



Water & Sewerage Services Price Control 2021-27

Draft Determination – Annex M
Change Control Protocol
September 2020



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Overview - Change Control Protocol

Stage 1 – Identification of Need and Initial Assessment of Proposal

1A - Preparation

- The proposer satisfies themselves that the change is necessary and the work cannot be delayed, including appropriate consultation with other stakeholders.
- The change is discussed with NI Water to ensure that it is practicable.

1B - Initiation

- The proposer initiates the change, confirming the need and the scope of the change including any impact on delivery dates.

1C - Initial assessment by NI Water

- NI Water makes an assessment of the work necessary and the impact on costs, output and programme.
- NI Water advises on whether it believes more detailed work is necessary to develop a scope and cost estimate before the UR is asked to approve the change.
- If necessary NI Water revises the assessment based on comments received from stakeholders.

Stage 2 – Consideration and Approval

2A - Consideration of the proposal

- Stakeholders consider the proposal set out by NI Water and assess the aspects within their remit.

2B - Approval of the proposal

- The UR reaches a decision which is either to accept, reject, ask for a further study or pass to the ORG for consideration if there is disagreement between the relevant stakeholders.
- If required, NI Water carries out further study or appraisal work and submits a reassessment to the UR to inform its decision.

Stage 3 – Implementation and Monitoring

- Following approval NI Water implements the change. Changes to outputs and

The change control protocol provides a framework within which proposed changes should be considered. It may be possible to combine stages or move through them quickly. While the process is based on reaching agreement, it does not over-ride the statutory duties and powers of the stakeholders.



1. Introduction

1.1 The Output Review Group (ORG¹) has been established to review the delivery of Price Control outputs.

1.2 The key statutory stakeholders represented on the ORG are:

Department for Infrastructure	DfI
Consumer Council for Northern Ireland	CCNI
Drinking Water Inspectorate (NI)	DWI
Northern Ireland Environment Agency	NIEA
Northern Ireland Water	NIW
Utility Regulator	UR

Table 1: Key Statutory stakeholders.

1.3 The Price Control outputs covered by this process are the outputs listed in the final determination including the individual nominated outputs agreed as part of the final determination, amended as necessary in line with reviews carried out under the Memorandum of Understanding between DfI and the Utility Regulator.

1.4 This document sets out the procedures and steps that the key statutory stakeholders shall follow to control changes to outputs.

1.5 Changes may be initiated by all stakeholders including NI Water. Typical scenarios envisaged under the application of the Change Protocol are set out below:

- NI Water proposes a change in the regulatory outputs as defined in the Monitoring Plan;
- DfI, DWI (NI), NIEA, or NI Water identify a change in priority and decide to seek a change in the outputs;
- New objectives are identified by any party including the Minister; and
- Other circumstances with the agreement of the ORG.

1.6 The change control process applies to changes in specific outputs for the Price Control period including:

¹ The Output Review Group provides a forum for stakeholders to inform and be informed on progress on key outputs and to discuss issues of common concern, including delivery of outputs; efficiencies; regulatory issues; and customer related issues.



- Nominated wastewater treatment works improvements;
 - Nominated unsatisfactory intermittent discharge improvements;
 - Nominated water treatment works improvements;
 - Nominated trunk main and water resources schemes; and
 - Nominated service reservoir and clear-water tank improvements.
- 1.7 The change control process will also apply to overall changes to the general sewerage and water mains activities and the overall service level improvements to address low water pressure and sewer flooding. However, the change control process is not intended to apply to the prioritisation of general activities or non-specific outputs included in the Price Control Final Determination. For example:
- The selection and prioritisation of schemes to deliver overall sewerage and water mains activities;
 - The selection and prioritisation of schemes to deliver the service level improvements to address low pressure or sewer flooding; and
 - The work carried out by NI Water to maintain its assets.
- 1.8 The change control process is not intended to apply to project delay which does not affect the overall outputs delivered in the Price Control period. NI Water is expected to manage its programme of works, where practical accelerating projects to counter delays experienced on other projects.
- 1.9 Following agreement to changes made under this Change Control Process, it may be necessary to change:
- a) Regulatory outputs defined in the Monitoring Plan, including: named schemes, other outputs and compliance dates; and
 - b) Funding.
- 1.10 The Change Protocol will apply equally to changes which add to or increase the outputs and changes which reduce the outputs or remove individual nominated outputs.



