

PC13 Information Requirements

Chapter 3 – Capital Investment

Issued 13 December 2011 - Version 01

Contents

Chapter 3 -Capital Investment	3
3.1. Introduction.....	3
3.2. Treatment of Inflation.....	3
3.3. Planning for PC15.....	4
3.4. Business Cases.....	5
Linking investment to outputs.....	6
Assessing the scope of work	7
Costing estimating systems	7
Assessing deliverability and project expenditure profile	8
Assessment of Opex from Capex	9
Purpose allocation	9
Service allocation.....	9
Carbon impact of investment	9
3.5. PC10 Outturn Report.....	10
3.6. Table 3.1 – Inflation indices	11
3.7. Table 3.2 – Capital budget statement	11
3.8. Table 3.3 – Proposed expenditure by project or sub-programme.....	12
Overview	12
Project Identification.	13
Project milestone dates.....	19
Service allocation.....	19
Capital expenditure.....	19
Purpose allocation.	20
3.9. Tables 3.4 – Gross and net capital expenditure totals.....	20
3.10. Table 3.5 – Capital grants and contributions for water and sewerage service	20
3.11. Tables 3.6A and 3.6B – Assessment of additional Opex.....	21
Chapter Tables	
Table 1 – PC Period Identifiers	14
Table 2 – Primary Asset Categories.....	15
Table 3 – Primary Investment Sub-Programme Identifiers	15
Table 4 – Regulator sign-off identifier	18

Information Requirement Tables

3.1	Inflation indices
3.2	Capital budget statement for 2010/11 to 2019/20
3.3	Proposed expenditure by project or sub-programme
3.4	Gross capital expenditure summary
3.5	Capital grants and contributions
3.6	Additional Opex from Capex

Annex

3A	Definitions
----	-------------

Chapter 3 - Capital Investment

3.1. Introduction

3.1.1. This chapter sets out the information requirements for NI Water's submission to the Utility Regulator in respect of capital expenditure (Capex) in the PC13 period at project and sub-programme level.

3.1.2. The PC13 capital investment submission shall comprise:

- A data submission consisting of 6 tables setting out proposed capital investment in PC10, PC13 and PC15 at project and sub-programme level.
- Supporting business cases to explain and justify the proposed investment.
- A statement of the variance between the PC10 final determination and the actual and project capital investment out-turn for the PC10 period.

3.1.3. The six tables forming the capital investment submission are: -

- Table 3.1 – Inflation indices.
- Table 3.2 – Capital budget statement for 2010-11 to 2019-20.
- Table 3.3 – The proposed expenditure by project or by sub-programme
- Table 3.4 – Gross and net capital expenditure summary.
- Table 3.5 – Capital grants and contributions for water and sewerage service.
- Table 3.6 – Additional Opex and supporting project information.

3.1.4. Individual line entry definitions are set out in Annex 3A. Guidance for completing Business Plan tables and the provision of supporting information is set out below.

3.1.5. The format of the capital investment submission is based around identified sub-programmes of work. It is expected that the company's submission will follow this sub-division of the programme, with the commentary on each sub-programme making reference to other programme allocations such as purpose or service allocation.

3.2. Treatment of Inflation

3.2.1. Actual and projected capital expenditure should be expressed in nominal prices (money of the day) unless stated otherwise. Selected sections of the summary tables require expenditure to be converted to 2010-11 base year prices which should be consistent with the data entered in the financial model.

3.2.2. In Table 3.1, the company is required to provide its estimate of future construction output price inflation which will be used to convert nominal prices to 2010-11

baseline prices. The company's estimate of future construction output price inflation should be consistent with the costing methodologies used to estimate the nominal costs of sub-programmes and projects included in the Business Plan. To date, NI Water has not provided confidence that its estimates of future capital costs are prepared at a consistent cost base in any one year. The company shall describe how the various estimating techniques used to prepare the Business Plan produce nominal prices at a common price base in any one year and demonstrate that this is consistent with the future inflation indices in Table 3.1.

