revenue analysis for the 12 months ended 31 March 20xx	✓	
Pro forma 2J	Infrastructure network reinforcement costs for the 12 months ended 31 March 20xx	✓	
Pro forma 2K	New connections reconciliation for the 12 months ended 31 March 20xx	✓	
Pro forma 2L	Analysis of land sales for the 12 months ended 31 March 20xx	✓	
Pro forma 2M	Revenue reconciliation for the 12 months ended 31 March 20xx - wholesale	✓	
Pro forma 2N	Residential retail - social tariffs	✓	✓
Pro forma 2O	Historic cost analysis of intangible fixed assets	✓	

Section 3 Performance summary		Accounting information - licence condition F	Other information - licence condition M
Pro forma 3A	Outcome performance - Water common performance commitments	✓	✓
Pro forma 3B	Outcome performance - Wastewater common performance commitments	✓	✓
Pro forma 3C	Customer measure of experience (C-MeX) table		✓
Pro forma 3D	Developer services measure of experience (D-MeX) table	✓	✓
Pro forma 3E	Outcome performance - Non financial performance commitments		✓
Pro forma 3F	Underlying calculations for common performance commitments - water and retail		✓
Pro forma 3G	Underlying calculations for common performance commitments - wastewater		✓
Pro forma 3H	Summary information on outcome delivery incentive payments	✓	
Pro forma 3I	Supplementary outcomes information		✓

Section 4 Additional regulatory information - service level		Accounting information - licence condition F	Other information - licence condition M
Pro forma 4A	Water bulk supply information for the 12 months ended 31 March 20xx	✓	✓
Pro forma 4B	Analysis of debt	✓	
Pro forma 4C	Impact of price control performance to date on RCV	✓	
Pro forma 4D	Totex analysis for the 12 months ended 31 March 20xx - water resources and water network+	✓	✓
Pro forma 4E	Totex analysis for the 12 months ended 31 March 20xx - wastewater network+ and bioresources	✓	✓
Pro forma 4F	Major project expenditure for wholesale water by purpose	✓	
Pro forma 4G	Major project expenditure for wholesale wastewater by purpose	✓	
Pro forma 4H	Financial metrics for the 12 months ended 31 March 20xx	✓	
Pro forma 4I	Financial derivatives	✓	
Pro forma 4J	Base expenditure analysis for the 12 months ended 31 March 20xx - water resources and water network+	✓	
Pro forma 4K	Base expenditure analysis for the 12 months ended 31 March 20xx - wastewater network + and bioresources	✓	
Pro forma 4L	Enhancement expenditure for the 12 months ended 31st March 20xx - water resources and water network+	✓	
Pro forma 4M	Enhancement expenditure for the 12 months ended 31st March 20xx - wastewater network+ and bioresources	✓	
Pro forma 4N	Developer services expenditure for the 12 months ended 31st March 20xx - water resources and water network+ (price control)	✓	
Pro forma 4O	Developer services expenditure for the 12 months ended 31st March 20xx - wastewater network+ and bioresources (price control)	✓	
Pro forma 4P	Developer services non-price control expenditure for the 12 months ended 31 March 20xx	✓	
Pro forma 4Q	Developer services - Non financial information		✓
Pro forma 4R	Connected properties, customers and population		✓
Pro forma 4S	Green recovery expenditure for the 12 months ended 31st March 20xx - water resources and water network+	✓	
Pro forma 4T	Green recovery expenditure for the 12 months ended 31st March 20xx - wastewater network+ and bioresources	✓	
Pro forma 4U	Impact of Green recovery on RCV	✓	
Pro forma 4V	Mark-to-market of financial derivatives analysed based on payment dates	✓	
Pro forma 4W	Defined benefit pension scheme – additional information	✓	

Section 5 Additional regulatory information - water resources		Accounting information - licence condition F	Other information - licence condition M
Pro forma 5A	Water resources asset and volumes data for the 12 months ended 31st March 20xx		✓
Pro forma 5B	Water resources operating cost analysis for the 12 months ended 31st March 20xx	✓	
Section 6 Additional regulatory information - water network plus			
Pro forma 6A	Raw water transport, raw water storage and water treatment data for the 12 months ended 31st March 20xx		✓
Pro forma 6B	Treated water distribution - assets and operations for the 12 months ended 31st March 20xx -		✓
Pro forma 6C	Water network+ - Mains, communication pipes an other data for the 12 months ended 31st March 20xx		✓
Pro forma 6D	Demand management - Metering and leakage activities for the 12 months ended 31 March 20xx	✓	✓
Pro forma 6E	(not used)		
Pro forma 6F	WRMP annual reporting on delivery - non-leakage activities	✓	✓
Section 7 Additional regulatory information - wastewater network plus			
Pro forma 7A	Wastewater network+ Functional expenditure for the 12 months ended 31st March 20xx	✓	
Pro forma 7B	Wastewater network+ Large sewage treatment works for the 12 months ended 31 March 20xx	✓	✓
Pro forma 7C	Wastewater network+ Sewer and volume data for the 12 months ended 31st March 20xx		✓
Pro forma 7D	Wastewater network+ Sewage treatment works data for the 12 months ended 31st March 20xx		✓
Pro forma 7E	Wastewater network+ - Other data including energy consumption and scheme delivery for the 12 months ended 31 March 20xx		✓
Pro forma 7F	Wastewater network+ - WINEP phosphorus removal scheme costs and cost drivers	✓	✓