2. Managing Changes to Funding

- 2.1 Changes to outputs might impact on the funding required by NI Water in the Price Control period. When agreeing a change to outputs it is necessary to confirm that additional funding will be made available if it is required. In particular, final sign-off of any change resulting in an increase in expenditure is dependent on confirmation from DfI that the necessary public expenditure cover will be available for any increase in subsidy or debt funding.
- 2.2 The Memorandum of Understanding between DfI and the Utility Regulator outlines arrangements for managing changes to the finances of NI Water over the Price Control period. A supporting consequential written agreement describes the process for managing additional financial pressures on the company. This process will be used to manage changes to funding arising from the Change Protocol.
- 2.3 In the absence of public expenditure cover for proposed additional outputs it will be necessary for either:
- NI Water to identify savings in the capital programme;
 - The stakeholder who initiated the change to identify outputs within their area of responsibility which can be removed from the programme to allow funding to be transferred to cover the additional outputs proposed;
 - The UR to reach agreement with other stakeholders on outputs which can be removed from the programme to allow funding to be transferred to cover the additional outputs proposed; and
 - The issue to be referred to the ORG for resolution or, if the ORG cannot reach agreement, to the WSSG for agreement.
- 2.4 Outputs removed from the programme to allow funding to be transferred to cover additional outputs will be processed through this Change Protocol.



3. The Change Protocol Procedure

- 3.1 The Change Control procedure is summarised in the opening section of this document. Further detail on how the Change Control procedure will be applied is provided in Appendix A. Appendix A also covers:
- a) **Independent verification of cost estimates** - The process to be followed if the Utility Regulator decides that cost estimates prepared by NI Water under the change protocol need to be independently verified.
 - b) **Managing change by substitution** - The modified approach that can be adopted in certain circumstances if the change involves the substitution of outputs.
 - c) **Managing major changes to outputs** - The modified approach that can be adopted in the event of a major change of output, recognising that the procedures and timescales in the standard protocol may no longer be appropriate.



4. Amendment of the Change Protocol

- 4.1 This Change Control Process may be amended from time to time. The Utility Regulator will consult stakeholders before changes are made.



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Appendix A – Change Control Procedure



A1. Change Protocol Key Stages

Stage 1 - Identification of Need and Initial Assessment

- A1.1 Stage 1 provides an opportunity to brief stakeholders on potential changes and prepare an initial assessment before moving to a more detailed process of assessment and approval. This will ensure that only changes which are practical and have stakeholder support are taken forward for more detailed assessment.
- A1.2 As part of the initial assessment there is an opportunity for NI Water to identify whether further work is required to assess options and develop the scope and the cost estimate before the company would recommend the change to the ORG for approval. If this is the case, the company should provide an estimate of the cost and programme for completing this work. Stakeholders will recognise that this type of detailed work requires a reasonable commitment of resource which must itself be funded even if the change does not go ahead.
- A1.3 The approach to Stage 1 set out below is based on the assumption that little or nothing is known about the likely solution to a new requirement. Given the close working relationship between the key stakeholders this is rarely the case and it may be possible to move through the initial assessment quickly to the consideration of the proposal. Where appropriate, stages of the process could be combined to ensure the process remains practical and efficient.

1A - Preparation

- A1.4 Change control will form a standing item at the ORG meetings. Stakeholders should take the opportunity to inform the group of emerging issues and flag change proposals which might be initiated in the near future.
- A1.5 Before initiating a change proposal stakeholders should satisfy themselves that the change is essential. This might include discussions with other stakeholders, in particular DfI, to confirm that a change in legislation or interpretation of legislation must be addressed within the current Price Control period. The alternative of including the changed output early in a subsequent Price Control period should be considered.
- A1.6 Before initiating a change proposal, stakeholders should discuss the proposal with NI Water to ensure that the proposal is reasonably practicable. NI Water may be able to provide immediate advice on cost or programme implications which might result in the proposal being withdrawn and other options considered.



1B - Initiation

- A1.7 Change proposals may be initiated by any ORG party. It is expected that the majority will be proposed by DfI, NIEA, DWI (NI) and NI Water. However as any change is likely to require input and consideration by NI Water it is anticipated that the company will be involved early in the preparation of the majority of submissions.
- A1.8 The proposal shall be initiated by circulation of a 'Change Proposal' to the stakeholders using the document included as Appendix B.
- A1.9 The proposal will include the following information:
- The nature and the cause of the proposed changes:
 - The project(s) affected by the proposed change;
 - The outputs impacted by the proposed changes; and
 - Any changes to the final determination milestone delivery dates associated with the proposed changes.
- A1.10 The completed change proposal document shall be sent by the originator to the other stakeholders by e-mail. A copy shall also be provided to the UR which will maintain a record of the proposed changes and provide a unique reference number for the CPP (e.g. PCxxx CPP 01).