3.3. Planning for PC15

3.3.1. The company should set out its plans to maintain the continuity of investment into PC13. The company's Business Plan should include:

1. An estimate of the expenditure in PC15 for any discrete project where the company plans to start construction in the PC13 period. The company is expected to provide firm estimates for this expenditure which may form part of the PC13 determination.
2. Indicative estimates of rolling sub-programmes of work such as asset maintenance or new connections in the PC15 period. This investment will not form part of the PC13 determination but will be reviewed and determined in the PC15 Price Control.
3. Indicative estimates for discrete projects expected to start construction in at least the first two years of PC15. Priority projects for the first two years of PC15 should be agreed with the relevant regulator or supported by reference to other assessments such as the Water Resources Management Plan. This investment will not form part of the PC13 determination but will be determined in the PC15 Price Control.
4. Estimates of the development, design, approval and any other preparatory work such as surveys or land purchase necessary in PC13 to facilitate the start of construction in the first two years of PC15 for the work outlined in items 2 and 3 above. The company is expected to provide firm estimates for this expenditure which may form part of the PC13 determination. The company should demonstrate that the cost of this work is in addition to any other investment included in the business plan including estimates based on the historic run rate of programmes of work.

3.3.2. The estimates outlined above should be included in the Business Plan tables.

3.3.3. The objectives of the information outlined above are:

1. To ensure that expenditure committed in PC13 which carries over into PC15 can be included in the PC13 determination.
2. To ensure that the funding necessary to develop the early stages of the PC15 capital programme is identified through the PC13 determination.

3. To prompt early planning of the transition between PC13 and PC15 to ensure that priorities are identified and continuity of investment is maintained.

3.3.4. In addition to providing the detailed project information set out above, the company should:

- consider the objective of maintaining continuity of investment into PC15;
- describe how its Business Plan aims to achieve this objective;
- outline any barriers it sees to achieving this objective; and,
- suggest steps which the company or other stakeholders could take to overcome the barriers it has identified and manage the transition between Price Control periods effectively and efficiently.

3.4. Business Cases

3.4.1. The company should provide business cases which explain and justify the proposed investment at project or sub-programme level. As a minimum, a separate business case should be provided for each sub-programme providing more detailed project information as appropriate. The company should provide individual business cases for major projects or where the individual projects within a sub-programme require substantially different supporting information.

3.4.2. NI Water should determine the format for the supporting business cases which should, where possible, draw on internal processes and existing methodologies. Where possible the company should submit data and supporting calculations as spreadsheets referenced to the business case to ease analysis of the submission.

3.4.3. As a minimum the Business Cases provided for the PC13 Business Plan should include information on the following:

- Linking investment to outputs.
- Assessing the scope of work.
- Costing estimating systems.
- Assessing deliverability and project expenditure profile.
- Assessment of Opex from Capex.
- Purpose allocation.
- Service allocation.
- Carbon impact of investment.

3.4.4. Further guidance on each of these headings is set out below.

Linking investment to outputs

3.4.5. The project or sub-programme Business Case should set out the need for the proposed investment and provide a clear link to the outputs it will deliver. This assessment should:

- Demonstrate that the outputs are consistent with the Social and Environmental Guidance issued by the Minister for Regional Development.
- Identify outputs required by the water and environmental quality regulators and set out the detailed requirements for and timing of consent or improvement.
- Demonstrate how the company has determined appropriate activity rates for water mains and sewerage to maintain performance, improve quality, support investment and accommodate growth.
- Demonstrate the need for the improvement for all outputs not specifically required by an external stakeholder (for example new trunk mains or new or increased service reservoir or clear water tank capacity).

3.4.6. Where possible, the company should identify individual outputs in Table 4.4 of the submission. If it is not possible to identify individual outputs by project or sub-programme, the company should provide an aggregated balancing line in Table 4.4, of the submission by sub-programme to ensure that Table 4.4 provides a complete listing of relevant outputs. Where the company provides an aggregated output balancing line in Table 4.4, the company should describe how it calculated the aggregated output quantity against the proposed level of investment without identifying individual outputs and projects

3.4.7. Each project or sub-programme Business Case should include sufficient information to define the scope and scale of the nominated outputs included in the Business Plan. For example:

- Wastewater treatment works improvements should include information on the current and future consent (including storm tank volume) and the current and future design population equivalent and/or full flow to treatment (FFT).
- UID upgrades should include information from the regulatory Statement of Need defining the output, a statement of the storage volume required at each discharge. If the estimate is based on a developed solution, the Business Case should include a plan showing the layout of the sewerage system and the UID improvements proposed.
- Trunk main schemes should include a schedule of pipe length and diameters, details of the size of associated assets such as pumping stations and service reservoirs. A drawing should be provided showing the intended route of the trunk main, the location of associated assets and the location of connections to the existing systems.
- Improvements to water treatment works should include the current and future design flow of the works and the water quality parameters to be addressed by the improvement.

