

# **ANNUAL INFORMATION RETURN REPORTING REQUIREMENTS 2013**

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# ANNUAL INFORMATION RETURN REPORTING REQUIREMENTS

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### Section 1 – The Board's Overview

1	Key outputs and service delivery
2	Financial performance measures
3	Key supporting information
4	Efficiencies
5	Competition

### Section 2 – The Annual Information return

#### *Key outputs*

1	Water service –1
2	Water service – 2
3	Sewerage service – 1
3a	Sewerage service – 2
4	Customer service – 1
5	Customer service – 2
5a	Complaints data for the Consumer Council

#### *Bad debt*

6a	Information for the bad debt Notified Item
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#### *Non financial measures*

7	Water properties and population
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8	Water metering and large users
9	Water quality
10	Water delivered
10a (i)	Security of Supply Index - planned levels of service
10a (ii)	Security of Supply Index - reference levels of service
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11a	Water service serviceability indicators – 1
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13	Sewerage properties and population
14	Sewage collected
15	Sewage treatment
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#### *Sewerage explanatory factors*

17a	Disaggregated sewerage service explanatory factors
17b	Sewage treatment works: large works
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#### *Regulatory accounts - historical cost accounting*

18	Profit and loss account
18a	Reconciliation of operating profit to taxation charge <sup>+</sup>
18b	Allocation of capital expenditure for tax purposes <sup>+</sup>
18c	Statement of total recognised gains and losses
18d	Analysis of dividends and interest charges
19	Balance sheet
19a	Analysis of borrowings due after more than one year

#### *Regulatory accounts - current cost accounting*

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24	Balance sheet
25	Analysis of fixed assets by asset type
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28	Cash flow statement
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#### *Regulatory accounts - Transactions with associated companies*

30+31	Capital expenditure: profit and loss <sup>+</sup>
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#### *Financial measures*

32	Analysis of fixed asset additions and asset maintenance by asset type
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33	Depreciation charge by asset type
34	Analysis of non-infrastructure fixed asset additions by life categories
35	Water service - expenditure by purpose
36	Sewerage service - expenditure by purpose

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35a	Water service - expenditure comparisons by purpose
36a	Sewerage service - expenditure comparisons by purpose

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37	Not used
38	Not used
39	Proceeds from disposal of protected land <sup>+</sup>
40	Capital Investment Monitoring

*Health and safety*

41	Health and safety – policy and performance
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*PPP*

42	PPP costs and activity
43	PPP reporting - operational costs

*Overall performance assessment (OPA)*

44	OPA input data
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45	Energy consumption and greenhouse gas accounting
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**The content of tables marked <sup>+</sup> is treated as commercially confidential.**

# INTRODUCTION

## 1. PURPOSE OF THE ANNUAL INFORMATION RETURN

The information required in the Annual Information return enables us to:

- monitor NI Water's progress towards achieving higher quality objectives;
- ensure that customers' standards of service are protected;
- compare company performance to other companies both now and over time;
- measure and compare their costs; and,
- prepare for the next review of price limits.

Independent professionals - reporters and auditors - scrutinise NI Water's Annual Information return information, and report their opinion to NIAUR. The Reporters help us gauge the comparability of company information to the wider industry.

## 2. CONTENT OF THE ANNUAL INFORMATION RETURN

**The Annual Information return consists of:**

### a) Board's Overview

This comprises tables A to E with accompanying commentary.

The chairman or managing director and one non-executive director of NI Water should sign the Overview confirming that the board of NI Water has endorsed it.

As part of the Board Overview, the Board should confirm that it has sufficient processes and internal systems of control to fully meet its obligation for the provision of information to NIAUR. Where the board considers it is unable to provide such a statement it must state that this is the case and explain why it is unable to do so.

The Board must also provide a statement explaining how it has satisfied itself that the information provided in the Annual Information return is reliable, accurate and complete.

This should include, but not be limited to:

- a high level description of NI Water's processes for completion of the Annual Information return;
- a description of NI Water's internal quality assurance processes;
- an explanation of the role and involvement of the Board as a whole (including non-executive directors) in the Annual Information return reporting process;
- an explanation of how the Board has satisfied itself that the processes and systems of internal control summarised above are operating as expected;

- an explanation of how the Board has satisfied itself that all material assumptions and judgements have been set out in the commentary to accompany each table and that the confidence grades assigned to data items are appropriate;
- a description of how the Board as a whole has engaged with both the auditors and the reporter; and,
- the role (if any) of both the Audit Committee and Internal Audit in the Annual Information return process.

The Companies (Audit, Investigations and Community Enterprise) Order 2005 established the right of auditors to access all information necessary for the performance of their duties as an auditor and requires an annual statement from each director of a company about the provision of information to auditors.

We consider that the same requirements should apply to regulatory information provided in the Annual Information return.

Each person who is a director at the time when the Annual Information return is submitted is therefore required to make a statement in the Overview that:

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

consistent with the Companies (Audit, Investigations and Community Enterprise) (Northern Ireland) Order 2005

- Relevant audit information is information that the auditors or reporter needs to complete their reports; and
  - A director has taken all the steps he ought to have taken as a director to comply with paragraph b) above, if he has made such enquiries of his fellow directors and of NI Water's auditors and reporter for that purpose, and taken such other steps (if any) for that purpose, as were required by his duty as a director of NI Water to exercise due care, skill and diligence consistent with the Companies (Audit, Investigation and Community Enterprise) Northern Ireland Order 2005.
- The reporter's report on the Board Overview.