1C - Initial Assessment by NI Water

- A1.11 NI Water shall, in consultation with other stakeholders as appropriate, assess the proposal and provide an initial assessment report to all stakeholders for comment to include the following:



Ref	Action
1	The impact of the proposed change on overall compliance with the S&EG, and on consumers' and the service they receive.
2	The impact on any legislative or other Quality Regulation requirement (including consent changes) or compliance date.
3	An estimate of the beneficial use date of any additional outputs or change of beneficial use date of existing outputs.
4	The impact on any direct, or indirectly linked, output targets (including any date) as defined in the Output Monitoring Submission or the Price Control Nominated Outputs schedule.
5	An estimate of the financial impact of any changes both in Capex and Opex, defined for each: a) Year of the Price Control Period and subsequent years if the project will carry over into the next Price Control period. b) Capital Investment Driver Allocation (CIDA) category. The financial statement should include a statement of any sunk costs in any project which will not progress as part of the change.
6	The company's view on whether further work is required to assess options and develop the scope and the cost estimate before the company would recommend the change to the ORG for approval.

- A1.12 The stakeholders can provide comments to NI Water within a reasonable time of receipt of the initial assessment report. Comments shall be copied to the other stakeholders.
- A1.13 Following receipt of the final review comments NI Water shall, within a reasonable time, revise the document and issue a revised initial assessment report, including a summary record of the comments made and how they have been addressed.
- A1.14 Regardless of the above, NI Water will be required to adhere to the financial delegations as set out in the Management Statement and Financial Memorandum (MSFM).

Stage 2 - Consideration and Approval

2A - Consideration of the proposal

- A1.15 The issuing party shall assess the revised assessment before determining if the change can be progressed in consultation with other stakeholders as follows:
- a) If the proposed change requires a change to the S&EG, this shall be discussed with DfI. DfI shall consult other stakeholders, before making a recommendation to the DfI Minister. The CPP may only progress after a change to the Guidance has been authorised;



- b) If the proposed change impacts on legislative, Quality Regulation requirements, or compliance date, the relevant Quality Regulator (NIEA or DWI) shall determine if the change is acceptable. The CPP may only progress after these impacts have been accepted;
- c) If the proposed change impacts on Regulatory Outputs (including any date) defined in the Monitoring Plan then the UR, in consultation with DfI, shall determine if the proposed change should proceed to the next stage. The CPP may only progress after these implications have been accepted;
- d) Confirm that CCNI has been consulted on the impact of the change on consumers and the service they will receive;
- e) Check that the UR has confirmed that the company's estimated change to cost is reasonable, including the completion of any Reporter audit as described in Section A2, Appendix A; and
- f) Where the UR confirms that there will be material changes to NI Water's costs in delivering the revised outputs, check that DfI has confirmed that public expenditure cover will be available to allow the change to proceed.

A1.16 Once these steps have been taken and the necessary confirmation and agreement reached, the issuing party will forward the change proposal to the UR for agreement.

2B - Approval of the proposal

A1.17 Following receipt of the final change proposal, the UR will, by email, contact the stakeholders and:

- Notify them that the change control request has been submitted;
- Ask them to confirm that they have been consulted on the process, in particular with reference to the issues in A1.15;
- Ask them to make any final representations which they believe have not been adequately covered in the assessment of the change;
- Ask them to confirm whether they accept that the change is made; and
- Ask for confirmation of whether further approval by DfI or DoF is required to allow the project to proceed.

A1.18 Following a reply from stakeholders and subsequent engagement if this is



necessary, the Utility Regulator will either:

- a) Accept the CPP proposal;
- b) Ask that the proposal is revised and re-submitted;
- c) Reject of the CPP proposal; or
- d) Where there is significant disagreement between stakeholders, refer the decision to the ORG.

A1.19 If it is necessary to revise and resubmit the proposal, NI Water shall prepare a revised draft assessment which will be re-submitted to stakeholders under Step 1B above.

Stage 3 – Implementation and Monitoring

A1.20 Following receipt of the UR's approval, NI Water will implement the change and also reflect the changes in the next Output Monitoring submission and CIM submission.

A1.21 Changes shall be made to other documents as follows:

Documents to be amended	By
Relevant consents/enforcements	NIEA / DWI
Ministerial S&EG	DfI
Outputs and beneficial use dates in the Nominated Outputs schedule	UR
Targets in the Price Control Outputs Monitoring submission	NI Water
A cumulative schedule of agreed changes	UR



