

PC21 Draft Determination NI Water Response

Annex 3.3 - Review of Opex fom Capex

Version 1.0



PC21 Opex from Capex Costs Review of IPAC Outputs Document

1. Background

The PC21 Reporter Stage 2 Audit Findings Report made reference to potential issues with Opex from Capex, such as the use of NI Water's Investment Planning & Costing Tool (IPAC) for quantifying additional Opex from Capex (OfC) and the outputs from it. One of the comments from the Reporter was 'We challenged the Company on how widely the problem might prevail across the PC21 capital investment programme'. This report presents an overview of the results of reviews undertaken by NI Water relating to the Opex from Capex (OfC) included for a selection of PC21 projects.

The 'Additional Opex from Capex' for 2026/27 presented in the PC21 Business Plan Table 3.6B totals £5.185m for the listed 137 projects.

2. Approach to Reviews

NI Water reviewed the PC21 Business Plan Table 3.6B Opex from Capex generated from its Investment Planning and Costing (IPAC) tool in three distinct stages, targeting a total of 210 Projects :-

1. **Stage 1** – a high level review of the 'Additional OfC' derived for 28 of the projects included in PC21 Table 3.6B for 2026/27. These 28 projects accounted for 53% (£2.761m) of the 'Additional OfC' for 2026/27.
2. **Stage 2** – a detailed review of the 'Additional OfC' derived for a total of 64 projects included in PC21 Table 3.6B for 2026/27. These 64 projects (including the 28 projects reviewed in Stage 1) accounted for 96.3% (£4.992m) of the 'Additional OfC' 2026/27.
3. **Stage 3** – a high level review of the following 146 Projects :
 - a. 58 PC21 projects, listed in Table 3.6B with Add OfC in 2026/27, which were not reviewed in Stage 1 or 2, and which are similar type projects to those reviewed in Stage 1 and 2,
 - b. 61 projects (including projects entailing programmes of work) with a Beneficial Use Date of 31/3/27 or 31/3/28, for which no OfC had been allocated within the business plan
 - c. 27 M&G Projects

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3. Overview of Findings

The following table summarises the changes to the PC21 Table 3.6B 'Additional OfC' figure of £5.154m for 2026/27, as a result of the three stages of reviews, entailing 210 projects:

Project Category	Refer to following tables in the Appendix for details	No of Projects reviewed	Additional OfC as in PC21 Table 3.6B for 2026/27 £m	29/7/20 Updated Additional OfC as a result of Review £m	29/7/20 Increase or Decrease in Additional OfC £m
Projects, with no Add OfC amendments	Table 1	76	2.191	2.191	0.000
Projects, entailing Programmes of work, with BUD of 31/3/27	Table 2	22	0.000	1.213	1.213
Projects with BUD of 31/3/27	Table 3	39	0.000	0.549	0.549
M&G Projects	Table 4	27	0.000	0.292	0.292
Projects with Add OfC amendments – due to pump errors	Table 5	8	0.357	0.101	-0.256
Projects with Add OfC amendments – due to storm tank errors only	Table 6	15	0.222	0.368	0.146
Projects with Add OfC amendments - mainly due to sludge errors	Table 7	2	0.038	0.032	-0.006
Projects with Add OfC amendments - mainly data input/assumption errors	Table 8	9	0.317	0.264	-0.053
Projects with Add OfC amendments – due to miscellaneous errors (which includes pump/sludge/data errors etc)	Table 9	11	1.116	0.682	-0.434
Change to Project 'Derg WTW MCPA PEO Undertakings'	Table 10	1	0.913	0.525	-0.388
Total		210	5.154	6.217	1.063

Overall change in Add OfC for 2026/27 (from the submitted PC21 Table 3.6B, following the Stage 3 review) is £6.217 - £5.154m ie £1.063m, for the 210 projects reviewed. It is to be noted that Add OfC of £31k (pertaining to 16 projects) in the submitted PC21 Table 3.6B was not reviewed. The £31k brings the revised £6.217m to a grand total of £6.248m Add OfC for 2026/27.

The following table shows the comparison between the submitted PC21 Table 3.6 six year profile, for Additional OfC, and the findings from the three stages of reviews:

Total additional OPEX from CAPEX in 2018-19 prices £m	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	Total 2021-27
PC21 Table 3.6B Submission figures	0.700	2.178	2.437	2.981	3.767	5.185	17.248
Revised figures following Stage 3 Review	0.332	1.350	1.839	3.463	4.321	6.248	17.553

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The main reasons for proposed amendments to the 'Additional Opex from Capex' figure are:

1. Proportioning of Additional OfC associated with PC21 Projects (entailing programmes of work) with a BUD of 31/3/27

The Business Plan contained programmes of work which were allocated a Beneficial Use Date (BUD) of 31/03/27 and as such were not allocated any OfC. As a result of our review, we have allocated OfC based on delivery and beneficial use of specific parts of the programmes across the PC21 years.

