

Potential Regulatory Financing Adjustment

Introduction

We presented logging assessments in June 2011 and 2012, in which we outlined the potential for minor regulatory financing adjustments, to take account of circumstances that differ from those set out in the Final Determination. We have updated our submission to take account of changes in the first 3 years of the current regulatory period. Many of these circumstances are still subject to further change and we currently envisage that any required adjustment will be undertaken as part of the 2015-2020 strategic review of charges.

At 31 March 2013 the principal items that may need to be considered are:

Freezing of household charges in 2012/13

As a result of this decision by the Scottish Government, we expect to deliver out-performance back to customers early by not using our full entitlement to increase household prices by the household K factor of -5% across 2010-15.

Movements in Indexation

There continues to be movements and future uncertainty in indexation.

Non-Domestic Rates Revaluation

The impact of the 2010 rates revaluation which increases operating costs by £132m for the 2010-15 period. An increased Opex charge of £129m and increased PFI costs of £3m has been included in the Delivery Plan March 2013 Refresh.

Carbon Reduction Commitment Charges

Carbon Reduction Commitment Costs have been introduced for 2011/12 and may impact by around £3m per year out to 2014/15. An additional charge of £15m was included in the Delivery Plan March 2013 Refresh to reflect this item.

Taxation Changes

Changes in Corporation Tax rates and capital allowances were introduced in the June 2010 budget and adjustments were made in the Financial Statements in the Delivery Plan Update. As disclosed in the 2013 Delivery Plan Refresh, the estimated reduction of the taxation charge will be £52m in the regulatory period.

Changes in the OMGWG Register

Changes to the investment programme as set out in the OMGWG change register. The attached Appendix 1 shows the position of the changes to the Technical Expression for Q&S3b as at the 31st March 2013.

Capital Investment

Last year, we forecast that part of the regulatory investment programme will be delivered after March 2015. In discussion with the quality regulators, a list of priority projects, which could be delivered in the current regulatory period, were identified, and progressed with the agreement of the Outputs Monitoring Group.

