

# Chapter 35

## Financial measures; Water service - expenditure by purpose

Covering:

Base service provision

Quality enhancements

Enhanced service levels

Improving supply/demand balance

New outputs/obligations

Grants and contributions (including infrastructure charges)

Expenditure totals

# Financial measures

## Chapter 35

### Water service - expenditure by purpose

This table has nine blocks and a total of 34 lines. It covers:

- **Base service provision:** This includes the expenditure necessary in the water service for the maintenance of base service provision, which includes base operating expenditure, infrastructure renewals, and non-infrastructure maintenance expenditure.
- **Enhancements including:**
  - **Quality enhancements:** Lines 7 and 8 are expenditure on the provision of new or enhancement of existing assets to achieve improvement in performance in line with stricter legal requirements as allowed for in the Final Determination (or any subsequent interim determination). Lines 18 and 19 should include expenditure associated with new legal obligations placed on the water service since the Final Determination.
  - **Enhanced service levels:** An enhancement is achieved through the provision of identifiable, measurable, and permanent stepped improvements in service levels above the most recently established company-wide base level of service and which are additional to improvements which result from expenditure in other purpose categories. Allocation of expenditure to enhanced customer service levels should represent expenditure solely for this purpose. Lines 9 and 10 are for expenditure on outputs allowed for in the Final Determination (or any subsequent interim determination). Expenditure on other ESL outputs should be included in lines 18 and 19.
  - **maintaining and improving supply/demand balance:** This includes expenditure on the provision of assets for water supply to new customers with no net deterioration of existing levels of service, and to accommodate (or manage) increased use of water by existing customers whilst maintaining existing levels of service; and for enhancements to the security of supply. This should include expenditure associated with the provision of free optional meters and selective meters.  
  

Line 14 should include capital expenditure for free selective and optional meters. The company should state the split of expenditure on free meter 'optants' and selective meters in the commentary to this line.

Lines 11 to 17 are for expenditure on outputs allowed for in the Final Determination (or any subsequent interim determination). Expenditure on other supply/demand outputs should be included in lines 18 and 19.
  - **new outputs/obligations since PC10:** Expenditure to deal with new outputs required from the company for the water service not included in either PC10 or subsequent interim determinations. The specific outputs and the reasons for the change should be explained in the commentary. This should therefore include the expenditure the company considers to be outside the remit of the PC10.

- **Capital contributions and infrastructure charges receipts for new connections**

- **Adopted assets**

This category includes two lines. Line 22 records assets acquired at nil cost. Line 23 records assets acquired in return for a payment (e.g. mains adopted from a self lay organisation). Line 22 should record the Gross MEA of the asset adopted. Line 23 should record the Gross MEA less any payment made. The payment should be included in the relevant capital expenditure sections A, B, C, D or E. This would normally be Supply Demand Balance for self lay adoptions.

## **Guidance**

### **General**

A single table is provided to capture data on capital investment and assets adopted at nil cost by NI Water.

The operating expenditure reported in this table should include all NI Water opex on both its own facilities and on PPP assets e.g. PPP rates, power, scientific services etc. The only opex excluded should be the PPP unitary charge payment (as reported in Table 21, line 21a).

Capital expenditure reported in any of lines 1 to 28 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 of lines 1 to 28 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 of lines 1 to 28 of this table should be consistent with Table 32.

Additional lines have been provided to report the element of the PPP unitary charge in the year which the company includes as a capital payment in its accounts divided into categories of base, quality, enhanced service, supply demand balance and new obligations. The total expenditure reported in these lines should reconcile to the capital expenditure element of the unitary charge for the water service reported in table 42. In its commentary, NI Water should state and explain the allocation of the CAPEX element of the PPP unitary charge to lines 29 to 34 of the table.

If at any stage during the period, the company receives an interim determination during the report year, it should submit revised figures for lines 5 to 21, as appropriate.

The total asset additions value calculated in line 26 should be the same as table 32 line 17 column 3 plus table 32 line 33 column 3. Any difference should be explained in the commentary to chapter 35.

Within the commentary the company is required to set out the progress it has made in delivering other defined outputs for maintaining base services which are included in the PC10 Final Determination.

Assets that have been adopted during the year whether at nil cost or in return for a payment (eg. mains adopted from a self lay organisation) are included at their MEA value in table 32 in accordance with the principles of RAG 1.04.– Any payments should be included within the other purpose categories in this table (table 35) and the MEA value lessons payment aggregated in line 21.

Amounts shown under grants, capital contributions and infrastructure charges for new connections should not include the corresponding third party contribution amount for such assets.

