

PC21 Information Requirements

General Guidance

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General Guidance

Section 1 – Introduction

This document, and supporting documents, set out the Utility Regulator’s information requirements for the PC21 Price Control which covers the period 2021-27.

At the PC21 Price Control we will set price limits for a six-year period beginning the 1 April 2021. We will do so in a way that ensures that the company’s operational and investment costs can be met and ministerial objectives delivered effectively and efficiently, providing best value for money to consumers. These requirements ask NI Water to submit the information we need to set price limits including strategies, assumptions, justification and supporting information for costs, expenditure and outputs.

The information requirements do not constrain the development of the company’s Business Plan. It is for the company to develop its plan to provide an efficient and effective service which will meet the needs of its consumers, and communicate this to the Utility Regulator. While the company should provide the information set out in these requirements as a minimum, the company is free to provide further information as it believes necessary to properly describe and justify its plans.

For PC13 and PC15 we simplified the business plan information requirement data tables. Our aim was to reduce the regulatory burden on the company, align with established local practice and improve communication between stakeholders. For PC21 we have continued to use and build on the information requirements developed for PC15, maintaining the benefits of continuity, simplicity and familiarity. In line with this approach, the information requirements continue to be structured round five key areas:

Chapter 1	Company Strategy
Chapter 2	Operational Costs and Efficiency
Chapter 3	Capital Investment
Chapter 4	Outputs
Chapter 5	Financial Model and Tables

Each chapter of the guidance sets out the information which the company should include in its business plan submission. Detailed line guidance is provided for the information tables relevant to each chapter and the information tables are provided in a separate ‘excel’ workbook.

A schedule of the documents comprising the PC21 Information Requirements is included as Table 3 at the end of this General Guidance.

Section 2 – Summary of Key Changes from PC15

While we have continued to use and build on the information requirements we developed for PC13 and subsequently for PC15, we have made a number of key changes which we signalled in our approach to PC21 or our asset maintenance approach. These key changes are outlined below:

- **Chapter 1 – Company Strategy** – has been added to:-
 - Allow the company to set out its vision for the long-term development and delivery of services and describe how its PC21 business plan delivers and further informs future sustainability issues for the industry.
- **Chapter 2 – Operational Costs and Efficiency** –
 - We are developing our new PC21 approach to operational and capital efficiencies, informed by discussions with NI Water. We continue to adopt a constructive engagement approach to such development between ourselves NI Water through the Cost Assessment Working Group (CAWG). For example, the CAWG is expected to agree any new materiality threshold to apply to the emerging suite of new efficiency models.
 - In issuing our information requirements we have taken the opportunity to issue (i) PC21 Opex ‘minded to’ methodology and (ii) PC21 Capex ‘minded to’ methodology which set out the proposed approach to Opex and Capex Efficiencies. With regard the latter, we have already detailed some of the specifics of the potential methodologies we intend to assess what might be an efficient level of capital maintenance per annum spend, as part of our Approach to Asset Maintenance)^[1].
 - Our guidance on the Special Factors and Atypical Expenditures process which will apply to PC21 is outlined and is largely unchanged from our PC15 approach. This is based upon our regulatory letter “WR18” issued to the company on 27th Oct 2011 for PC13, which in turn followed in general terms our approach to these matters at PC10.
- **Chapter 3 – Capital Investment** – has been amended to:-
 - Include a requirement for the company to provide information on its asset inventory.
 - Include a requirement to include Living with Water Programme investment in the Business Plan submission and to identify the impact of any interdependencies with PC21 such as base maintenance allocation, opex from capex, or commitments to consumers.

^[1] As for PC15, we may consider issuing further, more detailed guidance to NI Water on specific queries upon request and before we issue the final PC21 Information Requirements in March 2019.

- **Chapter 4 – Outputs** – has been amended to:-
 - Reflect the good progress on developing new, more customer focused service measures with our joint stakeholder Customer Measures Working Group (CM-SAT) which includes CCNI, DfI, NI Water and ourselves.
- **Chapter 5 – Financial Model and Financial Tables** – has been amended to:-
 - In our PC21 Approach, we noted that we are considering emerging issues which have an impact on the financial model. For example, the potential for tax payments and the benefits of moving from a price cap to a revenue cap. If changes prove necessary we will reissue the financial model at a later date and we will discuss the programme for doing so with the company.

Section 3 – Timeline

We set out our timeline for PC21 in our PC21 Approach document. Table 1 updates the key dates for submissions, engagement and our determination from the issue of these information requirements.

Table 1 – PC21 submission timeline

Date	NI Water	Utility Regulator
15 th Mar 2019		PC21 Information Requirements published.
15 th Mar 2019		Publication of UR Approach to Opex and Capex efficiencies.
14 th Jun 2019	Submission of an outline view of the Capex programme.	
Jul 2019 with AIR19	Submission of draft asset maintenance capability assessment.	
16 th Sep 2019	Submission of draft special factor and atypical expenditures claim*	
18 th Oct 2019	Submission of draft asset inventory	
8 th Nov 2019		Latest date for feedback on the draft asset inventory
11 th Nov 2019		Latest date for initial feedback on draft special factor and atypical expenditures claims.
31 st Jan 2020	Submission of the PC21 Business Plan	
	Clarification and query process between the company and the Utility Regulator on business plan submission.	