- The existing and new capacity of any proposed new service reservoir should be identified.

3.4.8. Where possible, the company should identify specific projects which will improve supply pressure and reduce the risk of sewer flooding. The company should provide a link between these projects and the properties to be removed from the low pressure register and the property flooding register.

3.4.9. Where the output is justified through a separate internal regulatory or statutory process undertaken by the company (such as the Water Resources Management Plan or the Economic Level of Leakage assessment), the company shall provide the supporting information required in this section for the project unless this detailed information has already been submitted to the Utility Regulator. The company shall describe how its proposals address any issues raised by the Utility Regulator in response to the previous submission or process.

3.4.10. The guidance for Chapter 4 of these information requirements (Outputs) requires the company to provide all information necessary to explain its assessment of the proposed links between the proposed outputs expenditure. This supporting information may be submitted as part of the capital investment business cases or should be referenced to the capital investment business cases.

Assessing the scope of work

3.4.11. The company shall describe the options it has considered to identify the least whole life cost to deliver the required PC13 output.

3.4.12. The company shall describe how it has defined the scope of works for the options considered and how it developed the scope of works priced for each project or sub-programme of work.

3.4.13. The company shall describe how it has taken account of potential synergies between different projects and sub-programmes of work when assessing the minimum cost required to deliver the programme. This consideration should include potential synergies arising from: the integration of asset maintenance and enhancement works; and, potential synergies from integrated procurement.

Costing estimating systems

3.4.14. The company shall describe the cost estimating systems used to develop the PC13 estimates for each project or sub-programme of work.

3.4.15. The description of the cost estimating system should highlight how the various components of the cost estimate have been developed, including:

- Base costs.
- Contractor's on-costs.

- NI Water costs including management costs and land purchase.
- Any risk or estimate to out-turn adjustment.

3.4.16. In its description of the cost estimating systems the company should demonstrate that:

- The various components included in the cost estimating system are complete and mutually exclusive.
- The total cost estimate is reasonable and consistent with NI Water's current costs including benchmarking with historic out-turn costs of completed work.
- Any component of the cost estimating systems which rely on tender or out-turn costs for other regions have been adjusted to take account of regional price variations.
- Nominal costs estimates have been prepared to a constant cost base for each year which is consistent with the COPI inflation indices entered in Table 3.1.

3.4.17. In each Business Case the company shall quantify the capital efficiency challenge applied to each project or sub-programme of work to convert the estimated cost based on NI Water current prices to a PC13 out-turn estimate.

Assessing deliverability and project expenditure profile

3.4.18. The Business Case should include an assessment of the impact of risk on project delivery and expenditure profile. This should include an assessment of the key 3rd party risks which impact on project definition and development, and inhibit start of construction on site, including:

- land purchase and access arrangements;
- agreement of consent with NIEA (in particular the completion of DAPs to determine storage volumes at intermittent discharges and agreement of the same with NIEA);
- power supply;
- planning permissions;
- buildability;
- environmental studies and permissions;
- social and political constraints.

3.4.19. During the development of the Business Plan submission, the company should consider the status and potential impact of 3rd party risks and discuss these with the relevant stakeholder responsible for the output. Where possible the company should plan to prioritise schemes with a low 3rd party risk in preference to schemes with a high 3rd party risk. Where priority schemes are found to have a high 3rd party risk which can be

mitigated through additional development work, these schemes should be deferred and the necessary funding to support scheme development included in PC13.

3.4.20. The company should profile project development and start of construction to reflect the assessment of 3rd party risk. The Business Case should highlight significant 3rd party risks and describe how these have been taken into account when determining the project or sub-programme expenditure profile and the milestone dates included in Table 3.3.

Assessment of Opex from Capex

3.4.21. The company shall describe the methodology and key cost parameters used to estimate the impact of capital investment on operational expenditure for each project or sub-programme of work.

Purpose allocation

3.4.22. The company should describe the methodology used to determine the purpose allocation of each project or sub programme.

3.4.23. Where the purpose allocation is based on allocations derived from a set of previous projects, the company should define how the allocation was calculated and state why it is reasonable to apply this to the future projects.

3.4.24. Where the purpose allocation is based on an average of a set of projects in PC13, the company should identify the projects used to calculate the average allocation and state why it is reasonable to apply to the projects under consideration.

