PC13 Information Requirements
Chapter 2 – Operational Costs and Efficiency
Annex 2A – Definitions

Issued 16 January 2012 - Version 02

Contents

Table 2.1 – Water and Sewerage Service Efficiency Improvements

Table 2.1 – Block A – Operating Expenditure Efficiency (Base)

Line 1	Assessment of relative efficiency	Band	A to E
Definition	The company's assessment of its operating expenditure efficiency, relative to other regulated water companies, in 2010-11, according to the following banding scheme: A: If the company is assessed within 5% of the benchmark company B: If the company is assessed as being between 5 and 15% from the benchmark company C: If the company is assessed as being between 15 and 25% from the benchmark company D: If the company is assessed as being between 25 and 35% from the benchmark company E: If the company is assessed as being between 35 and 45% from the benchmark company This assessment is based on total operating expenditure and applies to both base and enhancement operating expenditure.		
Processing rules	Input field		

Line 2	Assessment of scope for catch-up (base) / assumed profile year on year	%	3dp
Definition	Percentage reduction of the relative efficiency gap between the company and leading companies that the company assesses can be achieved between 2010-11 and 2014-15 and the company's assumption of the annual profile for 2011-12 to 2014-15 inclusive to achieve this catch-up.		
Processing rules	Input field.		

Line 3	Assumed minimum level of efficiency improvements/assumed profile year on year (base)	%	3dp
Definition	Company's assessment of the minimum level of efficiency improvements, year on year, that it is reasonable to assume in price setting for even the most efficient (band A) companies, for base service operating expenditure. This is equivalent to "frontier shift".		
Processing rules	Input field		

Line 4	Overall compounded assumed improvement profile (base)	%	3dp
Definition	The overall cumulative improvement in base operating efficiency resulting from catch-up in relative efficiency plus minimum improvements achievable by band A companies.		
Processing rules	Calculated field: Compounded sum of lines 2 and 3 For 2011-12 and following years: (1–(1–line 4 previous year/100) multiplied by (1–line 2/100) multiplied by (1-line 3/100)) multiplied by 100		

Table 2.1 – Block B – Operating Expenditure Efficiency (Enhancement)

Line 5	Factor for the scope for enhancement catch up relative to that for base opex	nr	3dp
Definition	Factor that should be applied to the scope for base opex catch-up to give the scope for enhancement opex catch-up. If a company believes that these are the same the factor should be entered as 1. If a company believes that the scope for enhancement opex catch-up is greater than that for base opex this should be entered as a number >1. For example if a company assesses the scope for base opex catch-up as 40%, and the scope for enhancement opex catch-up as 50%, then the factor is 1.25. If a company believes that the scope for enhancement opex catch-up is less than that for base opex this should be entered as a number <1. For example if a company assesses the scope for base opex catch-up as 50%, and the scope for enhancement opex catch-up as 40%, then the factor is 0.8.		
Processing rules	Input field		

Line 6	Assessment of scope for catch-up (enhancements) / assumed profile year on year	%	3dp
Definition	Percentage reduction of the relative efficiency gap between NI Water and leading companies that the company assesses can be achieved between 2010-11 and 2014-15 and the company's assumption of the annual profile for 2011-12 to 2014-15 inclusive to achieve this catch-up.		
Processing rules	Calculated field: Column 1 Assessment for PC13. Factor for the scope for enhancement catch-up relative to that for base opex, line 5 multiplied by assessment of scope for catch-up base line 2. Other cells are input fields.		