Section 8 Additional regulatory information - bioresources		Accounting information - licence condition F	Other information - licence condition M
Pro forma 8A	Bioresources sludge data for the 12 months ended 31st March 20xx		✓
Pro forma 8B	Bioresources operating expenditure analysis for the 12 months ended 31st March 20xx	✓	
Pro forma 8C	Bioresources energy and liquors analysis for the 12 months ended 31st March 20xx	✓	✓
Pro forma 8D	Bioresources sludge treatment and disposal data for the 12 months ended 31st March 20xx		✓
Section 9 Additional regulatory information - innovation competition			
Pro forma 9A	Innovation competition	✓	
Section 10 Green recovery			
Pro forma 10A	Green recovery non-cost data for the 12 months ended 31st March 20xx	✓	✓
Pro forma 10B	Green recovery water outcome performance analysis for the 12 months ended 31st March 20xx		✓
Pro forma 10C	Green recovery wastewater outcome performance analysis for the 12 months ended 31st March 20xx		✓
Pro forma 10D	Green recovery data capture outcome performance for the 12 months ended 31st March 20xx		✓
Pro forma 10E	Green recovery data capture reconciliation model inputs for the 12 months ended 31st March 20xx	✓	✓
Section 11 Greenhouse gas emissions			
Pro forma 11A	Greenhouse gas emissions reporting for the 12 months ended 31 March 20xx	✓	✓

## RAG3 disclosure requirements

		Accounting information - licence condition F	Other information - licence condition M	Other information - licence condition B	Other information - licence condition K	Ring fencing provisions - licence conditions I or P	Other information - statutory
<b>RAG3 Accounting disclosures requirements</b>							
3.2-3.8	Statement on executive pay and performance						✓
3.9-3.10	Statement as to disclosure of information to auditors	✓					
3.11-3.18	Statement on dividend policy and explanation of dividends paid	✓	✓				
3.19	Accounting policy note for price control units	✓					
3.20	Note on revenue recognition	✓					
3.21	Note on capitalisation policy	✓					
3.22-3.25	Note on bad debt policy	✓					
3.26-3.29	Ring-fencing certificate or certificate of adequacy				●	◆	
3.30-3.31	Tax strategy for the appointed business,	✓					
3.32-3.33	Statement on differences between statutory and RAG definitions,	✓					
3.34-3.37	Long term viability statement,	✓					
3.38	Statement explaining out/under performance of the return on regulatory equity (RORE)	✓					
3.39	Statement explaining the variance on infrastructure network reinforcement charges	✓	✓				
3.40-3.42	Statement on innovation competition	✓	✓				
4.1-4.2	Outcomes		✓	✓			
4.3-4.7	Totex	✓	✓				
4.8-4.9	Retail	✓	✓				
4.10-4.13	Wholesale revenues	✓	✓				
4.14-4.15	Current tax analysis	✓	✓				
4.16-4.18	Current tax reconciliation	✓	✓				
4.19-4.20	Interest	✓	✓				



		Accounting information – licence condition F	Other information – licence condition M	Other information – licence condition B
<b>RAG3 Narrative disclosure requirements</b>				
4.21-4.22	Financial flows	✓	✓	
4.23-4.33	Narrative on costs	✓	✓	
4.34-4.37	Supply-demand balance and metering	✓	✓	
4.38-4.39	Analysis of debt	✓	✓	
4.4	Common performance measures		✓	
4.41-4.44	Board statement on accuracy and completeness of data and information		✓	
4.45	Return on regulatory equity	✓	✓	
4.46	Financial derivatives	✓	✓	
4.47	Social tariffs	✓	✓	
<b>RAG3 Transfer pricing disclosure requirements</b>				
5.4-5.11	Transactions with associates			✓
5.4-5.11	Services received and provided by the regulated business from/to an associate			✓
5.4-5.11	Corporation tax group relief received and surrendered by the regulated business from/to an associate			✓
5.4-5.11	Services provided by the non-appointed business			✓

Key

●	For Tideway
◆	Authorisation is contained in either condition I or condition P, depending on when a company's licence was last updated.

**Ofwat (The Water Services Regulation Authority)  
is a non-ministerial government department.  
We regulate the water sector in England and Wales.**

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