The chapter 35 commentary must explain how the allocation of expenditure to enhanced service levels relates to improvements in the company wide level of service. The commentary should describe in detail how the improvements have been effected and measured with reference where possible to levels of service indicators, and in particular how improvements which flow from expenditure in other categories have been accounted for.

**Allocation of expenditure to infrastructure: The general rules for allocation of expenditure are contained in regulatory accounting guidelines (RAG 2.03).**

In principle, up-sizing of assets should not be allocated to base service provision. Where a new asset is being provided or an existing asset modified to achieve an enhanced service then this should be allocated to enhancement service. However, new or replacement of instrumentation and control assets for maintenance or improved operational efficiency should be allocated to base service provision even if the new plant improves the treatment quality.

The company should state in commentaries how allocation has been made for:

- health and safety expenditure;
- energy conservation expenditure; and
- operational efficiency expenditure.

where this has not been allocated to operational activities (on a site by site basis).

**Proportional allocation**

- To enhance comparability in the longer term, appointees are required to allocate expenditure on projects between service areas and investment purpose categories to at least the nearest 5% of project value;
- Confidence grades on expenditure should be limited to the reliability grade only i.e. not accuracy graded since this will depend on the proportion of the project expenditure allocated to each purpose category, e.g. an allocation of 5% of project value to enhanced service levels may be accurate to only 2.5% of project value which is 50% of the allocated proportion;
- Because of the effect that a large individual scheme may have on the allocation of costs to a particular investment category, threshold limits have been set on scheme values, above which investment must be proportionally allocated.

Annual Capital Programme (06-07 prices)	Threshold scheme/project size for which proportional allocation is required
£ 0 – 10m	£ 10 000
£10m - 100m	£ 50 000
greater than £100m	£100 000

- The company should provide commentary in the return on any material changes in allocation methodology, or any non compliance with the guidance above on allocation of expenditure to infrastructure and proportional allocation between services areas and investment purpose categories. Where these are not consistent with the proportional allocation rules set out above, commentary should also be provided on the extent of non-compliance and the methodologies used;
- Proportional allocation may be required between different enhancement categories or to distinguish the elements of a scheme which relate to enhancement from those, which serve to maintain base service; and

- Scheme costs relating to different enhancement categories are to be proportioned across the investment categories in relation to the relative capacities of each element of the scheme. A single physical measure should be identified that is appropriate to the purpose category, e.g.
  - rate of flow;
  - equivalent population; or
  - hydraulic capacity.

An example of proportional allocation is detailed below:

An existing cast iron water main into a distribution zone with a capacity of 2.8 MI/d needs to be replaced as part of the programme to meet Article 31 of the Water and Sewerage Services Order (Northern Ireland) 2006 undertakings for quality in the distribution system. The main is to be constructed with a capacity of 4.3 MI/d, to allow for future growth.

Purposes:        Quality Compliance and Growth

The scheme would be apportioned as:

<u>Existing Capacity x 100%</u>	i.e.	$\frac{2.8 \times 100}{4.3}$	= 65% to Quality
<u>Proposed Capacity</u>			
Proposed Capacity - Existing Capacity x 100%    i.e. $\frac{(4.3 - 2.8) \times 100}{4.3} = 35\%$ to Growth			
<u>Proposed Capacity</u>			

Leakage reduction expenditure: The company must identify in the commentary the estimated additional expenditure included in base opex which relates to reducing leakage to meet PC10 ELL based leakage targets.

The company should set out where this expenditure has been allocated between opex, IRE or supply/demand balance or other. Costs should be given in outturn prices.

Leakage reduction expenditure will normally comprise:

- leakage detection and repair (including supply pipe repair);
- leakage pilots;
- leakage monitoring; and
- pressure reduction.

**Grants and capital contributions:** only grants and capital contributions received for expenditure in the Supply/Demand category should be recorded in Block F. Any other Grants and Capital Contributions are accounted for in lines 3, 4 and 6 in this table.