Line 7	Factor to assume for minimum level of efficiency compared to base (enhancement)	nr	3dp
Definition	Factor that should be applied to the base opex minimum level of efficiency to give the minimum level of efficiency for enhancement opex. If a company believes that these are the same the factor should be entered as 1. If a company believes that their share of the minimum level of efficiency for enhancement opex catch-up is greater than that for base opex this should be entered as a number >1. For example if a company assesses the scope for minimum efficiency for base opex as 1% p.a. and the minimum efficiency for enhancement opex as 1.5% p.a., then the factor is 1.5. If a company believes that the minimum level of efficiency for enhancement opex catch-up is less than that for base opex this should be entered as a number <1. For example if a company assesses the scope for minimum efficiency for base opex as 1% p.a. and the scope for enhancement opex catch-up as 0.75% p.a. then the factor is 0.75.		
Processing rules	Input field		

Line 8	Assumed minimum level of efficiency improvements, p.a. (enhancements)	%	3dp
Definition	Company's assessment of the minimum level of efficiency improvements, year on year, that it is reasonable to assume in price setting for even the most efficient (band A) companies, for enhancement operating expenditure. This is equivalent to “frontier shift”.		
Processing rules	Assessment PC13 is a calculation: Calculated as (Factor for the minimum level of efficiency relative to that for base opex line 7) times (Assessment of minimum efficiency base line 3). Other cells are input fields.		

Line 9	Overall compounded assumed improvement profile (enhancements)	%	3dp
Definition	The overall cumulative improvement in enhancement operating efficiency resulting from catch-up in relative efficiency plus minimum improvements achievable by band A companies.		
Processing rules	Calculated field: Compounded sum of lines 6 and 8 2011-12 and following years: (1–(1–line 9 previous year/100) multiplied by (1–line 6/100) multiplied by (1-line 8/100)) multiplied by 100		

Table 2.1 – Block C – Operating Expenditure Efficiency (PPP)

Line 10	Assumed improvement profile for PPP schemes.	%	3dp
Definition	The company's assessment of the per annum improvement profile for PPP opex.		
Processing rules	Input field		

Line 11	Overall compounded assumed improvement profile (PPP)	%	3dp
Definition	The cumulative improvement in PPP opex efficiency.		
Processing rules	Calculated field: 2011-12 and following years: (1-(1-line 11 previous year/100) multiplied by (1-line 10/100)) multiplied by 100		

Table 2.2 – Water Service Operating Expenditure Projections

Table 2.2 – Block A – Base Year (2010-11) Actuals

All operational cost figures in Tables 2.2, 2.3 and 2.4 should be given in real terms at the 2010-11 price base.

Line 1	Water operating expenditure in 2010-11	£m	3dp
Definition	The company's actual total water service operating expenditure for the regulated business in 2010-11.		
Processing rules	Input field: Should align with AIR T21 L22 (less PPP expenditure)		

Table 2.2 – Block B – Adjustments to the Base Year

Line 2	Net adjustments to actuals	£m	3dp
Definition	Company's assessment of the net adjustment to actual operating expenditure that is needed to reflect normal ongoing expenditure for the water service, for example a negative adjustment for a short term pension holiday and a positive adjustment for restructuring provisions, etc. The adjustment removes exceptional and atypical expenditure in 2010-11.		
Processing rules	Input field		

Line 3	Adjusted base year	£m	3dp
Definition	Normal ongoing operating expenditure for 2010-11, after adjusting for atypical and exceptional items		
Processing rules	Calculated field – Line 1 minus line 2		

Table 2.2 – Block C – Adjustments to Post PC10 Projections – Additional Opex

Line 4a,4b,etc	Additional opex	£m	3dp
Definition	Company's assessment of adjustments to normal ongoing base service provision operating expenditure to cater for changed situations (for example a known future charge from Northern Ireland Environment Agency). Exclude adjustments for improving efficiency.		

Processing rules	Input field

Line 5	Total base opex	£m	3dp
Definition	Projected total base operating expenditure after adjustment for exceptional and atypical items in the base year 2010-11 and for changes in circumstances affecting base service expenditure.		
Processing rules	Calculated field: Line 3 plus (line 4a to line 4…)		

Table 2.2 – Block D – Efficiency Improvements (Base)

Line 6	Overall compounded efficiency profile (base)	%	3dp
Definition	The overall cumulative improvement in base operating efficiency resulting from catch-up in relative efficiency plus “frontier” shift.		
Processing rules	Copied field: Copied from table 2.1, Line 4		

Line 7	Base opex expenditure projection	£m	3dp
Definition	Company's assessment of base opex after efficiency challenge.		
Processing rules	Calculated field: Line 5 multiplied by (1-line 6/100)		