Appendix 1 Changes to OMGWG Register

Ref No	Initiation Date	Originating Party	Change Proposal Title	Status	Action	Actioning Party	Action By	Date signed off	Revision to Technical Expression	Update Since Last CL Issue	Potential Funding Range		OMGWG Date
											From	To	
SR10-002	26/04/2010	Scottish Water	Loch Eck WTW - Addition of DW3C Treatment Works Manganese Driver	Addition of Loch Eck to 3b Technical Expression	Stage 6 - TE Updated	SW		19/05/2010	Version 7.1	Closed	£4,900,000	£4,900,000	19/08/2010
SR10-003	06/05/2010	SEPA	Glasgow Strategic UID Study - Airdrie and Coatbridge	6 UIDs to be added to the Technical Expression for the SR10 Period (Q&S3b) (3b project autocodes are still TBC) UID - Entrance to Hostel, Craig St., Airdrie UID - Upstream of Airdrie Railway Station, Victoria St., Camhill Road UID - Rear of 37 Alexander St., Airdrie UID - On path, End of Milton Street, Airdrie UID - Junction, Stirling St., Wellwynd, Airdrie UID - Junction of Bell St. and Stirling St., Airdrie	Stage 6 - TE Updated	SW		19/05/2010	Version 7.1	Closed	£21,805,000	£21,805,000	19/08/2010
SR10-012	01/09/2010	Scottish Water	Removal of Waternish and Sanday water resource zones from WR1A study programme in SR10	Removal of two (2) WR1A study outputs	Stage 6 - TE Updated	SW		31/10/2010	Version 7.1	Closed	-£125,000	-£125,000	18/11/2010
SR10-014	24/09/2010	SW	GSS Inner Clyde Estuary Oxygenation Pilot Trial	ADDITIONAL OUTPUT - GSS Inner Clyde Estuary Oxygenation Pilot Trial (TECHNICAL REPORT)	Stage 6 - TE Updated	SW		18/11/2010	Version 7.1	Closed	£899,000	£899,000	18/11/2010
SR10-015	29/10/2010	SW	Priority Substances Directive	Addition to programme - Chemical Investigation Programme	Stage 6 - TE Updated	SW		18/11/2010	Version 7.1	Closed	£1,335,000	£1,335,000	18/11/2010
SR10-006	27/01/2011	SEPA	Q&SIIIb Non 7 Stage Additions_Creetown	1 UID to be added to Technical Expression	Stage 6 - TE Updated	SW		10/02/2011	Version 8	Closed	£70,000	£100,000	10/02/2011
SR10-007	27/01/2011	SEPA	Q&SIIIb Non 7 Stage Additions_Stranaer	2 UIDs to be added to Technical Expression	Stage 6 - TE Updated	SW		10/02/2011	Version 8	Closed	£300,000	£365,000	10/02/2011
SR10-008	23/12/2010	SEPA	Q&SIIIb 7 Stage Additions_Dalmuir UID Catchment	2 UIDs to be added to Technical Expression	Stage 6 - TE Updated	SW		10/02/2011	Version 8	Closed	£1,300,000	£1,800,000	10/02/2011
SR10-009	23/12/2010	SEPA	Q&SIIIb 7 Stage Additions_Dalmarnock UID Catchment	2 UIDs to be added to Technical Expression	Stage 6 - TE Updated	SW		10/02/2011	Version 8	Closed	£1,000,000	£1,400,000	10/02/2011
SR10-010	23/12/2010	SEPA	Q&SIIIb 7 Stage Additions_Shieldhall UID	7 UIDs to be added to Technical Expression	Stage 6 - TE Updated	SW		10/02/2011	Version 8	Closed	£1,900,000	£2,300,000	10/02/2011
SR10-020	05/01/2011	DWQR	Forehill WTW, Pesticide Removal Stage	Construction of new pesticide removal stage to mitigate problems in raw water at Forehill WTW	Stage 6 - TE Updated	SW		10/02/2011	Version 8	Closed	£6,435,000	£6,435,000	10/02/2011
SR10-021	23/12/2010	SEPA	Addition of 2 North Berwick bathing water Studies	Addition of 2 WIC Codes 48003 North Berwick (West) and 48004 North Berwick (Milsey Bay) to the SR10 Technical Expression to deliver two additional environmental study outputs under the EC16 Driver.	Stage 6 - TE Updated	SW		10/02/2011	Version 8	Closed	£222,000	£222,000	10/02/2011
SR10-025	28/01/2011	SEPA	Lockerbie STW Storm Overflows Improvements Study	Addition of a study project to investigate improvements required to storm overflows at Lockerbie STW	Stage 6 - TE Updated	SW		10/02/2011	Version 8	Closed	£60,000	£60,000	10/02/2011
SR10-029	22/04/2011	DWQR	Crathie WTW - Removal	Removal of DW13 Driver from Technical Expression	Stage 6 - TE Updated	SW		17/05/2011	Version 8	Closed	-£160,000	-£160,000	17/05/2011
SR10-024	28/01/2011	SEPA	Q&SIIIb Non 7 Stage Removals_Stranaer	3 UIDs removed from Technical Expression for SR10	Stage 6 - TE Updated	SW		11/08/2011	Version 8	Closed	-£450,000	-£500,000	11/08/2011
SR10-026	24/03/2011	SEPA	Q&S IIb Non 7 Stage Removals_Stranaer No2	1 UID removed from Technical Expression for SR10	Stage 6 - TE Updated	SW		11/08/2011	Version 8	Closed	-£50,000	-£80,000	11/08/2011
SR10-027	24/03/2011	SEPA	EAST KILBRIDE (ALLERS) STW	Removal of ammonia enhancement standards	Stage 6 - TE Updated	SW		11/08/2011	Version 8	Closed	-£1,057,000	-£1,057,000	11/08/2011
SR10-036	17/01/2012	Scottish Water	Revision to FTP element Autocode 400067 Cartland STW STW000138	Removal of 17 FTP from TE	Stage 6 - TE Updated	SW		09/02/2012	Version 8	Closed	£0	£0	09/02/2012

Appendix 1 (Continued)