3.4.25. The methodologies used by the company to allocate expenditure by purpose should reflect specific methodologies adopted for PC10 including leakage and water mains rehabilitation. If specific methodologies or key parameters used for purpose allocation for PC10 are revised for PC13, the company should highlight this in the Business Case and set out the reason for adopting a revised methodology.

Service allocation

3.4.26. Where a project or sub-programme is allocated across more than one of four service areas, the company shall outline the basis of the service allocation in the Business Case.

Carbon impact of investment

3.4.27. The company should include the cost of carbon in the whole life costing assessments for material schemes in PC13. The company should outline its methodology for including the cost of carbon in its whole life costing assessments and how it has identified material schemes. The company should identify where the cost of carbon has had an impact on the least whole life cost scheme proposed in PC13 and

whether the company has proposed to invest additional capital as a result of including carbon in the whole life cost assessment.

3.5. PC10 Outturn Report

3.5.1. The company shall provide a report on the actual and projected outcome of the PC10 period comparing expenditure and outputs with the PC10 final determination and providing an explanation of the variance. The assessment of expenditure and outputs should be presented at sub-programme level. The level of detailed explanation of the variance from the PC10 final determination should reflect the level of detailed definition of outputs included in the PC10 final determination.

3.5.2. The assessment of expenditure and variance from the PC10 final determination should be 2007-08 prices, consistent with the base year for the PC10 final determination. Inflation of construction output prices shall be assessed using the latest COPI index published by the Building Cost Information Service (BCIS) and the indices used should be consistent with the indices included in Table 3.1.

3.5.3. For each sub-programme the company should:

- Assess the baseline and out-turn expenditure in 2007-08 prices and calculate the variance.
- Assess the baseline and out-turn purpose allocation in 2007-08 prices and calculate the variance.
- Identify any material changes in the allocation of expenditure by purpose between PC10 final determination baseline and out-turn.
- Provide an explanation of the variance between the PC10 final determination baseline and out-turn including an assessment of the quantum of the variance attributed to the following:
 - An increase or reduction of expenditure on a project or sub-programme in the SBP period resulting in a change in carry over to the PC10 period.
 - A delay in the delivery of project or sub-programme outputs in the PC10 period resulting in a reduced expenditure in PC10 and increased carry over to PC13.
 - The addition, deletion or change of an output dictated by an external stakeholder such as the quality regulator.
 - A change in the cost of the output over the life of the project (taking account of changes in carry over from the SBP or into PC13).

3.5.4. Where the company identifies an additional output or change to an output dictated by an external stakeholder the company should maintain sufficient information to:

- Identify the scope of the change and the reason for the change.

- Demonstrate that the output was not part of the PC10 final determination and that the costs identified for the change are the net cost of the new obligation.
- Demonstrate that it has reviewed the options open to meet the new obligation and chosen an efficient and cost effective option.

3.6. Table 3.1 – Inflation indices

3.6.1. Actual and projected inflation indices for RPI and COPI should be submitted in Table 3.1.

3.6.2. Figures presented in this table should agree with those submitted as part of the financial model tables.

3.6.3. Inflation of construction output prices shall be assessed using the latest COPI index published by the Building Cost Information Service (BCIS). Projected inflation indices should be consistent with the nominal cost estimates included in the submission.

3.6.4. See Section 3.2 above for additional information on the treatment of inflation and supporting information to be provided by the company.

3.7. Table 3.2 – Capital budget statement

3.7.1. A capital budget statement is required for each year from 2010-11 to 2019-20; the PC10, PC13 and PC15 periods.

3.7.2. NI Water shall confirm the capital expenditure budget as advised by DRD and provide a statement of any adjustments necessary to arrive at the revised capital expenditure stated on a basis consistent with the regulatory accounting guidelines and PC10 and GAAP accounting standards.

3.7.3. The statement should be provided in Table 3.2 and include the following items:

- The PE capital budget as advised by DRD.
- The PE capital expenditure which NI Water proposes to use.
- Any allocation for Alpha PPP maintenance.
- Any allocation for the residual interest off-balance sheet in respect of the PPP concessions.
- Any adjustment to account for different treatment depreciation, infrastructure renewals charge between the IFRS and UK GAAP accounting standards.
- Capital grants and contributions.

3.7.4. The company should add additional lines to Table 3.2 to report any other adjustments to the PE capital budget to arrive at the gross capital expenditure available to NI Water.