**Price base:** All figures in table 35 are to be in money of the day price terms.

### Guidance to the Reporter

The Reporter should:

- confirm the company's method of allocating leakage expenditure, particularly between capital and operating expenditure. Comment on any change in the company's policy of allocating leakage expenditure from that adopted for previous years;
- confirm that the company has set rules for proportional allocation of expenditure, and that these are reasonable and are followed for project expenditure above the thresholds given in the general guidance for the company;
- indicate the extent to which the company has used proportional allocation versus prime purpose allocation;
- comment on the allocation of the unitary charge payment by purpose;
- comment on the types of schemes that were proportionally allocated and give examples of the percentage of capital expenditure allocated to each category where possible. following areas are of particular interest:
  - What assumptions are made in allocating expenditure on mains rehabilitation schemes?; and
  - When practising proportional allocation, what specific method does the company use to determine the elements of quality compliance and maintenance expenditure for projects at treatment works?
- comment on any expenditure included in lines 18 and 19, and confirm whether the reported expenditure is for new obligations identified for the PC10 period, such work not having been included in the Final Determination; and
- confirm that capital expenditure for selective metering has been included in line 14.

## Table 35 line definitions

### A BASE SERVICE PROVISION

<b>1</b>	Base operating expenditure	£m	3dp
<b>Definition</b>	<p>The level of operating expenditure on the water network required to maintain the quantity and quality of outputs and levels of service provided by the water service in the report year. Operating expenditure excludes current cost depreciation and the infrastructure renewals charge. Base opex includes the opex incurred in the provision of services to third parties.</p> <p>Include the relevant expenditure NI Water incurs on its own functions and PPP assets but exclude any PPP unitary payments.</p>		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Comparative Efficiency and Performance Team		

<b>2</b>	Infrastructure renewals expenditure (net)	£m	3dp
<b>Definition</b>	Maintenance of base service: infrastructure renewals expenditure net of grants and capital contributions.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Copied: table 32 line 32 column 3		
<b>Responsibility</b>	Network Regulation Team		

<b>3</b>	MNI (gross of grants and contributions)	£m	3dp
<b>Definition</b>	<p>The total expenditure (gross of grants and contributions) required for the water service for maintenance of non-infrastructure assets as defined in RAG2.03. Expenditure is for the preservation, and where necessary the replacement, of water service non-infrastructure assets to maintain serviceability.</p>		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Copied: table 32 line 33 column 3		
<b>Responsibility</b>	Network Regulation Team		

<b>4</b>	MNI – grants and contributions	£m	3dp
<b>Definition</b>	Grants and contributions received by the company relating to water maintenance non-infrastructure expenditure.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>5</b>	MNI – net of grants and contributions	£m	£3dp
<b>Definition</b>	Total net water capital maintenance non-infrastructure expenditure (i.e. after deducting grants and capital contributions received by the company)		
<b>Primary Purpose</b>	Informing relative performance and efficiency		
<b>Processing rule</b>	Calculated field: line 3 minus line 4		
<b>Responsibility</b>	Network Regulation Team		

<b>6</b>	Infrastructure renewals expenditure (gross)	£m	3dp
<b>Definition</b>	The preservation and (where necessary) the replacement of water service assets defined as infrastructure in RAG2.03, to maintain serviceability. For this line expenditure is reported gross of grants and capital contributions.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

## B QUALITY ENHANCEMENTS

<b>7</b>	Capex: Total quality enhancement programme (water)	£m	3dp
<b>Definition</b>	<p>The total capital expenditure proportionally allocated to quality reported for the provision of new or enhancement of existing water service assets to comply with legal obligations or Ministerial guidance.</p> <p>This is the capital expenditure to deliver the quality enhancement outputs included in PC10 or amendments confirmed at an interim determination of prices for all the water service quality cost drivers.</p> <p>Do not include expenditure relating to new outputs/obligations since the Final Determination.</p>		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>8</b>	Opex: Total quality enhancement programme (water)	£m	3dp
<b>Definition</b>	<p>The net additional operating expenditure in addition to that in the base year for work to deliver the water service quality enhancement programme.</p> <p>This is the operating expenditure to deliver the quality enhancement outputs included in PC10 or amendments confirmed at an interim determination of prices for all the water service quality cost drivers.</p> <p>Do not include expenditure relating to new outputs/obligations since the Final Determination.</p>		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		



**C ENHANCED SERVICE LEVELS**

<b>9</b>	Capital expenditure – customer service	£m	3dp
<b>Definition</b>	Capital expenditure for the sole purpose of enhancing the level of service to customers other than enhanced security of supply. An enhancement is achieved through the provision of identifiable, measurable, and permanent stepped improvements in service levels above the most recently established company-wide base level of service and which are additional to improvements which result from expenditure in other purpose categories. Allocation of expenditure to enhanced service levels should represent expenditure solely for this purpose.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Comparative Efficiency and Performance Team		