**b) Main Report**

- A fully completed set of data tables 1 to 45.
- NI Water commentary for each table.
- Year end nominal ledger showing line by line analysis of all codes making up the profit & loss and balance sheet of the statutory accounts.
- Reporter commentary on tables 1 to 17g (not required for 6, 6a, 10b), 21, 22, 25, 32 to 36, 40, 42, 43 and 45.
- The levels of service methodology appendix.
- The customer research appendix.
- The reporter's signed certificate in respect of Levels of Service.
- The auditors' signed report and opinion in respect of the Annual Information return audit procedures.
- The reporter's report covering general and matters confidential to his firm.

A letter from a director of NI Water which confirms the "enclosed Annual Information return" as their view of their position in accordance with the current Annual Information return reporting requirements and definitions manual.

**Reporting Public Private Partnership Contracts**

NI Water is responsible for the management of a number of large Public Private Partnership (PPP) contracts. NIAUR must assure itself, on behalf of customers, that NI Water is appropriately managing these contracts. Furthermore, NIAUR must also assure itself that NI Water has complied with the requirements of Condition B of its operating licence relating to PPP contracts. It is important therefore that NI Water reports the technical and financial information requested to allow NIAUR to do so.

Separate Chapters and Tables 42 and 43 were introduced in the 2010 Annual Information Return to capture information on each PPP concession and major works. These remain for 2013 with minor alterations. This will allow descriptive information and costs incurred by NI Water plus explanatory variables to be collected in a single coherent format.

The information collected on costs will allow expenditure to be reconciled to NI Water regulatory and statutory accounts. The company is required to ensure that any further information required to reconcile the PPP cost information to the relevant tables within the regulatory accounts and statutory accounts is set out in the

supporting commentary and the reconciliations clearly explained.

In AIR10, the company provided a descriptive report on the scope of works covered by each PPP concession and each major works within each concession supported by location plans and layout drawings to support and clarify the descriptions. This report shall be updated and resubmitted only if it is necessary to address material variations to the works or to correct errors in the previous submissions. If the company concludes that it is not necessary to update the previous report it shall say so in the commentary.

In addition to Chapters 42 and 43 we have divided the following tables into separate tables for PPP, NI Water excluding PPP and NI Water total: Tables 12, 15, 17c, 17d, 17f, 21, 22, 33 and 34. In Tables 35 and 36, additional items have been added. The information in the PPP parts of these tables should reconcile to the relevant information in Chapter 42 and 43. Where further information is necessary to make this reconciliation, this should be set out in the commentary and the reconciliation explained.

Where financial information is requested which does not form part of the unitary charge, but is relevant to PPP contracts, this should also be reported, in accordance with the relevant RAG. Such items would include *inter alia* General and Support Expenditure, which would be NI Water's costs for managing the PPP contracts and, in the case of WwTWs, terminal pumping costs where NI Water pumps wastewater to a PPP works.

### **c) Service Target Report**

The Regulator has removed the guidance associated with the STR tables and commentary.



### 3. SUBMISSION OF THE ANNUAL INFORMATION RETURN

#### NI Water should submit:

- 4 hard copies of the Annual Information return incorporating:
  - Board's Overview (tables A-E with accompanying commentary);
  - Tables 1 – 45 (excluding 6, 10b) with accompanying company commentary; and,
  - Levels of service methodology appendix.
- 2 'stand alone' copies of year end nominal ledger statements (as detailed above).
- 1 electronic copy of the Board's Overview, data Tables 1 to 45 and company commentaries, and the levels of service methodology appendix.

#### Reporters are to submit:

- 4 hard copies of the Annual Information return reporter's report comprising:
  - Reporter's report on the Board Overview;
  - Reporter's commentaries on tables 1 to 17g (not required for 6, 6a, 10b); 21, 22, 25, 32 to 36, 40, 41, 42, 43 and 45;
  - Reporter's General Report; and.
  - The Reporter's signed certificate in respect of levels of service.
- 1 electronic copy of each of the above.

#### Auditors are to submit:

- 3 hard copies of the auditors' signed report and opinion in respect of the Annual Information return audit procedures. (The tables submitted to the auditors by NI Water should be included in the audit report).
- 1 electronic copy of the report and opinion only.

**Date of company submission: 15<sup>th</sup> July 2013**

**Date of reporter/auditor submission: 29<sup>th</sup> July 2013**

It is the responsibility of NI Water to work in conjunction with their reporter and auditors to achieve these deadlines. All parties are expected to ensure delivery by the dates specified. It is the responsibility of NI Water to ensure that all parts of its Annual Information return and its reporter's and auditors' reports are submitted by themselves and their reporter and auditors by the due dates.

#### 4. PUBLIC DOMAIN SUBMISSION

The Annual Information return is central to NIAUR's commitment to make our work more widely available.

**NI Water** should submit a version of the Annual Information return suitable for the public domain by **4<sup>th</sup> November 2013** comprising:

- 1 hard copy and 1 electronic copy in **pdf format** of the confidentiality pro forma (to follow);
- 1 hard copy and 1 electronic copy in **pdf format** of the commentaries of the Annual Information return (with the exception of 18a, 18b, 30, 31, and 39). The electronic version should reflect the structure of the sections of the Annual Information return, as follows:
  - Board overview;
  - Key outputs (commentaries for tables 1 - 5 inclusive);
  - Bad debt (commentary for table 6a);
  - Non-financial measures (commentaries for tables 7 – 16b excluding 10b);
  - Sewage explanatory factors (commentaries for tables 17a-g and 32a);
  - Regulatory accounts (commentaries for tables 18 - 29 inclusive);
  - Financial measures (commentaries for tables 32 - 38 inclusive and 40); and
  - Health and safety data (commentary for table 41);
  - PPP costs and activity (commentary for tables 42 and 43);
  - OPA input data (commentary for table 44);
  - Energy consumption and greenhouse gas accounting (commentary for table 45).
- 1 hard copy and 1 electronic copy in **pdf format** of the Board's Overview commentary; and
- 1 hard copy and 1 electronic copy in **pdf format** of the Levels of Service Appendix.