3.7.5. Expenditure for 2012-13 should be the current best estimate of out-turn expenditure.

3.7.6. All expenditure should be stated so that the sum of the data equals the NI Water gross capital budget.

3.7.7. The company should provide a description of each adjustment made to the PE capital budget to arrive at its estimate of the “NI Water’s gross capital budget” with supporting calculation for the submitted values.

3.7.8. Any adjustment to account for different treatment depreciation, infrastructure renewals charge between the IFRS and UK GAAP accounting standards should be off-set by a consistent adjustment in the operational budget statement.

3.8. Table 3.3 – Proposed expenditure by project or sub-programme

Overview

3.8.1. Table 3.3 - proposed expenditure by project or sub-programme - consists of a single excel worksheet and mirrors that of the capital investment monitoring (CIM) submissions.

3.8.2. The submission should include information on proposed investment for by project or sub-programme for:

- All actual and projected investment in PC10.
- All actual and projected investment in PC13.
- An estimate of the expenditure in PC15 for any discrete project where the company plans to start construction in the PC13 period. The company is expected to provide firm estimates for this expenditure which may form part of the PC13 determination.
- Indicative estimates of rolling sub-programmes of work such as asset maintenance or new connections in the PC15 period. This investment will not form part of the PC13 determination but will be reviewed and determined in the PC15 Price Control.
- Indicative estimates for discrete projects expected to start construction in the first at least two years of PC15. Priority projects for the first two years of PC15 should be agreed with the relevant regulator or supported by reference to other assessments such as the Water Resources Management Plan. This investment will not form part of the PC13 determination but will be reviewed and determined in the PC15 Price Control.

- Estimates of the development, design, approval and any other preparatory work such as surveys or land purchase necessary in PC13 to facilitate the start of construction in the first two years of PC15 for the work outlined in items 2 and 3 above. The company is expected to provide firm estimates for this expenditure which may form part of the PC13 determination. The company should demonstrate that the cost of this work is in addition to any other investment included in the business plan including estimates based on the historic run rate of programmes of work.

3.8.3. The structure and order of the data table should be maintained. Additional data columns should not be introduced. The blank table has been provided with 10 data rows. Before completing the table, the company should insert sufficient additional rows in the data block to ensure that the data fits within the defined area. Additional blank rows or descriptive rows should not be introduced into the data.

3.8.4. The data should be submitted in the required format. Where appropriate zero entries should be entered as zero as opposed to blank cells. Where it is appropriate to leave a cell blank, it should be blank and not include a text space or other entry which might be interpreted as data.

3.8.5. The spreadsheet is formatted to present data to an appropriate number of decimal places. However, if the data are generated by the company to a greater number of decimal places it is not necessary to round the data before they are entered into the table.

3.8.6. Table 3.3 consists of 7 sections (Blocks A to G):

- A. Project identification.
- B. Current actual or projected milestone dates.
- C. Current actual or projected service allocation.
- D. Current actual or projected capital expenditure profile.
- E. Current actual or projected purpose allocation.
- F. Current actual or projected IRE.
- G. Nominated output identification.

3.8.7. Guidance on the content of each block of Table 3.3 is set out below.

Project Identification.

3.8.8. The submission will consist of a series of project or sub-programme lines.

3.8.9. The level of granularity in Table 3.3 should reflect at least the level of granularity in the company's internal capital monitoring system. The company should not aggregate

data from discrete projects on its capital management system for the Table 3.3 submission unless this has been agreed with the Utility Regulator in advance.

3.8.10. The level of granularity of projects in the Table 3.3 submission should be sufficient to allow PC13 outputs to be attached to individual projects and to allow relevant milestone dates to be reported.

3.8.11. The expenditure submission should cover the complete programme of capital expenditure by NI Water. Sufficient projects and sub-programmes of work should be reported to meet this requirement.