Date	NI Water	Utility Regulator
1 st July 2020		Publication of the PC21 Draft Determination for consultation.
	Consultation on the Draft Determination	
18 th Sep 2020	Draft Determination consultation period ends.	
11 th Dec 2020		Publication of the PC21 Final Determination.
11 th Feb 2021	Acceptance/rejection of Final Determination.	
1 st Apr 2021	Publication of PC21 Monitoring Plan	
1 st Apr 2021	1st Annual Scheme of Charges for PC21 period comes into effect	
* NI Water may, if it so chooses, agree an earlier submission date for these workstreams, especially if this facilitates a better understanding of the company's position and deeper analyses of the issues and assumptions involved.		

Section 4 – Business Plan Submission Requirements

NI Water is required to submit its Business Plan in the following format:

- Four hard copies of the PC21 Business Plan submission (this includes chapter write-up and completed tables).
- One electronic version of the Business Plan submission.
- An electronic excel version of the completed tables and financial model.

The Business Plan should be submitted to the Utility Regulator's office no later than **5pm on Friday the 31st January 2020**.

The Business Plan should be submitted under cover of a letter from the Chief Executive confirming that the NI Water Board has reviewed and approved the Business Plan.

We expect NI Water to publish on its website a public facing summary document, forecasting the likely impacts on prices and subsidy from the planned levels of consumer services for the PC21 period. This could take the format of a Financial Picture and a Monitoring Plan table, but it is for the company to decide the best means of communicating its plans to consumers.

Section 5 – Outline or Draft Submissions

The company is required to make the following outline or draft submissions:

Table 2 – PC21 outline or draft submission timeline

Date	NI Water
14 th Jun 2019	Submission of an outline view of the Capex programme.
Jul 2019 with AIR19	Submission of draft asset maintenance capability assessment.
16 th Sep 2019	Latest date for submission of draft special factor claim and atypical expenditures claims.
18 th Oct 2019	Submission of draft asset inventory

NI Water is required to submit each of these outline or draft submissions in the following format:

- One hard copy of the submission including commentary and completed tables.
- One electronic version of the submission.
- An electronic excel version of the submission tables.

Each outline or draft submission should be submitted to the Utility Regulator’s office no later than **5pm on the date given in Table 2**.

Each outline or draft submission should be submitted under cover of a letter from the Chief Executive.

Section 6 – Reporters Report

This document includes the guidance for the Reporter to allow completion of his audit plans. The scope and content of the Reporter’s audit is detailed for each of the respective tables and chapters throughout the guidance.

Before preparing an audit plan for any part of the Business Plan, the Reporter should assess the quality of the information available and assess the material issues and level of testing which will be necessary to challenge the company’s plans and output and expenditure projections. The Reporter should then advise the Utility Regulator on the scope and timing of the audit taking account of the information available.

The Utility Regulator will continue to engage with NI Water on the timing and scope of the Reporter’s audits. The timing and scope of audits and the timing of the Reporter’s report will be considered as the Business Plan develops and the Reporter prepares and submits his audit plans.

Section 7 – General Instructions

The Department for Infrastructure is considering issuing Social and Environmental Guidance for Water and Sewerage Services which sets out planning assumptions for PC21. The Utility Regulator shall, in exercising and performing the functions mentioned in Article 6(1) (subject to Article 6(6)) of The Water and Sewerage Services (Northern Ireland) Order 2006, have regard to this guidance and subsequent updates issued by the department. In preparing its Business Plan, the company should have regard to the guidance and any subsequent updates. Chapter 4 of the information requirements asks that the company demonstrates how its Business Plan addresses the Draft PC21 Investment Priorities which form an annex to the guidance.

The price base for the business plan submission is 2018-19. Where figures are asked for in real terms, they should be completed in 2018-19 prices. Chapter write-ups should always evidence the price base (either real or nominal) in which supporting financial information is given. Where nominal figures are used, the company should confirm that inflation indices used to convert from real to nominal figures are the same as detailed in the Business Plan tables.

Section 8 – Schedule of Documents

The PC21 Information Requirements consist of the following, including this General Guidance:

Table 3 – Schedule of Information Requirement Documents

Document title
General Guidance
Chapter 1 – Company Strategy
Chapter 2 – Operational Costs and Efficiency
Annex 2A – Operational Costs and Efficiency - Definitions
Chapter 3 – Capital Investment
Annex 3A – Capital Investment – Definitions
Annex 3B – Asset Maintenance
Annex 3C – Asset Inventory
Chapter 4 – Outputs

Document title
Annex 4A – Outputs - Definitions
Chapter 5 – Financial Model and Tables
Annex 5A – Financial Model and Tables – Definitions
PC21 Business Plan Tables (excel spreadsheet)
PC21 Efficiency Analysis Information Request (excel spreadsheet, WIP)
PC21 Financial Model Tables (excel spreadsheet, WIP)