A2. Independent verification of cost estimates

- A2.1 The Utility Regulator may ask the Independent Reporter to verify the cost estimates prepared by NI Water as part of the CPP, including the cost of any project removed from the programme.
- A2.2 On receipt of a change proposal, the company shall advise the Utility Regulator when it intends to put forward an estimate and when this estimate will be complete and can be made available to the Utility Regulator and the Reporter.
- A2.3 The Utility Regulator will consider whether a Reporter audit is necessary to verify the cost estimate put forward by the company. The Utility Regulator may commission a Reporter audit and advise the Reporter of the timing of the audit based on the information provided by the company.
- A2.4 The Reporter's audit shall cover the following:
- Whether sufficient consideration has been given to the development of options in the appraisal;
 - Whether whole life costings have been undertaken and the least whole life cost option proposed;
 - If the least whole life cost option is not proposed by the company, the Reporter shall note the Company's reasons for proposing an alternative option and comment on whether these are reasonable;
 - Whether the scope of works for the preferred option is sufficiently well developed and challenged to provide a robust basis for the cost estimate;
 - Whether the company has used current cost rates to price its estimate which reflect efficient delivery of the projects;
 - Whether any on-costs and risk allowances applied to the estimate are reasonable and consistent with the scope of works and the unit rates applied to estimate the base cost; and
 - Whether further work should be undertaken to develop the proposal before the scheme is approved.
- A2.5 The Reporter shall comment on costs attached to projects removed from the programme as a result of the change proposal and any sunk costs of projects abandoned or deferred as part of the change process.



- A2.6 The Utility Regulator shall use the Reporter's report to inform their decisions on the proposed change and any amendments to funding in light of the change.



A3. Managing Change by Substitution

A3.1 A reduced version of the Change Control Process may be adopted for the substitution of outputs where:

- The change is within the responsibility of an individual quality regulator;
- The change does not impact on more than one type of output; or
- There is a fair substitution on outputs of equal value.

A3.2 In these circumstances the substitution may take place subject to the following:

- The agreement of NI Water, the relevant quality regulator;
- Information provided to demonstrate that there has been a substitution of equivalent outputs;
- Confirmation that the substitution does not change the overall Price Control outputs;
- Independent verification of the cost of the substitution under Section A2 above; or
- Completion of the change proposal documentation and necessary records which are then submitted to the UR for approval.

A3.3 It is recognised that an exact substitution of equivalent outputs or equivalent value will not be possible in most cases. As a result, it will be necessary to maintain a record of any minor changes to outputs and change to costs due to changes made by substitution.



A4. Managing Major Changes to Outputs

- A4.1 The development of the CPP envisages a low frequency of change to the overall programme which can be processed through the Change Protocol procedures as individual changes.
- A4.2 In the event of a major change of output, the procedures and timescales set out in this protocol might not be appropriate although the overall principles and responsibilities remain. If a major change to the programme occurs, the ORG shall agree how it will be managed. In the absence of agreement, the default position shall be this Change Protocol.
- A4.3 The outcome of any process to manage major change will include the completion of the Change Proposal Document which forms Appendix B of this protocol. If appropriate, a single form may be completed for a number of changes provided the individual changes are identified and more detailed information included in an attached schedule.
- A4.4 If a major change is necessary due to a significant change in public expenditure, the consequential written agreement outlines the process to be followed.



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Appendix B – Change Proposal Pro-forma



PC21 Change Control – Control sheet		Version		Date	
Ref: PC21 CCPxx		Title:			Originator:
Version control/circulation		Original			
Initiated					
Initial assessment					
For consideration					
For agreement					
To update records					
Assessment process			Y/N	Date	Notes
Has the impact on the S&EG been assessed and any changes agreed?					
Has the impact on legislative, quality requirements or compliance dates been agreed with the relevant quality regulator?					
Has the impact on regulatory outputs in the Monitoring Plan been assessed and agreed?					
Has the UR confirmed that the company's estimated costs are reasonable, including the completion of any Reporter audit?					
Has the impact of the change on funding been assessed and additional public expenditure funding confirmed by DfI					
Decision					
Date	Accept	Revise	Reject	Refer to ORG	
Decision:					
Documents to be amended		Responsibility	Complete		
Ministerial Social and Environmental Guidance		DfI			
Enforcement or consents		DW/NIEA			
Price Control nominated outputs schedule		UR			
Monitoring Plan		NIW			
Price Control outputs monitoring submission		NIW			
CIM baseline		NIW			
Cumulative schedule of agreed changes		UR			



PC21 Change Control – Change description						
Ref: PC21 CCP01	Title:				Originator:	
Project need summary: <i>Provide a brief description of project need. If necessary, refer to supporting documentation or detailed notes.</i> <i>Include any specific information on flows, loads and consent changes.</i>						
Proposed solution summary: <i>Provide a brief description of project solution (or steps in developing the solution). If necessary, refer to supporting documentation or detailed notes.</i>						
Cost impact	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Capex sunk costs (£m)						
New Capex (£m)						
OPEX net change (£m/a)						
Estimated last updated						
Reference documents <i>Schedule of supporting documentation including ‘initial assessment report’ and any feasibility or other studies circulated to stakeholders to describe the solution, cost estimates of impact on outputs. Provide a separate schedule if necessary.</i>						
Impact on output (refer to a separate schedule in the notes if necessary)						
Output Ref	Description	Change in output	Change BU in date			
			Old	New		
PC21 Change Control – Project description						
Ref: PC21 CCP001	Title:				Originator:	

Notes