2. Proportioning of Additional OfC, associated with specific PC21 Projects (with a BUD of 31/3/27)

The proportioning of Additional OfC, associated with specific PC21 Projects (with a BUD of 31/3/27), to PC21 as a result of the delivery and beneficial use of part or whole of the project and the realisation of part of the Additional OfC before or during 2026/27. It is assumed that WwTW with a BUD of 31/3/27 will be fully operational in the last 3 months of 2026/27 to enable full testing and commissioning prior to the BUD.

3. M&G Projects

Inclusion of Additional OfC in 2026/27 for M&G Projects.

4. Amendments to interpretation and use of iPAC

- incorrect cost curves being used for pumps which will be used infrequently (for example where pumps are used during an outage or final effluent pumpaway),
- incorrect approach to the usage of IPAC for pumping operation and arrangements,
- incorrect sludge production values being entered into IPAC (whereby design horizon sludge production values were used rather than 2026/27 values),
- assets being tagged in IPAC as 'new' rather than 'replace', and
- assets being abandoned twice in IPAC or incorrectly included.
- data input errors when entering data into iPAC,
- errors in IPAC data entry regarding storm retention tanks (such as not taking account of the need to maintain and clean the tanks), and
- assets being tagged as 'abandon' rather than 'replace' in iPAC

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The following table lists those projects with the **greatest increase** (>£0.1m) in Additional OfC in 2026/27 as a result of the Stage 3 Review :

Ref No.	Proj ID Ref	Project Name	PC21 Prog	NIAMP5 or LWWP Project	Total PC21 Pre-Efficiency CAPEX £m	Add OfC in 26/27 (PC21 Table 3.6B) £m	Updated Add OfC from Stage 3 Review £m	Difference between Add OfC in 26/27 & Updated Add OfC from Stage 3 Review £m	Refer to the following table in the Appendix for details
1	1665	Smart Networks - ITS Strategy - Development Output	09z	NIAMP5	6.981	0	0.104130	0.104130	Table 2
2	1323	Event Duration Monitors WwPS/CSOs	12b	NIAMP5	23.957	0	0.565181	0.565181	Table 2
3	1198	RWwIP RBC <50PE (Current PE)	17z	NIAMP5	12.425	0	0.155983	0.155983	Table 2
█	█	█	█	█	█	█	█	█	█
5	2603	Facilities H&S Compliance	20e	NIAMP5	5.000	0	0.116187	0.116187	Table 4
6	2604	Facilities H&S Compliance	20e	NIAMP5	5.000	0	0.116187	0.116187	Table 4
Total Increase								1.161	

The following table lists those projects with the **greatest reduction** (>-£0.1m) in Additional OfC in 2026/27 as a result of the Stage 3 Review :

Ref No.	Project ID Ref	Project Name	PC21 Prog	NIAMP5 or LWWP Project	Total PC21 Pre-Efficiency CAPEX £m	Add OfC in 26/27 (PC21 Table 3.6B) £m	Updated Add OfC from Stage 3 Review £m	Difference between Add OfC in 26/27 & Updated Add OfC from Stage 3 Review £m	Refer to the following table in the Appendix for details
1	2513	Castor Bay to Ballydougan Trunk Main September 2019	05a	NIAMP5	6.433	0.188445	0	-0.188445	Table 5
█	█	█	█	█	█	█	█	█	█
█	█	█	█	█	█	█	█	█	█
█	█	█	█	█	█	█	█	█	█
█	█	█	█	█	█	█	█	█	█
Total Reduction								-0.963	

4. Conclusion

In conclusion, the Add OfC figure as shown in the submitted PC21 Table 3.6B has been underestimated by c£1.063m for 2026/27, which is mainly due to the omission of Add OfC being realised during the PC21 years, for PC21 Projects listed with a BUD of 31/3/27. Issues with pump cost curve selection and the incorrect sludge data have also resulted in substantial changes to the Additional OfC for a number of projects.

However the review, taking on board recent updates to the Add OfC and respective profiling for the Derg and Ballinrees WTW projects, depicts minimal change to the Add OfC for the PC21 period. The total Additional OfC in 2018-19 prices for PC21, as shown in the submitted PC21 Table 3.6B is £17.248m, whilst the revised figure following the 3 stages of reviews is £17.553m.