Table 2.2 – Block E – Transformation Costs

Line 8	Business improvement programme	£m	3dp
Definition	Expenditure associated with efficiency schemes and other transformation / reorganisation projects.		
Processing rules	Input field		

Line 9	Voluntary early retirement / voluntary severance	£m	3dp
Definition	Expenditure on staff costs associated with the reorganisation projects known as voluntary early retirement / voluntary severance schemes.		
Processing rules	Input field		

Line 9a	Net adjustments to actuals	£m	3dp
Definition	Company's assessment of the net adjustment to actual operating expenditure that is needed to reflect normal ongoing expenditure for the water service, for example a negative adjustment for a short term pension holiday and a positive adjustment for restructuring provisions, etc.		
Processing rules	Input field: Should only be completed for 2010-11 Net adjustments in this line along with BIP and VER costs should equal the Line 2 adjustments.		

Line 10	Total transformation costs	£m	3dp
Definition	The overall costs of transformation projects		
Processing rules	Calculated field: Sum of Lines 8 and line 9 Sum of Line 8, 9 and 9a for 2010-11		

Table 2.2 – Block F – Opex from Capex

Line 11	Quality enhancement opex – pre efficiency	£m	3dp
Definition	Quality enhancement operating expenditure arising from the capital programme. This includes drinking water quality, environmental requirements and other obligations.		
Processing rules	Input field		

Line 12	ESL customer service opex – pre efficiency	£m	3dp
Definition	Additional ESL operating expenditure associated with proposed service enhancements.		
Processing rules	Input field		

Line 13	Supply/demand balance opex – pre efficiency	£m	3dp
Definition	The adjustments to operating expenditure due to growth related capital expenditure, capital investment for new development and to accommodate the potential impact of climate change, while maintaining existing levels of service.		
Processing rules	Input field		

Line 14	Security of supply opex – pre efficiency	£m	3dp
Definition	The adjustments made to operating expenditure in due to capital investment undertaken to achieve an enhanced service level that directly impacts on supply/demand balance through improved security of water supplies.		
Processing rules	Input field		

Line 15	Total opex from capex – pre efficiency	£m	3dp
Definition	The total opex resulting from capital expenditure throughout the PC13 period.		
Processing rules	Calculated field: Sum of Lines 11, 12, 13 and 14		

Table 2.2 – Block G – Efficiency Improvements (Enhancement)

Line 16	Overall compounded assumed improvement profile (enhancement)	%	3dp
Definition	The overall cumulative improvement in enhancement operating efficiency resulting from catch-up in relative efficiency plus minimum improvements achievable by band A companies.		
Processing rules	Copied field Copied: table 2.1, line 9		

Line 17	Total opex from capex – projection	£m	3dp
Definition	The total opex from capex projection net of an efficiency challenge.		
Processing rules	Calculated field: Line 15 multiplied by (1- line16/100)		

Table 2.2 – Block H – PPP Costs and Efficiency

Line 18	PPP opex (pre efficiency)	£m	3dp
Definition	The pre efficiency operating cost of PPP water assets.		
Processing rules	Input field		

Line 19	PPP assumed efficiency improvement profile	%	3dp
Definition	The overall cumulative improvement in PPP operating efficiency.		
Processing rules	Copied field: Copied: Table 2.1, Line 11		

Line 20	PPP opex (post efficiency)	£m	3dp
Definition	The PPP opex projection net of efficiencies. This line, along with the corresponding line in table 2.3 should align with Tab A5, Line 3 of the financial model.		
Processing rules	Calculated field: Line 18 multiplied by (1- line 19/100)		

Line 21	PPP interest payment	£m	3dp
Definition	The PPP interest payments on water assets. This line, along with the corresponding line in table 2.3 should align with Tab A5, Line 8a of the financial model (after adjusting for inflation).		
Processing rules	Input field		

Line 22	PPP capital repayments	£m	3dp
Definition	The PPP capital repayments on water assets. This line, along with the corresponding line in table 2.3 should align with Tab A5, Line 21a of the financial model (after adjusting for inflation).		
Processing rules	Input field		