If NI Water considers material in these sections to be confidential, it should excise their public domain version accordingly and record this on the confidentiality pro forma that will be issued. The following should also be removed:

- All confidentiality markings; and,
- Any personal information (i.e. customers' names and addresses shown as examples of customer service processes).

NI Water should also liaise with the reporter and the auditors to ensure that the reporter's and auditors' commentaries and reports are suitable for the public domain.

**The reporter should submit by 11<sup>th</sup> November 2013**

- 1 hard copy and 1 electronic copy in **pdf format** of the report on the Board's overview; and
- 1 hard copy and 1 electronic copy in **pdf format** of the reporter's commentaries on the Annual Information return (with the exception of tables 18b, 30, 31, 39 and 44). The electronic version should reflect the structure of the sections of the Annual Information return, as follows:
  - Board overview;
  - Key outputs (commentaries for tables 1 - 5 inclusive);
  - Bad debt (commentary for table 6a);
  - Non-financial measures (commentaries for tables 7 - 16 excluding table 10b);
  - Sewage explanatory factors (commentaries for tables 17a-g and 32a);
  - Regulatory accounts (commentaries for tables 21, 22 and 25);
  - Financial measures (commentaries for tables 32 - 38 inclusive and 40); and,
  - Health and safety data (commentary for table 41);
  - PPP costs and activity (commentary for table 42 and 43);
  - Energy consumption and greenhouse gas accounting (commentary for table 45).
- 1 hard copy and 1 electronic copy in **pdf format** of the levels of service certificate.

All confidentiality markings should be removed from this submission.

**Auditors should submit by 11<sup>th</sup> November 2013:**

- 1 hard copy and 1 electronic copy in **pdf format** of the auditors' signed report and opinion in respect of the Annual Information return.

All confidentiality markings should be removed from this submission. Please exercise special care where this public submission encompasses multiple documents.

## 5. GENERAL GUIDANCE ON REPORTING REQUIREMENTS AND DEFINITIONS FOR NI WATER, THE REPORTER AND AUDITORS

The arrangements and responsibilities for the reporting process, including those for the scope and content of audit plans and the level and scope of audit, are set out in section 2 of the reporter protocol Issue 1 (April 2007). The scope and content of reporter's reports are also set out in section 4 of that document.

For particular requirements in respect of Annual Information return commentaries, NI Water, reporter and auditors should also refer to the relevant guidance given in each chapter of these reporting requirements. In addition, they should note the requirements regarding confidence grades.

NI Water, the reporter and auditors should also refer to the regulatory accounting guidelines (RAGs) published by Ofwat. NI Water should refer to the guidance stated in the following RAG versions: 1.04, 2.03, 3.06, 4.03 and 5.04. The guidance in the RAGs is not repeated in these reporting requirements.

### Primary purpose categories

Each line has a primary purpose category. There are six categories:

- Confirming delivery of key outputs and service: Essential information to confirm the delivery of the predefined service and quality improvements funded in price limits, and maintenance of service levels and serviceability to customers year by year.
- Checking compliance with statutory and Licence requirements: Information to enable NIAUR and others to check and confirm that NI Water has met all its statutory and Licence requirements.
- Informing relative performance and efficiency assessments: Information to enable NIAUR and others to assess NI Water's performance and efficiency, both year by year and relative to its peers.
- Informing future price limit determinations: Information collected to inform future price limit determinations (both interim determinations and price controls).
- Establishing health and safety performance trends.
- Analysis of supply-demand balance.

## Confidence grades

Confidence grades provide a reasoned basis for NI Water to qualify the reliability and accuracy of the data. NI Water should employ a quality-assured approach in the methodology used to assign confidence grades, particularly if sampling techniques are in place.

The confidence grade combines elements of reliability and accuracy, for example:

- A2 Data based on sound records etc. (A, highly reliable) and estimated to be within +/- 5% (accuracy band 2).

Reliability and accuracy bands are shown in the tables below.

Reliability band	Description
A	Sound textual records, procedures, investigations or analysis properly documented and recognised as the best method of assessment.
B	As A, but with minor shortcomings. Examples include old assessment, some missing documentation, some reliance on unconfirmed reports, some use of extrapolation.
C	Extrapolation from limited sample for which Grade A or B data is available.
D	Unconfirmed verbal reports, cursory inspections or analysis.

Accuracy band	Accuracy to or within +/-	But outside +/-
1	1%	-
2	5%	1%
3	10%	5%
4	25%	10%
5	50%	25%
6	100%	50%
X	Accuracy outside +/- 100 %, small numbers or otherwise incompatible (see table below)	

Certain reliability and accuracy band combinations are considered to be incompatible and these are blocked out in the table below.

<b>Compatible confidence grades</b>				
<b>Accuracy band</b>	<b>Reliability band</b>			
	A	B	C	D
1	A1			
2	A2	B2	C2	
3	A3	B3	C3	D3
4	A4	B4	C4	D4
5			C5	D5
6				D6
X	AX	BX	CX	DX

Ofwat expects companies in England and Wales to be able to report confidence grades of A2, A3, B2 or better. Where NI Water's confidence grades are below these levels, NI Water should report on their action plans for improvement. Where NI Water's action plans are limited to the achievement of A4, B3, B4 or C2 levels, they should justify this.

Any deterioration in confidence grades from those reported in the previous Annual Information Return should be explained together with the action plan for improvement.

The reporter should comment on all confidence grades reported in the tables. They are required to state whether they agree with the confidence grading and if not, provide their opinion. The reporter should also comment on any deterioration, the reason provided by NI Water, and either the action plan for improvement or justification for limited achievement. Where there is disagreement between the parties, NIAUR will normally use the reporter's assessment of the confidence grade.