<b>10</b>	Additional operating expenditure – customer service	£m	3dp
<b>Definition</b>	This is additional operating expenditure in relation to the base year which arises from enhancements to the level of service provided to customers other than enhancements to security of supply. An enhancement is achieved through the provision of identifiable, measurable, and permanent stepped improvements in service levels above the most recently established company-wide base level of service and which are additional to improvements which result from expenditure in other purpose categories. Allocation of expenditure to enhanced service levels should represent expenditure solely for this purpose.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Comparative Efficiency and Performance Team		

**D MAINTAINING AND IMPROVING SUPPLY/DEMAND BALANCE**

<b>11</b>	Capital expenditure supply/demand balance	£m	3dp
<b>Definition</b>	The provision of water assets to provide for new customers with no net deterioration of existing levels of service and to accommodate increased use of water by existing customers to maintain existing levels of service. This should also include capital expenditure associated with the provision of free optional and selective meters.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Calculated: sum of lines 12, 13 and 14.		
<b>Responsibility</b>	Network Regulation Team		

<b>12</b>	Capex - new development	£m	3dp
<b>Definition</b>	The gross capital costs associated with the provision of local distribution assets for water service to provide for new customers with no net deterioration of existing levels of service.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>13</b>	Capex – growth	£m	3dp
<b>Definition</b>	<p>Capital expenditure associated with meeting or offsetting changes in demand from new and existing customers, whilst maintaining existing levels of service.</p> <p>Note: this capital expenditure should exclude expenditure relating to the provision of local distribution assets to provide a water service to new customers. This expenditure should be reported under line 12, 'Capex – new development'. Exclude capital expenditure associated with free meter optants, which is reported in line 14.</p>		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>14</b>	Capex – Free meter “selective and optants”	£m	3dp
<b>Definition</b>	<p>Capital expenditure associated with the total number of free meter options installed at household properties during the year.</p> <p>Include meters installed at household properties fitted in any location (e.g. internal, external in garden, external at boundary, etc.). Include only those meters which have been installed free of charge to the customer and which are used to determine a customer's bill. Include meters which have had capital expenditure allowed for explicitly (in full or in part) in price limits.</p> <p>Please also include capex for selective metering in this line.</p>		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>15</b>	Additional operating expenditure supply/demand balance	£m	3dp
<b>Definition</b>	The additional operating expenditure in relation to the base year, which results from supply/demand balance capital investment to maintain basic services; including new development and free meter optants.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>16</b>	Capital expenditure – security of supply	£m	3dp
<b>Definition</b>	<p>The capital cost associated with the achievement of an enhanced service level that directly impacts on security of supply.</p> <p>An enhancement is achieved through the provision of identifiable, measurable, and permanent stepped improvements in service levels above the most recently established company-wide base level of service and which are additional to improvements which result from expenditure in other purpose categories.</p>		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>17</b>	Additional operating expenditure – security of supply	£m	3dp
<b>Definition</b>	<p>The adjustments made to base operating expenditure due to capital investment undertaken to achieve an enhanced service level that directly impacts on the supply/demand balance.</p>		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

## E NEW OUTPUTS/OBLIGATIONS SINCE THE PC10 FINAL DETERMINATION

<b>18</b>	New outputs/obligations – capex	£m	3dp
<b>Definition</b>	<p>The capital expenditure to deal with new outputs required from the company for the water service, but not included in PC10 or a subsequent interim determination. The specific outputs and the reasons for the change should be explained in the commentary</p> <p>For quality enhancement outputs, any changes should be explained with the current view of the relevant quality regulator.</p>		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>19</b>	New outputs/obligations – opex	£m	3dp
<b>Definition</b>	<p>The net additional operating expenditure compared with the base year for enhancement opex, to deal with new outputs required from the company for the water service, but not included in either PC10 or a subsequent interim determination. The specific outputs and the reasons for the change should be explained in the commentary.</p> <p>For quality enhancement outputs, any changes should be explained with the current view of the relevant quality regulator.</p>		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

**F GRANTS, CAPITAL CONTRIBUTIONS AND INFRASTRUCTURE CHARGES  
 RECEIPTS FOR NEW CONNECTIONS**

<b>20</b>	Infrastructure charge receipts - new connections	£m	3dp
<b>Definition</b>	Capital contributions in the form of water infrastructure charges received during the year for new connections.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>21</b>	Enhancement requisitions, grants and contributions	£m	3dp
<b>Definition</b>	Capital contributions other than from infrastructure charges.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