3.8.12. Each project line entry shall be tagged with a PC period identifier as set out in Table 1 below.

Table 1 – PC Period Identifiers

PC Period Identifier	Definition
00	A rolling project which delivers outputs on a continuous basis which can be allocated to different price control periods, for example the water-mains rehabilitation programme.
01	A project expected to have been completed in the SBP period 2007-10 and not included in Table C5-1 of the company's PC10 Business Plan submission as a specific carry-over project.
02	A project planned to begin in the SBP period (2007-10) which was included in Table C5-1 of the company's PC10 Business Plan submission as a specific carry-over project to be completed within the PC10 period.
03	A project planned to begin in the PC10 period and to deliver its outputs in the PC10 period
04	A project planned to begin in the PC10 period but not expected to deliver its outputs until the PC13 period
05	A project where expenditure is committed in the PC10 period to deliver outputs in the PC13 period which were not included in the PC10 determination
06	A project planned to begin in the PC13 period and to deliver its outputs in the PC13 period.
07	A project planned to begin in the PC13 period and to deliver its outputs in the PC15 period.
08	A project planned to begin in the PC15 period.

3.8.13. Each project shall be tagged with a primary asset category to identify the main asset type where the investment is taking place. An allocation between asset categories is not required. The primary asset categories are set out in Table 2 below. The asset categories are consistent with the definitions for Table 32 of the AIR11.

Table 2 – Primary Asset Categories

Primary asset reference	Description
01	Water resource facilities
02	Water treatment works
03	Water distribution mains
04	Service reservoirs and water towers
05	Water pumping stations
06	Water management and general
07	Sewerage
08	Sea outfalls and head-works
09	Sewage treatment works
10	Sludge treatment works
11	Sludge disposal
12	In-line sewage pumping stations
13	Terminal sewage pumping stations
14	Sewerage management and general
15	Management and general (not allocated to a specific service area).

3.8.14. Each project shall be tagged with a sub-programme identifier which is set out in Table 3. The sub-programme identifiers broadly align with the sub-programmes used in the analysis of the capital programme in the PC10 final determination with some aggregation and dis-aggregation of sub-programmes. The table includes commentary indicating our expectations on the content and project disaggregation of each sub-programme.

Table 3 – Primary Investment Sub-Programme Identifiers

Ref	Name	Commentary
00	Capitalised salaries and on-costs	A single line entry would be sufficient. The business case for this sub-programme should set out how the costs have been assessed and provide further granularity.

Ref	Name	Commentary
01	Base maintenance (water)	<p>Projects or sub-programmes in PC10 known to carry forward into PC13 should be itemised.</p> <p>Sub-programmes of work the company intends to carry out should be itemised and the scope and purpose of these sub-programmes included in the business case.</p> <p>Specific projects identified by DWI (say as part of the DWSP or major WTW upgrades such as Kilyhevlín or Killylane) should be itemised. These may be included as nominated outputs.</p> <p>A balancing item should be included for unallocated work if necessary.</p>
02	Base maintenance (sewerage)	<p>Projects or sub-programmes in PC10 known to carry forward into PC13 should be itemised.</p> <p>Sub-programmes of work the company intends to carry out should be itemised and the scope and purpose of these sub-programmes included in the business case.</p> <p>Specific projects identified by NIEA (say membrane plant or specific failing works) should be itemized. These may be included as nominated outputs.</p> <p>A balancing item should be included for unallocated work if necessary.</p>
03	Water resources	<p>Specific line should be included for impounding reservoir maintenance and specific resource or treatment capacity scheme arising from the WRMP (other than trunk main schemes which has a separate allocation).</p>
04	Water treatment works	<p>Upgrades to WTWs to meet drinking water quality which are required by the DWI should be itemised.</p>
05	Water trunk mains	<p>Individual trunk mains should be itemised. The need for each main should be clearly set out in the business cases and consistency with the WRMP or other driver established.</p> <p>Trunk main projects might include linked outputs such as service reservoirs or pumping stations. The company should confirm whether these are included in the trunk main sub-programme or identified under other sub-programmes.</p>
06	Service reservoirs and clear water tanks	<p>Individual projects to provide new service reservoirs or increase the capacity of existing service reservoirs should be included.</p>
07	Service reservoir rehabilitation	<p>The sub-programme covers the rehabilitation of service reservoirs.</p>