### **Customer and population data**

In the commentary to all relevant tables, NI Water should state the source of the customer and population data - e.g. Land and Property Services database, NISRA etc.

## **6. BOARD'S OVERVIEW OF ANNUAL INFORMATION RETURN**

### **Guidance to NI Water**

NI Water should refer to the guidance given in each individual chapter.

### **Guidance to the reporter**

The reporter's commentary on the Board Overview should present NIAUR with a clear, succinct statement of the reporter's scrutiny and opinion.

The reporter should:

- Review, give his opinion on, and identify any shortfalls in the process established by NI Water to ensure that the Board Overview is well founded and consistently supported by the textual and numerical information in the Annual Information return and the reports by the quality regulators relating to the quality enhancements programme.
- Give an opinion on the effectiveness of NI Water's Annual Information return process and whether it has been followed.
- Comment upon the consistency of the Board Overview commentaries with the numerical information drawn from the annual return tables and their associated commentaries, and from the quality regulators' reports.
- Comment on the degree of co-operation he has had from NI Water, particularly with regard to timely access to the finalised Annual Information return, to enable him to complete his work and report in accordance with the NIAUR timetable.
- For chapters 1, 2, 3 and 4 of the Board Overview the reporter should briefly summarise the key trends in company performance and confirm or otherwise the accuracy of the Board Overview statements and supporting numerical data (including costs but excluding financial performance measures). In addition, for chapter 1 the reporter should give his opinion on the accuracy and completeness of NI Water's information on their health and safety initiatives and performance trends; and for chapter 3, the reporter should give his opinion on NI Water's progress towards sustainable procurement.

## 7. LEVELS OF SERVICE METHODOLOGY APPENDIX

### Guidance to NI Water

NI Water should clearly describe and explain the methods and procedures adopted in order to monitor and report on the levels of service they provide to their customers. It **must** follow the layout given below, where information is arranged by DG Indicator. An example of relevant DG Registers should be included where indicated. NI Water should include any copies of formal written procedures or guidance as additions not instead of the requested format.

The methodology statement should be a clear, concise explanation of the process involved in producing the reported information. It should include an explanation of the source of any measurements, description of company specific systems and details of the coverage achieved by various monitoring systems, including the extent of any projection of extrapolation required in arriving at the reported figures. Any assumptions made by NI Water in reporting this information must be disclosed. (A description, for example, of a company's computer system or the method used to transfer numbers from registers to Annual Information return tables is not sufficient).

NI Water should provide a full methodology statement for DG2, DG3, DG5, DG6, DG7, DG8 & DG9, drawing our attention to any changes in methodology from previous returns. Where NI Water has reported to us on their performance or methodology during the report year, NI Water should still provide a full methodology statement as a stand alone document rather than refer to previous information provided.

Methodology statements for Table 6 GSS Compliance are not required to be submitted with the Annual Information return

The following is the layout for NI Water's Levels of Service Methodology Statement.

#### **DG4 – Restrictions on the use of water**

No methodology required.

#### **DG2 – Pressure of mains water**

- Methods and procedures
- Extract from DG2 register
  - provide an extract from DG2 register
- Sources of information
- Scope and coverage
- Assumptions and exclusions
  - including any assumptions made for surrogate for the reference level.
- Other issues
  - provide any further information on issues that have arisen in the report year that impact on your methodology for reporting in the Annual Information return.



**DG3 – Supply interruptions**

- Methods and procedures
  - including how you report start time, end time and intermittent interruptions
- Definitions
  - including start time, end time and intermittent interruptions
- Extract from DG3 register – should be provided
- Sources of information
- Company systems
- Scope and coverage
- Assumptions and exclusions
- Other issues

**DG5 – Flooding**

## DG5 Flooding incidents

- Methods and procedures
  - including definition of severe weather (see also detail in chapter 3 of the reporting requirements)
  - Extract from DG5 register
  - Sources of information
  - Scope and coverage
  - Assumptions and exclusions
  - Other issues
  - A statement as to the company practice in dealing with claims arising out of loss or damage alleged to have been caused by foul flooding (Condition J requirement).

## DG5 Properties at risk of flooding

- Methods and procedures
  - Including mitigation and movements between 'at risk' registers (see also detail in chapter 3a of the reporting requirements)
  - Sources of information
  - Scope and coverage
  - Assumptions and exclusions
  - Other issues

## DG5 Cost Benefit Analysis

- Methods and procedures
  - Including comparison of severity of problems e.g. frequency, location and impact of flooding
  - Including prioritisation of activity
  - Sources of information
  - Scope and coverage
  - Assumptions and exclusions
  - Other issues

**DG6 – Response to billing contacts**

- Methodology and procedures
  - allocation to DG6
  - include details of how DG6 contacts are recognised from all other correspondence and how are these allocated to DG6, DG7 and non-reportable categories on your systems.
- Definitions
  - include the definitions you use to report table 4.
- Exclusions
  - Provide details of contacts that are excluded from DG6.
- End of year
  - include details of the approach that has been used for reporting contacts not dealt with at year end
- Auditing
  - include internal procedures/guidance covering allocation to DG6, DG7 and non-reportable categories. Also provide details of the checks/audits carried out to ensure that contacts are correctly allocated, responses are substantive, response times are correct and reporting is accurate.
- Sources of information system used
  - include details of all systems used for recording and reporting DG6 contacts.
  - changes in system during the report year
    - include details of any changes in the systems used to record and report DG6 in the report year and any impact of this on the reported methodology.
- actual data
  - Include whether actual data is used to report table 4.
- sampling
  - provide details of any sampling used to report table 4.
- justification for sampling
  - provide justification for using sampling rather than counting actuals.
- sampling methodology
  - provide details of the methodology used for sampling.
- reliability and validity of results
  - how do you ensure that figures are reliable and valid?
- Responses
- use of telephone
  - provide details of whether the telephone is used to respond to DG6 contacts e.g. how NI Water decides whether a telephone call is an appropriate method of response. Also provide details of how audit trails are maintained and whether confirmatory letters are sent.
- use of standard letters
  - provide details of any standard letters used to respond to

- contacts and the circumstances that these will be used.
- use of personal visit
  - provide details of whether a visit is used to respond to DG6 contacts e.g. how NI Water decides whether a visit is an appropriate method of response. Also provide details of how audit trails are maintained and whether confirmatory letters are sent.
- Assumptions
  - assumptions used by NI Water should be clearly disclosed.
- Other issues
  - provide any further information on issues that have arisen in the report year that impact on your methodology for reporting in the Annual Information return.