**G ADOPTED ASSETS, NIL COSTS ASSETS**

<b>22</b>	Assets adopted or acquired at nil cost	£m	3dp
<b>Definition</b>	The gross MEA value of assets adopted or acquired at nil cost.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>23</b>	Adopted assets in return for a payment	£m	3dp
<b>Definition</b>	The gross MEA value of the assets, less the payments made to acquire them. The payment should be allocated to the relevant purpose categories in the sections above (e.g. mains adopted from a self lay organisation).		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

**H EXPENDITURE COSTS**

<b>24</b>	Total operating expenditure	£m	3dp
<b>Definition</b>	Total operating expenditure.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Calculated: sum of lines 1, 8, 10, 15, 17 and 19.  This total should equal that calculated on table 21 (total) line 22 minus line 21a. This includes all NIW opex on its own functions and PPP assets but excludes any PPP unitary payments.		
<b>Responsibility</b>	Comparative Efficiency and Performance Team		

<b>25</b>	Infrastructure renewals expenditure (net)	£m	3dp
<b>Definition</b>	The preservation and (where necessary) the replacement of water service assets defined as infrastructure in RAG2.03, to maintain serviceability. For this line, expenditure is reported net of grants and capital contributions as in table 32. IRE gross of Grants and Contributions should be reported in line 6 as a separate information item.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Copied: table 32 line 32 column 3		
<b>Responsibility</b>	Network Regulation Team		

<b>26</b>	Total asset additions	£m	3dp
<b>Definition</b>	Total of asset additions (enhancement plus maintenance non infrastructure)		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Calculated: sum of lines 3, 7, 9, 11, 16, 18, 22 and 23. This sum should equal table 32 line 17, column 3 plus, table 32 line 33 column 3 and should equal table 25 line 5 column 4.		
<b>Responsibility</b>	Network Regulation Team		

<b>27</b>	Total enhancement capital contributions	£m	3dp
<b>Definition</b>	The sum of infrastructure charge receipts and capital contributions received during the year by the company for the water service assets.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Calculated: the sum of lines 20 and 21.		
<b>Responsibility</b>	Network Regulation Team		

<b>28</b>	Total capital expenditure (excl. adopted and nil cost assets)	£m	3dp
<b>Definition</b>	The total of all expenditure for both base service and enhancement purposes excluding items recorded as additions in table 32 (and the regulatory accounts) for adopted assets and assets at nil cost		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Calculated: the sum of lines 25 and 26 minus the sum of lines 22 and 23.		
<b>Responsibility</b>	Network Regulation Team		
<b>29</b>	Capital element of PPP unitary charge payment allocated to base maintenance (infrastructure and non-infrastructure).	£m	3dp
<b>Definition</b>	The capital element of PPP unitary charge payment allocated to base maintenance (infrastructure and non-infrastructure).		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>30</b>	Capital element of PPP unitary charge payment – quality enhancement expenditure.	£m	3dp
<b>Definition</b>	The capital element of PPP unitary charge payment – quality enhancement expenditure.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>31</b>	Capital element of PPP unitary charge payment – enhanced level of service expenditure.	£m	3dp
<b>Definition</b>	The capital element of PPP unitary charge payment – enhanced level of service expenditure.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>32</b>	Capital element of PPP unitary charge payment – supply demand balance expenditure.	£m	3dp
<b>Definition</b>	The capital element of PPP unitary charge payment – supply demand balance expenditure.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>33</b>	Capital element of PPP unitary charge payment – expenditure on new outputs/obligations since the PC10 Final Determination.	£m	3dp
<b>Definition</b>	The capital element of PPP unitary charge payment – expenditure on new outputs/obligations since PC10.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Network Regulation Team		

<b>34</b>	Capital element of PPP unitary charge payment – total.	£m	3dp
<b>Definition</b>	The total capital element of PPP unitary charge payment.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Calculated: Sum of lines 29 to 33. The total should reconcile to the total unitary charge payment allocated to capital for the water service in Table 42.		
<b>Responsibility</b>	Network Regulation Team		

## CHANGE CONTROL SHEET

### CHAPTER 35

2008/1.0	First issue of chapter for the SBP period
2009/1.0	Second issue of chapter for the SBP period - guidance on allocation of expenditure to infrastructure amended
2010/1.0	Third issue of chapter for the SBP period. - Processing rule for line 24. - Amended reporting of PPP unitary charges, lines 29 to 34 introduced
2011/1.0	First issue of chapter for the PC10 period. - Minor revisions e.g. new obligations since PC10 rather than SBP. - Backlog base guidance removed.
2011/2.0	- Clarification in the general guidance of what should be included in this table for the opex lines. - Clarification of guidance for lines 1, 8, 10, 15, 17, 19 and 24