

Chapter 38

Financial measures: Sewerage compliance - expenditure report

Covering:
Obligations prior to SBP
Intermittent discharges
European Union Directives
Other environmental programmes
Investigations
Sewage sludge management
Capex and opex totals

Financial measures

Chapter 38

Sewerage compliance - expenditure report

This table has 7 blocks and a total of 30 lines. It covers:

- Obligations prior to SBP
- Intermittent discharges
- EU Directives
- Other environmental programmes
- Investigations
- Sewage sludge management
- Capex and opex totals

These all deal with allocation of expenditure on legally required improvements to the sewerage service and investigations that may lead to such improvements. The blocks are all structured in the same way and deal with capital expenditure on the sewerage system, sewage treatment discharges and sewage sludge management, and on the associated operating costs.

A single table is provided to capture data.

The operating expenditure reported should include the relevant allocation of the opex element of the PPP unitary charge included in the total OPEX in Table 21 line 22. In its commentary, NI Water should state and explain the allocation of the OPEX element of the PPP unitary charge to each line of the table.

Capital expenditure reported in any line should exclude any expenditure on PPP assets which form part of the unitary charge payments reported in Table 42 but should include all other capital investment by NI Water.

If the expenditure reported in any line of the table expenditure includes investment in PPP assets which the company does not consider to be part of the unitary charge payment reported in Table 42, this should be clearly stated and explained in the commentary. The capital expenditure reported in any line of this table should be consistent with Table 32.

Guidance

Capex and opex totals: these are calculated lines, giving the totals for capital and net additional operating expenditure for quality enhancement for the sewerage service.

The company should provide commentary in the return on any material changes in allocation methodology since the SBP. Where the allocation of expenditure complies with the proportional allocation principles employed in preparing the SBP, the company must provide a statement in the commentary confirming this to be the case.

The information in this table will be used to assess the overall cost of enhancing sewerage service assets so that compliance with named legal obligations is ensured, and to compare relative company efficiencies in meeting the required quality standards.

The company is required to include the expenditure on the quality driven part of projects. That is, costs for projects with multiple quality drivers should be split and assigned to the relevant line in accordance with the hierarchy of cost drivers. The cost of delivering the improvements to meet the requirements of the highest ranked driver should be entered against the line

covering that driver. The net additional costs of delivering the incremental improvements required by the next highest ranked driver should be entered against the line covering that driver. And so on in a likewise manner for as many cost drivers as there may be. The link between the cost drivers and the relevant lines in table 38 is shown in the table below.

Expenditure Areas	AIR reporting lines	
	Capex	Opex
Pre SBP quality programme	1,2,3	4
Investigations	25	26
Intermittent discharges	5	6
Urban Waste Water Treatment Directive	7	8
Freshwater Fish Directive	11	12
Groundwater Directive	15	16
Shellfish Waters Directive	15	16
Dangerous Substances Directive	15	16
Habitats Directive	13	14
Bathing Waters Directive	9	10
IPPC Directive	15	16
Chemicals	21	22
Local priority schemes	23	24
UK Biodiversity Action Plan	23	24
Sustain planned level of environmental protection	23	24
Miscellaneous	23	24
First time sewerage	17	18
Enhanced sewage sludge management	27	28

Price base: The company is required to submit the figures in money of the day price terms.

Guidance

This table reports capital expenditure proportionally allocated to quality enhancement for new schemes, and modifications to treatment works and other sewerage service assets. The company must proportionally allocate expenditure to other lines in table 36 - Base service, Enhanced service standards, and Growth as well as to Quality enhancement. The company should advise of any changes to the methodology used in the company's SBP.

This table should only include expenditure related to work included in the SBP or a subsequent interim determination. For new legal obligations identified since the SBP and not allowed in the SBP or a subsequent interim determination and expenditure required to start programmes identified for delivery before the next price control, lines 16 and 17 of table 36 should be completed.

We need to be reassured that progress on the quality obligations allowed in the SBP is being made in a timely and effective manner.