### **DG7 – Response to written complaints**

- Methodology and procedures
  - allocation to DG7
    - include details of how DG7 contacts are recognised from all other correspondence and how are these allocated to DG6, DG7 and non-reportable categories on your systems.
  - Definitions
    - include the definitions you use to report table 5 lines 1-5.
  - Exclusions
    - Provide details of contacts that are excluded from DG7.
  - End of year
    - include details of the approach that has been used for reporting contacts not dealt with at year end
- auditing
  - include internal procedures/guidance covering allocation to DG6, DG7 and non-reportable categories. Also provide details of the checks/audits carried out to ensure that contacts are correctly allocated, responses are substantive, response times are correct and reporting is accurate.
- Sources of information
  - system used
    - include details of all systems used for recording and reporting DG7 contacts.
  - changes in system during the report year
    - include details of any changes in the systems used to record and report DG7 in the report year and any impact of this on the reported methodology.
  - actual data
    - Include whether actual data is used to report table 5 lines 1-5.
  - sampling
    - provide details of any sampling used to report table 5 lines 1-5.

- justification for sampling
  - provide justification for using sampling rather than counting actuals.
- sampling methodology
  - provide details of the methodology used for sampling.
- reliability and validity of results
  - how do you ensure that figures are reliable and valid?
- Responses
  - use of telephone
    - provide details of whether the telephone is used to respond to DG7 complaints e.g. how NI Water decides whether a telephone call is an appropriate method of response. Also provide details of how audit trails are maintained and whether confirmatory letters are sent.
  - use of standard letters
    - provide details of any standard letters used to respond to contacts and the circumstances that these will be used.
  - use of personal visit
    - provide details of whether a visit is used to respond to DG7 complaints e.g. how NI Water decides whether a visit is an appropriate method of response. Also provide details of how audit trails are maintained and whether confirmatory letters are sent.
- Assumptions
  - assumptions used by NI Water should be clearly disclosed.
- Other issues
  - provide any further information on issues that have arisen in the report year that impact on your methodology for reporting in the Annual Information return.

### **DG8 – Bills for metered customers**

- Methods and procedures
  - Definitions
    - include the definitions you use to report table 5 lines 6-12.
  - Exclusions
    - Provide details of metered accounts that have been excluded from the indicator
- Billing policy
  - frequency of bill issue
    - Provide details of how often you issue your bills
  - customer reads; allowed/encouraged?
    - Clearly state your policy on whether customer reads are allowed / encouraged.
- Data collection

- frequency of reading cycles
  - Provide details of how often you undertake company readings
- method of meter reading
  - Provide details of what systems are used
- policies on:
  - access denied?
  - Faulty meters?
  - Abnormal reads?
  - Previous misreads?
  - Provide details on how these are reported and how you attempt to resolve the problem
- Data transfer
  - company reads
  - customer reads
  - updating, post bill issue
  - Provide details on how these reads are transferred onto your billing system
- Data measurement
  - system used
    - Provide details of the system used to take meter readings
  - number of reads during year
  - number of company reads for two years
    - Provide details of how you analyse that a customer has received at least one company read in two years
  - unbilled properties
    - Provide details of how you distinguish which properties have not been billed
  - year end reporting
    - Confirm that when a meter is read in one report year but the bill is sent the following report year. NI Water records these in the year in which the bill was sent and not the year in which the meter was read.
- Assumptions
  - Any assumptions used by NI Water should be clearly disclosed
- Other issues
  - Provide any further information on issues that have arisen in the report year that impact on your methodology or reporting in the Annual Information return

### **DG9 – Ease of telephone contact**

- Common definitions
  - principal advertised customer contact (pacc) points
  - company agent
  - office hours
  - exclusions

- include the definitions you use to report table 5 lines 13 - 17
- Call receipt
  - within provider's network
    - use and activation of day link messages
    - use and activation of message links
  - within company systems
    - queuing policy, including messaging
    - busy tone policy, application and recording/reporting
  - Provide a detailed description of your systems
- Call handling
  - practices and procedures
    - Provide details of what systems are used to ensure that all calls are reported
  - transfers between pacc points
    - Provide details of how you record, for example, an operational call that comes into your billing department
  - direct measurement/interpolation/extrapolation
    - Provide details of whether you can measure all calls to the PACC points or whether you use interpolation / extrapolation
- Messaging
  - use and activation of:
    - IVRs
    - message manager systems
    - answering machines
    - touchtone systems

(including number of messages and their duration). Provide details of what lines these systems are available on and how you ensure that these are reported correctly in table 5 lines 13-17.
- Company systems
  - telephony – what
  - locations – where, number of lines
  - software

(a schematic should be provided)

## Guidance to reporters

The reporter must comment on any discrepancies between the methodology described and that actually practised by NI Water. The reporter should also comment on the suitability of the chosen methodology in monitoring and reporting the information. The reporter should pay particular attention to areas of the methodology that do not meet the reporting requirements and any changes in

methodology or systems from previous Annual Information Returns.