Ref	Name	Commentary
08	Water mains rehabilitation	This sub-programme should cover the planned water mains rehabilitation programme. A separate sub-programme (23) has been created to cover minor <i>ad hoc</i> new and renew programme of mains work. Work should be identified by individual projects with a balancing line or lines for work yet to be identified.
23	Water mains new and renew	Sub-programme 23 should include the minor <i>ad hoc</i> new and renew programme of mains work separate from the planned water mains rehabilitation programme. Planned work should be identified in as much detail as possible with a balancing line or lines included for work yet to be identified.
09	Leakage	A breakdown of items of work should be provided in either the business case or table 3.3 of the submission.
10	Ops capital (water)	The PC13 BP should provide greater granularity of sub-programmes to identify the scope of work included under the Ops capital programme. For example: connections work, lifting equipment regs, electrical regs, etc with the balance of minor maintenance clearly identified.
11	Named sewerage projects	This sub-programme is retained for the defined set of SBP carry over projects only. New projects will be carried out under sub-programme 12 with appropriate period identifiers.
12	Sewerage programme:- <i>sewerage maintenance work (N&R);</i> <i>DG5 flooding programme;</i> <i>UID programme</i>	This sub-programme should cover the planned programme of sewerage schemes to include the UID programme and the flooding programme. Individual projects should be identified with defined outputs with a balancing line or lines for work yet to be identified. These projects may also deliver other outputs including sewer repairs and connections. A separate sub-programme (24) has been created to cover minor <i>ad hoc</i> new and renew programme of mains work.
24		Sub-programme 24 should include the minor <i>ad hoc</i> new and renew programme of sewerage work separate from the individual project identified under sub-programme 12. Planned work should be identified in as much detail as possible with a balancing line or lines included for work yet to be identified.
13	DG5	Now included in sub-programme 12.
14	UID	Now included in sub-programme 12.
15	Wastewater treatment (carry-over projects)	This sub-programme is retained for the defined set of SBP carry over projects only. New projects will be carried out under sub-programme 16 with appropriate period identifiers.

Ref	Name	Commentary
16	Wastewater treatment (new starts)	This will become the main sub-programme for wastewater treatment works projects to deliver defined quality improvements or major upgrades to address growth and release development constraints. Individual projects supported by the quality regulator should be identified.
17	Small wastewater treatment works	The programme should be reported as the individual projects of the PC13 Business Plan. Where the total planned expenditure is greater than the sum of the individual projects the balance may be reported as a single line entry.
18	Ops capital (sewerage)	The PC13 BP should provide greater granularity of sub-programmes to identify the scope of work included under the Ops capital programme. For example: connections work, lifting equipment regs, electrical regs, etc with the balance of minor maintenance clearly identified.
19	Metering programme.	Sub-programme 19 from PC10 has been redefined as a metering programme.
20	Management & General	Individual projects or programmes should be identified Table 3.3 with further breakdown included in business cases.
21	Additional outputs programme	The “additional outputs” programme in PC10 should not be used. “Additional outputs” identified in PC10 should be allocated to the relevant sub-programmes above. The appropriate PC identifier should be allocated to the projects.
22	Management adjustment	It is expected that there will be no adjustments submitted against this category for the PC13 Business Plan. The sub-programme identified is retained for future monitoring purposes.

3.8.15. Where regulatory sign-off is appropriate, the project will be tagged to indicate the relevant regulator which would be responsible for sign-off. The regulator identifiers are set out in Table 4 below.

Table 4 – Regulator sign-off identifier

NIEA	Northern Ireland Environment Agency
DWI	Northern Ireland Drinking Water Inspectorate
DRD	Department for Regional Development
UR	The Utility Regulator

Project milestone dates

3.8.16. Project milestone dates shall be reported for “current actual or projected” programme reports.

3.8.17. Seven project milestone dates shall be reported as follows:

- A1 project inception date
- Project approval, with project released to the delivery team.
- Start on site, identifying the substantive start of work on site.
- Beneficial use, when all the work required to deliver the benefits of the project outputs is complete. In PC13, this shall be taken as the output delivery date unless the project does not subsequently achieve regulatory sign-off.
- Regulator sign-off date, when projects delivering quality outputs are planned to achieve sign-off by the appropriate regulator.
- Completion of construction, when all substantial construction work is complete as identified by the start of the maintenance period.
- End of the maintenance period. This should be the end of the project maintenance period. We expect that all expenditure should be complete at this stage with appropriate accruals made for any residual liabilities.

3.8.18. For PC13, projects should be reported at a level of granularity that allows milestone dates to be reported which are in a logical sequence and relate to the PC13 project investment and outputs. Milestone dates entered in Table 3.3 should correspond with dates submitted in Table 4.4 of the submission.

3.8.19. It is recognised that it will not be possible to report project milestone dates for sub-programmes which deliver multiple or continuous outputs and have not been developed into individual projects.

Service allocation.