Line 23	Total PPP costs	£m	3dp
Definition	Total unitary charge for PPP water assets		
Processing rules	Calculated field: Sum of lines 20, 21 and 22		

Table 2.2 – Block I – Totals

Line 24	Total water operating expenditure projection	£m	3dp
Definition	The total water operating expenditure projections including all PPP charges. The figure is net of efficiency.		
Processing rules	Calculated field: Sum of lines 7, 10, 17 and 23		

Table 2.3 – Sewerage Service Operating Expenditure Projections

Table 2.3 – Block A – Base Year (2010-11) Actuals

Line 1	Sewerage operating expenditure in 2010-11	£m	3dp
Definition	The company's actual total sewerage service operating expenditure for the regulated business in 2010-11.		
Processing rules	Input field: Should align with AIR T22 L21 (less PPP expenditure)		

Table 2.3 – Block B – Adjustments to the Base Year

Line 2	Net adjustments to actuals	£m	3dp
Definition	Company's assessment of the net adjustment to actual operating expenditure that is needed to reflect normal ongoing expenditure for the water service, for example a negative adjustment for a short term pension holiday and a positive adjustment for restructuring provisions, etc. The adjustment removes exceptional and atypical expenditure in 2010-11.		
Processing rules	Input field		

Line 3	Adjusted base year	£m	3dp
Definition	Normal ongoing operating expenditure for 2010-11, after adjusting for atypical and exceptional items		
Processing rules	Calculated field – Line 1 minus line 2		

Table 2.3 – Block C – Adjustments to Post PC10 Projections – Additional Opex

Line 4a, 4b, etc	Additional opex	£m	3dp
Definition	Company's assessment of adjustments to normal ongoing base service provision operating expenditure to cater for changed situations (for example a known future charge from Northern Ireland Environment Agency). Exclude adjustments for improving efficiency.		
Processing rules	Input field		

Line 5	Total base opex	£m	3dp
Definition	Projected total base operating expenditure after adjustment for exceptional and atypical items in the base year 2010-11 and for changes in circumstances affecting base service expenditure.		
Processing rules	Calculated field: Line 3 plus (line 4a to line 4…)		

Table 2.3 – Block D – Efficiency Improvements (Base)

Line 6	Overall compounded efficiency profile (base)	%	3dp
Definition	The overall cumulative improvement in base operating efficiency resulting from catch-up in relative efficiency plus “frontier” shift.		
Processing rules	Copied field: Copied from table 2.1, Line 4		

Line 7	Base opex expenditure projection	£m	3dp
Definition	Company's assessment of base opex after efficiency challenge.		
Processing rules	Calculated field: Line 5 multiplied by (1-line 6/100)		

Table 2.3 – Block E – Transformation Costs

Line 8	Business improvement programme	£m	3dp
Definition	Expenditure associated with efficiency schemes and other transformation / reorganisation projects.		
Processing rules	Input field		

Line 9	Voluntary early retirement / voluntary severance	£m	3dp
Definition	Expenditure on staff costs associated with the reorganisation projects known as voluntary early retirement / voluntary severance schemes.		
Processing rules	Input field		

Line 9a	Net adjustments to actuals	£m	3dp
Definition	Company's assessment of the net adjustment to actual operating expenditure that is needed to reflect normal ongoing expenditure for the water service, for example a negative adjustment for a short term pension holiday and a positive adjustment for restructuring provisions, etc.		
Processing rules	Input field: Should only be completed for 2010-11 Net adjustments in this line along with BIP and VER costs should equal the Line 2 adjustments.		