## **8. CUSTOMER SATISFACTION RESEARCH APPENDIX**

### **Guidance to NI Water**

NI Water should report on the nature and results of any customer satisfaction research carried out during the reporting year.

NIAUR requires NI Water to report on levels of customer satisfaction with services provided as identified by market research. The results will be used to monitor trends in company customer satisfaction.

NI Water should provide an overview of its strategy for monitoring its customers' satisfaction with, or views on, the standards of service provided. This should describe the nature, scale and frequency of research undertaken.

NI Water should monitor and report on overall customer satisfaction with their water and sewerage services.

Each piece of customer satisfaction research carried out by NI Water should, as a minimum, set out:

- Period of research work;
- Sample size and selection criteria;
- A copy of the questionnaire containing all relevant customer satisfaction question(s) asked;
- Relevant extracts from the research report; and,
- The distribution of responses, e.g. annotated on the questionnaire.

Where NI Water wishes to provide trend data or historical results of similar work to provide a company specific context, this would be useful.

### **Guidance to the reporter**

The reporter is expected only to confirm that the reported results can be traced back to the identified research source.



## 9. REPORTER'S GENERAL REPORT

### Guidance to the Reporter

The general report is considered to be commercially confidential. It should include:

- Terms of reference;
- Details of the reporter's team;
- A summary of the audit approach, quality assurance procedures used and particulars of areas covered, including arrangements made to ensure co-ordination of certification and financial audit with NI Water's financial auditors;
- A list of meetings with NI Water, inspections carried out and audit trails followed;
- A tabular summary in man hours of time spent by reporter and team members (reporter/lead auditor, senior auditors, auditors, support staff);
- The costs to NI Water of reporter activity for the Annual Information return reporting work, and an estimate for the forthcoming Annual Information return;
- A summary schedule of concerns with and challenges made to NI Water, and how these concerns and challenges have been resolved; and,
- A statement of areas of disagreement with NI Water which have not been resolved.

The levels of service certificate should be submitted separately (as outlined in sections 3 and 4 above) and not bound into the general report.

## 10. REPORTER'S LEVELS OF SERVICE INFORMATION CERTIFICATE

The reporter should complete the following certificate:

### LICENCE CONDITION J LEVELS OF SERVICE INFORMATION CERTIFICATE

I refer to the documents dated xx prepared by Northern Ireland Water as the Annual Information 201x Return to the Northern Ireland Utility Regulator, which have been reviewed under my direction.

The Annual Information return, for which Northern Ireland Water is solely responsible, includes Condition J (of the Instrument of Appointment) Levels of Service information.

In my professional opinion, based on and to the extent disclosed by sample monitoring carried out and as described in my Report to the Authority dated xx:

the Annual Information return, in so far as it relates to Condition J Levels of Service information, has been properly compiled by Northern Ireland Water, and in accordance with reasonable methods and procedures which are adequate for providing information to the appropriate degree of accuracy and to enable the Authority to make a fair assessment of the company's performance against Levels of Service indicators; and

subject to the qualifications expressed in my Report referred to above, the Annual Information 201x Return, in so far as it relates to Condition J Levels of Service information, has been prepared in accordance with the methodologies described in the submission dated xx to the Authority and that these methodologies are adequate for the purpose of obtaining Levels of Service information in accordance with the relevant reporting requirements.

Signed  
For and on behalf of  
Date

## 11. REGULATORY ACCOUNTS – REPORTING REQUIREMENTS

Section 11 provides some general and specific guidance on the Regulatory Accounting tables of the Annual Information Return.

NI Water should submit four copies of:

- Regulatory accounts;
- Confidential information (if not included in regulatory accounts); and,
- Statutory accounts (if not bound with regulatory accounts).

NI Water should also publish its regulatory accounts on its website on the date they are submitted to NIAUR if possible or alternatively detail in its submission letter the expected date of publication on its website, which should be as soon as practicable. The web path should be included in a covering letter to the regulatory accounts.

NI Water should draw its regulatory accounts for 2012-13 on the basis of the guidance to AIR13 and the following regulatory accounting guidelines issued by Ofwat:

RAG 1.04 – Guideline for accounting for capital maintenance charges and current costs

RAG 2.03 – Guideline for classification of expenditure

RAG 3.06 – Guideline for the contents of regulatory accounts

RAG 4.03 – Guideline for the analysis of operating costs and assets

RAG 5.04 – Guideline for transfer pricing in the water industry

Please note these are not the revised guidelines referred to by Ofwat in Information Notice IN13/01.

All UK accounting standards extant at 31 March 2013 should be complied with unless detailed otherwise within the guidelines.

If NI Water considers that the requirements of these conflicts with those included in accounting standards, please contact Alan Craig, Regulatory Finance, NIAUR.

Specific regulatory accounts issues:

- Link between directors' pay and standards of performance

The Water and Sewerage Services (Northern Ireland) Order 2006 introduced a requirement for NI Water to make a statement at the end of each financial year, regarding links between the pay of the board of the regulated business and standards of performance. NI Water should disclose this statement linking directors' pay and standards of performance in a separate note to the regulatory accounts (or in the statutory accounts if both sets of accounts are bound together in the same volume). Detail on what the statement must include is set out in RAG 3.06.

If, when preparing the statement, any details of the remuneration arrangements have not yet been finalised, NIAUR expects the statement for the following year to cover the finalised arrangements for the previous year as well.

- Operating and Financial Review (OFR)

RAG 3.06 requires completion of an OFR. RAG 3.06 sections 3.1.13 to 3.1.15 sets out our requirements for the OFR. We note the Annual Report and Accounts has moved to a “Business Review” and the following items need only be included should they not be included within the Business Review. Deletion.