Company commentary

The company should:

- structure the commentary under the headings that correspond to the blocks in the table;
- provide a statement confirming whether the allocation of expenditure complies with the proportional allocation principles employed in preparing the SBP;
- confirm that the expenditure included on the quality driven part of projects is correct;
- provide a progress report on each of the following programmes
 - Obligations prior to SBP;
 - intermittent discharges;
 - UWWTD;
 - Freshwater Fish Directive;
 - Habitats Directive;
 - first time sewerage; and
 - sewage sludge management;
- the company should report progress on each programme, as appropriate against:
 - commitments made in the business plan;
- include in the progress report on each programme:
 - an overall commentary on the progress of the programme;
 - progress made against the project milestones Reporting should be confined to no more than ten major projects. [This information will be used alongside that of the completed schemes and compliance reporting from the NI Environment Agency, to assess whether work within the SBP programme is progressing at a rate consistent with the funding];
 - details of any schemes where target completion dates are seriously at risk of being breached despite the company's endeavours to eliminate the delays;
- where necessary, explain the late delivery of quality enhancement outputs during the report year. The company should also provide an indication of the effect any delays may have on the delivery of the total SBP environmental programme;
- provide detail of the progress made in treating and disposing of sewage sludge;
- provide detail of the newly installed capacity and throughput of facilities to provide enhanced treatment;
- for lines 1, 2, 3 and 4 include a breakdown for this expenditure in line with the categories included for table 38 , to allow the total costs of this programme to be reconciled;
- for lines 5 to 14 inclusive, if the company considers that expenditure on work under other quality drivers should be reported here, give the details and breakdown between cost drivers;
- for lines 15 and 16, explain the proportion of expenditure associated with each cost driver;
- where first time sewerage schemes have not been included in the SBP list the individual schemes which have been undertaken in the report year; and
- summarise the changes made to its environment programmes .

Guidance for Reporter

The Reporter should confirm:

- whether the methodologies used by the company to proportionately allocate expenditure between purpose categories at new or modified works to the various lines in the table are the same as that used in the company's business plan. Any significant departures from the business plan allocation should be noted as should the reasons for the differences. This should be done for both the capital and operating costs;
- that the allocation of the expenditure to certain categories is consistent with the percentages given in the SBP. Particular attention should be given to the appropriate allocation to the specific cost drivers and obligations. Although it is accepted that most of the reporter's comments are exception reporting, here it is necessary for the reporter to state his/her opinion of the proportional allocation methodology and the allocation of expenditure; and
- which works or schemes have been completed within the report year and that these are in line with the expectations laid out in the SBP. Where the outputs do not match expectations the reporter should ascertain and give his/her opinion on the reasons for any shortfalls.

Particular attention should be paid to whether the company has reported just expenditure associated with quality enhancement schemes in the SBP. Confirmation should be given that if the company has made quality improvements to schemes other than those in the SBP, that this has been appropriately recorded under 'new obligations' in table 36 (lines 16 and 17).

The Reporter should

- comment on the numbers of connectable properties served by first time sewerage schemes, whether they were included in the SBP and if not whether they have been assessed on the same basis. ;
- provide NIAUR with assurance that the company has explored different options and employed the most cost-effective solutions with respect to its sludge treatment and disposal programme; and
- comment on the company's progress made in treating and disposing of sewage sludge

Table 38 line definitions

A AMP3 OBLIGATIONS

1	Capex: Completion of programme of work funded prior to the SBP – continuous discharges	£m	3dp
Definition	Capital expenditure to complete the programme of work funded prior to the SBP, for continuous discharges.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

2	Capex: Completion of programme of work funded prior to the SBP – intermittent discharges	£m	3dp
Definition	Capital expenditure to complete the programme of work funded prior to the SBP, for intermittent discharges.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

3	Capex: Completion of programme of work funded prior to the SBP – sewage sludge management	£m	3dp
Definition	Capital expenditure to complete the programme of work funded prior to the SBP, for sewage sludge management.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

4	Opex: Completion of programme of work funded prior to the SBP	£m	3dp
Definition	Net additional operating expenditure relative to the base year for quality opex to complete the programme of work funded prior to the SBP for continuous and intermittent discharges and sewage sludge management.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

B INTERMITTENT DISCHARGES

5	Capex: Unsatisfactory intermittent discharges	£m	3dp
Definition	Capital expenditure to improve the sewerage infrastructure (unsatisfactory intermittent discharges) and thereby deliver the outputs included in the SBP or subsequent interim determination. This is the capital expenditure to deliver the outputs included in the SBP or amendments confirmed at an interim determination of prices for dealing with unsatisfactory intermittent discharges		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

6	Opex: Unsatisfactory intermittent discharges	£m	3dp
Definition	Net additional operating expenditure relative to the base year for quality opex to improve the sewerage infrastructure (unsatisfactory intermittent discharges) and thereby deliver the outputs included in the SBP or subsequent interim determination. This is the operating expenditure to deliver the outputs included in the SBP or amendments confirmed at an interim determination of prices for dealing with unsatisfactory intermittent discharges		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