3.8.20. The project allocation by service (water and sewerage, and infrastructure and non-infrastructure) shall be reported for the baseline and “current actual or projected” programmes. The allocation by service shall be consistent with the Regulatory Accounting Guidelines 2.03 and the approach adopted by the company for the Annual Information Return.

Capital expenditure.

3.8.21. Any project or sub-programme of work which has expenditure in the PC10, PC13 or PC15 periods should be reported in the table. Expenditure should be reported post efficiency.

3.8.22. Projects which are not expected to incur expenditure in PC10, PC13 or PC15 periods should not be included in the detailed data submission.

3.8.23. Capital expenditure should be reported before the deduction of capital grants and contributions.

3.8.24. The Programme total expenditure reported in Excel spreadsheet line 9 of columns 22 to 31 (PC10, PC13 and PC15 periods) should reconcile to Table 3.2 line 9.

Purpose allocation.

3.8.25. The project allocation by purpose (quality, base, enhanced service and growth (supply demand balance)) shall be reported for current actual or projected programmes. The allocation by purpose shall be consistent with the Ofwat Regulatory Accounting Guidelines 2.03 and the approach adopted by the company for the Annual Information Return.

3.9. Tables 3.4 – Gross and net capital expenditure totals

3.9.1. In addition to the detailed project and sub-programme information, the company should provide expenditure totals for each cost category identified in Tables 3.4A and 3.4B.

3.9.2. The gross expenditure in Table 3.4A should reconcile to an extension of the expenditure, purpose allocations and service allocations in Table 3.3.

3.9.3. The net capital expenditure in Table 3.4B should reconcile to data in Tables 3.4A and 3.5. The company should provide a statement of the allocation of enhancement grants and contributions by the four service areas required to calculate the entries in Table 3.4B and provide an explanation of how these grants and contributions were allocated between infrastructure and non-infrastructure.

3.9.4. Data submitted in Table 3.4B should be the same as the data submitted in the business plan financial model table A3. The company should confirm that this is the case or provide a reconciliation between the data in Table 3.4B and the data in Table A3.

3.10. Table 3.5 – Capital grants and contributions for water and sewerage service

3.10.1. The submission shall include a statement of the company's estimate of capital grants and contributions for each year from 2010-11 to 2019-20.

3.10.2. The statement should be provided in Table 3.5 and include the following items:

- Grants and contributions in respect of infrastructure and non-infrastructure maintenance.

- Grants and contributions in respect of enhancement sub-divided by: infrastructure charge receipts; requisitions, grants and contributions; and, other categories which NI Water may identify.
- A statement of the capital grants and contributions treated as deferred credits.

3.10.3. The company should provide supporting calculations for its assessment of grants and contributions, relating the level of capital income to development activity.

3.11. Tables 3.6A and 3.6B – Assessment of additional Opex

3.11.1. The company should provide a statement of the additional Opex arising from delivery of the capital programme. Additional Opex should be estimated relative to the base year 2010-11 and should include additional Opex arising from the completion of the capital investment in the last two years of PC10.

3.11.2. It is likely that additional Opex will arise from the creation of new assets to meet enhancement drivers. The company need not provide information on individual projects or groups of project which do not result in an aggregate change in Opex.

3.11.3. Where the delivery of a project results in a reduction in operating expenditure, these savings should also be identified and reported.

3.11.4. Additional Opex resulting from the delivery of M&G projects should be included in the submission.

3.11.5. Table 3.6A provides a summary of the additional Opex from Capex by service. Block A, in nominal prices, should reconcile to the sum of detailed project information in Table 3.6B. Block B, in base year prices, is calculated from Block A using RPI as a deflator. Block B should reconcile to the total additional Opex from Capex in Section 2 of the submission.

3.11.6. Table 3.6B provides a detailed breakdown of additional Opex by project or sub-programme. The project reference, project name, sub-programme identifier and service allocation should cross reference to the project information in Table 3.3. Opex data should be completed for:

- The Opex profile by year. The Opex profile should be cumulative. Where the additional Opex starts part way through a year, the proportion of additional Opex should be entered in the first year and the full additional Opex entered in the next and subsequent years.
- A breakdown of Opex by type should be completed for based on the first full year the additional Opex is incurred.

3.11.7. The company should provide supporting calculations for individual projects or sub-programmes which result in a major change in Opex.

3.11.8. If the Opex change is material, we may seek further detailed supporting information to allow us to challenge the company's assessment.