- Movements in turnover should be described with reference to the allowed price limit and to customer demand.
- Atypical operating expenditure items.
- Significant movements in IRC and CCD.
- Donations to charitable trusts assisting customers or similar funds if applicable.
- Dividend payments.
- Turnover recognition

NI Water should recognise turnover relating to bills raised for customers who have a record of non-payment in its regulatory accounts and Annual Information Return.

If NI Water binds its regulatory and statutory accounts together in one volume, it may refer to the enhanced business review in the statutory accounts when completing the OFR. If it submits regulatory and statutory accounts to NIAUR as one bound volume, it must also:

- (a) Be available to the public in the same hard copy format; and,
- (b) Be published on the website in an identical manner.

#### Audit opinion

The full wording of the opinion that NIAUR requires for the regulatory accounts for 2012-13 is set out in the Engagement Letter between NI Water’s Auditors, the Regulator and NI Water (as referred to in Annex A of the Auditors’ Guidance). Where NI Water submits a set of regulatory accounts that does not contain this wording, NIAUR will not consider it to be compliant with licence condition F. The wording of the opinion required for the Annual Information Return is set out in Annex B of the Auditors’ Guidance.

NIAUR expects, given the timescales of submission for the Annual Information Return 2013, that information in the Annual Information Return submission and the regulatory accounts will be consistent and that auditors will be able to agree the

Annual Information Return figures to the regulatory accounts. Where this is the case, NIAUR would expect auditors to issue an opinion confirming consistency of the information in the Annual Information Return and the regulatory accounts as set out in Annex B.

If there are any material differences between the Annual Information Return submission and the regulatory accounts, these should be detailed and explained in a covering letter by the auditors.

**Annex 1 – Timetable of submission stages**

	<b>Company</b>	<b>Reporter/Auditors</b>
28 <sup>th</sup> March 2013		NIAUR issues Annual Information Requirement to NI Water, reporter and auditors.
19 <sup>th</sup> April 2013		Reporter submits audit plans to NIAUR.
26 <sup>th</sup> April 2013	The company submits representations on the reporter's and auditors' audit plans.	
3 <sup>rd</sup> May 2013		NIAUR approve audit plan and set reporter's Annual Information return ceiling costs
March – 15 <sup>th</sup> July 2013	Clarification process for reporting requirements	
15 <sup>th</sup> July 2013	The company submits their Annual Information returns	
29 <sup>th</sup> July 2013		Reporters/auditors submit their Annual Information return reports
August 2013	Annual Information return query process commences	
October 2013	Annual Information return feedback	
4 <sup>th</sup> November 2013	The company submits their public domain Annual Information return	
11 <sup>th</sup> November 2013		Reporters/auditors submit their public domain Annual Information return reports
December 2013	Public domain Annual Information returns made available via website and NIAUR library	

## Annex 2 – Inflation indices

These apply especially in tables 35a and 36a and provide the means to input the annual rate of the Retail Price Index (RPI) and also a measure to show the rate of inflation in construction prices (the Construction Outputs Price Index, or COPI).

	RPI financial year average		
<b>Definition</b>	The average of the monthly all items RPI (published to 1 d.p.) for the twelve month period from April to March. The financial year average is displayed to 1 d.p.		

### RPI percentage change

**Definition**

Percentage change in the RPI financial year average  
 The percentage change in the financial year average is calculated as follows:

$$\frac{\text{financial year average} - \text{financial year average (in previous year)}}{\text{financial year average (in previous year)}} \times 100$$

The percentage change should be calculated with the financial year averages for both years at full decimal accuracy. The calculated result is then rounded to 1 d.p.

### COPI quarterly figures

**Definition**

The quarterly figures for the Construction Outputs Price Index (COPI).  
 Input.

### COPI financial year average

**Definition**

The average of the four quarterly COPI figures for the period April to March. The COPI figure is published to 1 d.p. The financial year average is displayed to 2 d.p.

### COPI percentage change

**Definition**

Percentage change in the COPI financial year average

The percentage change in the financial year average is calculated as follows:

$$\frac{\text{Financial year average} - \text{Financial year average (in previous year)}}{\text{Financial year average (in previous year)}} \times 100$$

The percentage change should be calculated with the financial year averages for both years at full decimal accuracy. The calculated result is then rounded to 2 d.p.



### Annex 3 – Glossary of terms and abbreviations

above ground supply pipe leakage	-	any leakage occurring on the supply pipe [q.v.] beyond the internal stop valve
AD(s)	-	authorised departure(s)
April 1	-	year beginning
auth	-	authorised
BOD	-	biochemical oxygen demand
BWD	-	Bathing Waters Directive
capex	-	capital expenditure
CCA	-	current cost accounting
CCD	-	current cost depreciation
CCTV	-	closed circuit television
COD	-	chemical oxygen demand
communication pipe	-	that part of the service pipe [q.v.] which runs from a main to, and including a stopcock at, or as close as is reasonably practicable to, the boundary of the property (or street in which the main is laid)
compl, compl'd	-	completed
COPI	-	construction output price index
CPNI	-	centre for the protection of national infrastructure
CSO	-	combined sewer overflow
The Department	-	Department for Regional Development
DI	-	distribution input
distribution losses	-	any leakage from company infrastructure such as trunk mains, service reservoirs, distribution mains and communication pipes
DMA	-	district metering area
Drought Order	-	an Order made under The Water and Sewerage Services (Northern Ireland) Order 2006.
ESL	-	Enhanced service levels
EU	-	European Union
excl	-	excluding, excluded
flooding incident	-	an event of internal flooding (q.v.) from a public sewer (whether foul, combined or surface water)
FRS	-	Financial Reporting Standards