C EU DIRECTIVES

7	Capex: Continuous discharges – UWWTD	£m	3dp
Definition	Capital expenditure for new and additional sewage treatment assets to comply with the EU Urban Waste Water Treatment Directive. This is the capital expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices for enhancements to continuous discharges to comply with the EU Urban Waste Water Treatment Directive		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

8	Opex: Continuous discharges – UWWTD	£m	3dp
Definition	<p>Net additional operating expenditure relative to the base year for quality opex for new and additional sewage treatment assets to comply with the EU Urban Waste Water Treatment Directive.</p> <p>This is the operating expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices for enhancements to continuous discharges to comply with the EU Urban Waste Water Treatment Directive</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

9	Capex: Continuous and intermittent discharges – Bathing Waters Directive	£m	3dp
Definition	<p>Capital expenditure for new and additional sewage treatment and sewerage assets to comply with the EU Bathing Waters Directive.</p> <p>This is the capital expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices for enhancements to continuous and intermittent discharges to comply with the EU Bathing Waters Directive</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

10	Opex: Continuous and intermittent discharges – Bathing Waters Directive	£m	3dp
Definition	<p>Net additional operating expenditure relative to the base year for quality opex for new and additional sewage treatment and sewerage assets to comply with the EU Bathing Waters Directive.</p> <p>This is the operating expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices for enhancements to continuous and intermittent discharges to comply with the EU Bathing Waters Directive</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

11	Capex: Continuous and intermittent discharges – Freshwater Fish Directive	£m	3dp
Definition	Capital expenditure for new and additional sewage treatment and sewerage assets to comply with the EU Freshwater Fish Directive. This is the capital expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices for enhancements to continuous and intermittent discharges to comply with the EU Freshwater Fish Directive		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

12	Opex: Continuous and intermittent discharges – Freshwater Fish Directive	£m	3dp
Definition	Net additional operating expenditure relative to the base year for quality opex for new and additional sewage treatment and sewerage assets to comply with the EU Freshwater Fish Directive. This is the operating expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices for enhancements to continuous and intermittent discharges to comply with the EU Freshwater Fish Directive		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

13	Capex: Continuous and intermittent discharges – Habitats Directive	£m	3dp
Definition	Capital expenditure for new and additional sewage treatment and sewerage assets to comply with the EU Habitats Directive. This is the capital expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices for enhancements to continuous and intermittent discharges to comply with the EU Habitats and Birds Directives.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

14	Opex: Continuous and intermittent discharges – Habitats/ Directive	£m	3dp
Definition	<p>Net additional operating expenditure relative to the base year for quality opex for new and additional sewage treatment and sewerage assets to comply with the EU Habitats Directive.</p> <p>This is the operating expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices for enhancements to continuous and intermittent discharges to comply with the EU Habitats and Birds Directives</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

15	Capex: Continuous and intermittent discharges – Other EU Directives	£m	3dp
Definition	<p>Capital expenditure for new and additional sewage treatment and sewerage assets for other EU directives e.g. Groundwater Directive, Shellfish Waters Directive.</p> <p>This is the capital expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices for enhancements to continuous and intermittent discharges to comply with other EU directives</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

16	Opex: Continuous and intermittent discharges – Other EU Directives	£m	3dp
Definition	<p>Net additional operating expenditure relative to the base year for quality opex for new and additional sewage treatment and sewerage assets for other EU directives e.g. Groundwater Directive, Shellfish waters Directive.</p> <p>This is the operating expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices for enhancements to continuous and intermittent discharges to comply with other EU directives</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

D OTHER ENVIRONMENTAL PROGRAMMES

17	Capex: First Time Sewerage	£m	3dp
Definition	Capital expenditure for new and additional sewage treatment and sewerage assets for first time sewerage schemes to meet duty under Article 157 of the WSSO. This is the capital expenditure to deliver the sewerage service quality enhancement outputs included in the SBP to deliver first time sewerage schemes		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

18	Opex: First Time Sewerage	£m	3dp
Definition	Net additional operating expenditure relative to the base year for quality opex for new and additional sewage treatment and sewerage assets for first time sewerage schemes. This is the operating expenditure to deliver the sewerage service quality enhancement outputs included in the SBP to deliver first time public sewerage schemes		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

21	Capex: Chemicals – endocrine disruptor schemes	£m	3dp
Definition	Capital expenditure on schemes to carry out research on the effectiveness of endocrine disruptor removal technologies. This is the capital expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices on the research on the effectiveness of endocrine disruptor removal technologies Include all capital expenditure, including that associated with monitoring and investigations.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