Line 10	Total transformation costs	£m	3dp
Definition	The overall costs of transformation projects		
Processing rules	Calculated field: Sum of Lines 8 and line 9 Sum of Line 8, 9 and 9a for 2010-11		

Table 2.3 – Block F – Opex from Capex

Line 11	Quality enhancement opex – pre efficiency	£m	3dp
Definition	Projected additional operating expenditure to deliver the PC13 sewerage service quality enhancement programme. This comprises all the additional quality expenditure for completion of the PC13 programme and other legally required enhancements.		
Processing rules	Input field		

Line 12	ESL customer service opex – pre efficiency	£m	3dp
Definition	Additional ESL operating expenditure associated with proposed service enhancements.		
Processing rules	Input field		

Line 13	Supply/demand balance opex – pre efficiency	£m	3dp
Definition	Projected additional operating expenditure, associated with the provision of sewerage services for new customers and to accommodate increased use of sewerage services by existing customers.		
Processing rules	Input field		

Line 14	Total opex from capex – pre efficiency	£m	3dp
Definition	The total opex resulting from capital expenditure throughout the PC13 period.		
Processing rules	Calculated field: Sum of Lines 11, 12 and 13		

Table 2.3 – Block G – Efficiency Improvements (Enhancement)

Line 15	Overall compounded assumed improvement profile (enhancement)	%	3dp
Definition	The overall cumulative improvement in enhancement operating efficiency resulting from catch-up in relative efficiency plus minimum improvements achievable by band A companies.		
Processing rules	Copied field Copied: table 2.1, line 9		

Line 16	Total opex from capex – projection	£m	3dp
Definition	The total opex from capex projection net of an efficiency challenge.		
Processing rules	Calculated field: Line 15 multiplied by (1- line16/100)		

Table 2.3 – Block H – PPP Costs and Efficiency

Line 17	PPP opex (pre efficiency)	£m	3dp
Definition	The pre efficiency operating cost of PPP sewerage service assets.		
Processing rules	Input field		

Line 18	PPP assumed efficiency improvement profile	%	3dp
Definition	The overall cumulative improvement in PPP operating efficiency.		
Processing rules	Copied field: Copied: Table 2.1, Line 11		

Line 19	PPP opex (post efficiency)	£m	3dp
Definition	The PPP opex projection net of efficiencies. This line, along with the corresponding line in table 2.2 should align with Tab A5, Line 3 of the financial model.		
Processing rules	Calculated field: Line 18 multiplied by (1- line 19/100)		

Line 20	PPP interest payment	£m	3dp
Definition	The PPP interest payments on sewerage service assets. This line, along with the corresponding line in table 2.2 should align with Tab A5, Line 8a of the financial model (after adjusting for inflation).		
Processing rules	Input field		

Line 21	PPP capital repayments	£m	3dp
Definition	The PPP capital repayments on sewerage service assets. This line, along with the corresponding line in table 2.2 should align with Tab A5, Line 21a of the financial model (after adjusting for inflation).		
Processing rules	Input field		

Line 22	Total PPP costs	£m	3dp
Definition	Total unitary charge for PPP sewerage service assets		
Processing rules	Calculated field: Sum of lines 19, 20 and 21		

Table 2.3 – Block I – Totals

Line 23	Total sewerage operating expenditure projection	£m	3dp
Definition	The total sewerage operating expenditure projections including all PPP charges. The figure is net of efficiency.		
Processing rules	Calculated field: Sum of lines 7, 10, 16 and 22		

Table 2.4 – Total Operating Expenditure Projections

Table 2.4 – Block A – Total Opex Projections

Line 1	Base opex	£m	3dp
Definition	Total base opex for water and sewerage net of efficiencies.		
Processing rules	Calculated field: Sum of table 2.2 line 7 and table 2.3 line 7		

Line 2	Transformation costs	£m	3dp
Definition	The overall cost of transformation projects.		
Processing rules	Calculated field: Sum of table 2.2 line 10 and table 2.3 line 10		

Line 3	Opex from capex	£m	3dp
Definition	Total opex from capex for water and sewerage net of efficiencies.		
Processing rules	Calculated field: Sum of table 2.2 line 17 and table 2.3 line 16		

Line 4	PPP costs	£m	3dp
Definition	Total PPP unitary charge for water and sewerage assets.		
Processing rules	Calculated field: Sum of table 2.2 line 23 and table 2.3 line 22		

Line 5	Total opex	£m	3dp
Definition	The overall water and sewerage opex projections, including all PPP unitary charges		
Processing rules	Calculated field: Sum of lines 1, 2, 3 and 4		