GIS	-	geographical information system
GMEA	-	Gross modern equivalent asset value
GSS	-	Guaranteed Standards Scheme
HCA	-	historic cost accounting
households	-	properties used as single domestic dwellings (normally occupied), receiving water for domestic purposes which are not factories, offices or commercial premises
HSE	-	Health and Safety Executive of Northern Ireland
ICA	-	Instrumentation control and automation
ICS	-	Information capture system
internal flooding	-	flooding which enters a building or passes below a suspended floor
internal plumbing losses	-	any leakage from pipework and fittings within the property not under mains pressure
km	-	kilometres
l/pr/d	-	litres per property per day
LOC	-	local priority scheme
LU	-	loading units
LUT	-	look-up table
m	-	million
March 31	-	year end
MEA, MEAV	-	modern equivalent asset value
m.hd	-	metres head
ml	-	millilitres
MI	-	megalitres
MI/d	-	megalitres per day
MLE	-	maximum likelihood estimation
MNI	-	maintenance non-infrastructure
mst	-	mains stop tap
NEP	-	National Environment Programme
NERA	-	National Economic Research Associates
NI	-	National Insurance
NIEA	-	NI Environment Agency
NIO	-	Northern Ireland Office
NISRA	-	Northern Ireland Statistics and Research Agency
non-households	-	properties receiving water for domestic purposes but which are not occupied as domestic premises, or where domestic dwellings are combined with other properties, or where properties are in multiple occupation but only have one standing

		charge
non-infra	-	non-infrastructure
nr	-	number
NTU	-	nephelometric turbidity units
obs	-	obligations
o/loaded	-	overloaded
opex	-	operational expenditure
overloaded sewer- due to a permanent	-	a sewer where the flow from a storm is unable to pass through it problem (e.g. flat gradient, small diameter)
pcc	-	per capita consumption (q.v.)
PCV	-	prescribed concentration or value
p.e.	-	population equivalent
pn-wks	-	person weeks
per capita consumption		
	-	customer use of water and any internal plumbing losses
prop(s)	-	property(ies)
prop'n	-	proportion
QO	-	quality objectives
RAG	-	Regulatory Accounting Guidelines
RIDDOR	-	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (Northern Ireland) 1997
RPI	-	retail price inflation
RQO	-	river quality objective
RTU	-	restricted toilet use
SDB	-	Supply demand balance
secs	-	seconds
service pipe	-	so much of any pipe for supplying water from a main to any premises as is subject to water pressure from that main, or would be so subject but for the closing of some valve
sewage	-	the contents of a sewer
sewerage	-	the network of sewer pipes
SIC	-	standard industrial classifications
SIR	-	surface investment requirements
SRM	-	Sewerage Rehabilitation Manual
SS	-	suspended solids
SSSI	-	Site of Special Scientific Interest
SSO	-	storm sewage overflow
ST	-	storm tank
STW	-	sewage treatment works
supply pipe	-	so much of any service pipe [q.v.] as is not a communication pipe [q.v.]
SWAD	-	Surface Water Abstraction Directive
SWD	-	Shellfish Waters Directive

third party	-	anyone who does not act for, or on behalf of, the company. It therefore excludes agents, contractors and other parties acting with the authorisation of the company.
ttds	-	thousand tonnes dry solids
UID	-	unsatisfactory intermittent discharges
UKWIR	-	UK Water Industry Research
underground supply pipe leakage	-	any leakage occurring on the supply pipe [q.v.] which usually runs from the boundary of the property (or street in which the main is laid) up to the internal stop valve of the property
uninhabited cellar	-	an integral part of a building that is at least partially below ground level and not used for habitation (where such a cellar is in regular use as part of the normal living accommodation it is termed a basement)
UV	-	ultra-violet
UWWTD	-	Urban Waste Water Treatment Directive
WaSC	-	water and sewerage company
WIP	-	work in progress
wks	-	weeks
WoC	-	water only company
WRc	-	Water Research Centre
WSRA	-	Water Services Regulatory Authority
WSSO	-	Water and Sewerage Services (Northern Ireland) Order 2006
WSZ	-	water supply zone
WTW	-	water treatment works
WUKOHS	-	Water UK Occupational Health & Safety Group
WwTW	-	waste water treatment works
yr	-	year
>	-	greater than, after
<	-	less than, before

## CHANGE CONTROL SHEET INTRODUCTION

2008/1.0	First issue of chapter for the SBP period
2009/1.0	<p>Second issue of chapter for the SBP period          Amended submission dates and document footers as necessary.          Deleted paragraph which referred to Alpha and Omega not being operational;          Added requirement to state the source of customer/ population data;          Amended the number of copies of AIR and reports required to be submitted by the company and auditors.</p>
2010/1.0	<p>Third issue of chapter for the SBP period          Submission dates amended.          New Chapter 42 and 43 inserted</p>
2011/1.0	<p>First issue of chapter for the PC10 period</p> <ul style="list-style-type: none"> <li>• Inclusion of OPA table and guidance for score calculations.</li> <li>• Inclusion of carbon accounting and energy consumption table.</li> <li>• Removal of STR requirements.</li> <li>• Removal of some elements of the PPP guidance.</li> <li>• Removal of Tables 37 and 38.</li> <li>• Additional requirement for DG5 levels of service methodology information.</li> <li>• Freeze/thaw commentary</li> <li>• Minor amendments in relation to publication of NIW regulatory accounts.</li> </ul>
2012/1.0	<p>Second issue of chapter for the PC10 period</p> <ul style="list-style-type: none"> <li>• Removal of requirement for freeze/thaw commentary.</li> <li>• Deletion of text relating to Service Target Report</li> <li>• Requirement to report on any difference between AIR12 data and PC13 Business Plan submission</li> </ul>
2013/1.0	<p>Third issue of chapter for PC10 period.</p> <ul style="list-style-type: none"> <li>• Modifications to the Regulatory Audit opinion sections.</li> <li>• Amendment to OFR content.</li> <li>• Amendments to RAG guidance.</li> <li>• Additional minor amendments.</li> </ul>