Ref No	Initiation Date	Originating Party	Change Proposal Title	Status	Action	Actioning Party	Action By	Date signed off	Revision to Technical Expression	Update Since Last CL Issue	Potential Funding Range		OMGWG Date
											From	To	
SR10-031	01/09/2011	SW	External Flooding_MGSDP and CWG	Removal of 24 external flooding outputs at Elmvale Row	Stage 6 - TE Updated	SW		08/11/2011	Version 8	Closed	£-2,420,000	£-2,420,000	08/11/2011
SR10-033	27/10/2011	SEPA	Mid Tolsta STW	WQ01 Project removed from Technical Expression & replaced by EC10	Stage 6 - TE Updated	SW		09/02/2012	Version 8	Closed	£200,000	£250,000	09/02/2012
SR10-032	07/10/2011	SW	Lochmaddy WTW	Additional drivers added to Lochmaddy WTW	Stage 6 - TE Updated	SW		09/02/2012	Version 8	Closed	£2,000,000	£3,000,000	09/02/2012
SR10-037	18/01/2012	SEPA	Removal of Leven East BW Study	Removal of 1 Bathing Water Study	Stage 6 - TE Updated	SW		09/02/2012	Version 8	Closed	£-578,500	£-578,500	09/02/2012
SR10-042	14/02/2012	SEPA	Fish Passage at Davidston Burn	Addition of a WR2 project at Davidston burn to SR10	Stage 6 - TE Updated	SW		10/05/2012	Version 8	Closed	£175,000	£200,000	10/05/2012
SR10-043	14/02/2012	SEPA	Fish Passage at Strathpeffer	Addition of a WR2 project at Strathpeffer to SR10 TE	Stage 6 - TE Updated	SW		10/05/2012	Version 8	Closed	£65,000	£75,000	10/05/2012
SR10-044	13/06/2012	SEPA	Delivery of Section 16 requirements of Flood Risk Management (Scotland) Act 2009	Current estimate is that approx 100 Sewer Catchments	Stage 6 - TE Updated	SW		01/08/2012	Version 8	Closed	£380,000	£410,000	01/08/2012
SR10-045	30/05/2012	SEPA	SR10 7 Stage additions_ Dalmuir UID catchment	10 UID's to be added to TE for the Dalmuir catchment	Stage 6 - TE Updated	SW		01/08/2012	Version 8	Closed	£4,800,000	£5,200,000	01/08/2012
SR10-049	30/05/2012	SEPA	SR10 7 Stage additions_ Dalmarnock UID catchment	3 UID's to be added to the TE for the Dalmarnock catchment	Stage 6 - TE Updated	SW		01/08/2012	Version 8	Closed	£900,000	£1,100,000	01/08/2012
SR10-050	30/05/2012	SEPA	SR10 7 Stage Removals_ Dalmarnock UID catchment	1 UID to be removed from the TE for the Dalmarnock catchment	Stage 6 - TE Updated	SW		01/08/2012	Version 8	Closed	£-220,000	£-230,000	01/08/2012
SR10-051	30/05/2012	SEPA	SR10 7 Stage additions_ Paisley UID catchment	3 UID's to be added to the TE for the Paisley catchment	Stage 6 - TE Updated	SW		01/08/2012	Version 8	Closed	£900,000	£1,100,000	01/08/2012
SR10-046	30/05/2012	SEPA	SR10 7 Stage Removals_ Dalmuir UID catchment	3 UID's to be removed from the TE for the Dalmuir catchment	Stage 6 - TE Updated	SW		08/11/2012	Version 8	Closed	£-3,000,000	£-3,150,000	01/08/2012
SR10-047	30/05/2012	SEPA	SR10 7 Stage additions_ Shieldhall UID catchment	4 UID's to be added to the TE for the Shieldhall catchment	Stage 6 - TE Updated	SW		08/11/2012	Version 8	Closed	£1,350,000	£1,650,000	01/08/2012
SR10-048	30/05/2012	SEPA	SR10 7 Stage Removals_ Shieldhall UID catchment	5 UID's to be removed from the TE for the Shieldhall catchment	Stage 6 - TE Updated	SW		08/11/2012	Version 8	Closed	£-4,300,000	£-4,800,000	01/08/2012
SR10-053	25/10/2012	SEPA	Leadhills WwTW Removal	Removal of Leadhills from TE	Stage 6 - TE Updated	SW		08/11/2012	Version 8	Closed	£-380,000	£-420,000	08/11/2012
SR10-052	13/08/2012	SEPA	Dunbar East Bathing Water Study Addition	Addition of 1 Bathing Water Study to TE	Stage 6 - TE Updated	SW		04/02/2013	Version 8	Closed	£65,000	£85,000	04/02/2013
SR10-055	19/12/2012	SEPA	Fisherrow Bathing Water Study Addition	Addition of 1 Bathing Water Study	Stage 6 - TE Updated	SW		04/02/2013	Version 8	Closed	£380,000	£420,000	04/02/2013
SR10-054	30/10/2012	DWQR	Borehole Security Output Additions	Addition of 39 borehole security outputs to TE	Stage 6 - TE Updated	SW		04/02/2013	Version 8	Closed	£0	£0	04/02/2013
SR10-034	27/10/2011	SEPA	Gregory Place SPS	Removal of Gregory Place from Technical Expression	Stage 2 - Open - External Sign-off	SW			Version 8	Open - New Change Request	£-276,825	£-276,825	