22	Opex: Chemicals – endocrine disruptor schemes	£m	3dp
Definition	<p>Net additional operating expenditure relative to the base year for quality opex on schemes to carry out research on the effectiveness of endocrine disruptor removal technologies.</p> <p>This is the operating expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices on the research on the effectiveness of endocrine disruptor removal technologies</p> <p>Include all operating expenditure, including that associated with monitoring and investigations.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

23	Capex: Other cost drivers	£m	3dp
Definition	<p>Capital expenditure for new and additional sewage treatment and sewerage assets for other cost driver programmes.</p> <p>This is the capital expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices on cost driver codes not included elsewhere in table 38.</p> <p>The commentary should explain the proportion of expenditure associated with each cost driver.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

24	Opex: Other cost drivers	£m	3dp
Definition	<p>Net additional operating expenditure relative to the base year for quality opex for new and additional sewage treatment and sewerage assets for other cost driver programmes.</p> <p>This is the operating expenditure to deliver the sewerage service quality enhancement outputs included in the SBP or amendments confirmed at an interim determination of prices on rest of the cost driver codes not included elsewhere.</p> <p>The commentary should explain the proportion of expenditure associated with each cost driver.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

E INVESTIGATIONS

25	Capex: Investigations	£m	3dp
Definition	<p>Capital expenditure on all investigations included as separate projects for the sewerage service, excluding that associated with endocrine disruptors and chemicals strategy.</p> <p>This is the capital expenditure to deliver the sewerage service quality enhancement investigations included in the SBP. This only includes stand-alone investigations, not those included with scheme implementation in a single project.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

26	Opex: Investigations	£m	3dp
Definition	<p>Net additional operating expenditure relative to the base year for quality opex for investigations included as separate projects for the sewerage service, excluding that associated with endocrine disruptors and chemicals strategy.</p> <p>This is the operating expenditure to deliver the sewerage service quality enhancement investigations included in the SBP. This only includes stand-alone investigations, not those included with scheme implementation in a single project.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

F SEWAGE SLUDGE MANAGEMENT

27	Capex: Enhanced sewage sludge management	£m	3dp
Definition	<p>Capital expenditure on projects to ensure management and disposal of sewage sludge in an environmentally sustainable way.</p> <p>This is the capital expenditure to deliver the sewerage service quality enhancements included in the SBP or amendments confirmed at an interim determination of prices for the management and disposal of sewage sludge. These are projects proposed by the company and accepted in the SBP</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

28	Opex: Enhanced sewage sludge management	£m	3dp
Definition	<p>Net additional operating expenditure relative to the base year for quality opex for enhanced sewage sludge management.</p> <p>This is the operating expenditure to deliver the sewerage service quality enhancements included in the SBP or amendments confirmed at an interim determination of prices for the management and disposal of sewage sludge. These are projects proposed by the company and accepted in the SBP</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

G CAPEX & OPEX TOTALS

29	Capex: Total quality enhancement programme – sewerage service	£m	3dp
Definition	<p>Total capital expenditure to deliver the sewerage service quality programme.</p> <p>This is the capital expenditure to deliver the sewerage service quality enhancement outputs included in the SBP (including obligations funded prior to the SBP) or amendments confirmed at an interim determination of prices for enhancements. This includes enhancements to sewage treatment, sewerage and other assets, as well as investigations.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: sum of lines 1, 2, 3, 5, 7, 9, 11, 13, 15, 17, 21, 23, 25 and 27		
Responsibility	Network Regulation Team		

30	Opex: Total quality enhancement programme – sewerage service	£m	3dp
Definition	<p>Net additional operating expenditure in relation to base year for quality to deliver the sewerage service quality programme.</p> <p>This is the operating expenditure to deliver the sewerage service quality enhancement outputs included in the SBP (including obligations funded prior to the SBP) or amendments confirmed at an interim determination of prices for enhancements. This includes enhancements to sewage treatment, sewerage and other assets, as well as investigations.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: sum of lines 4, 6, 8, 10, 12, 14, 16, 18, 22, 24, 26 and 28		
Responsibility	Network Regulation Team		

CHANGE CONTROL SHEET

CHAPTER 38

2008/1.0	First issue of chapter for the SBP period
2009/1.0	Second issue of chapter for the SBP period - minor amendment to line 30 definition
2010/1.0	Third issue of chapter for the SBP period - Reference to separate PPP table removed. - Processing rules for lines 29 and 30 amended.