

# Potential Regulatory Financing Adjustment

## Introduction

There currently exists the potential for a minor regulatory financing adjustment to take account of circumstances that differ from those set out in the Final Determination. Many of these circumstances are 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 2011 the principal items that may need to be considered are:

## Movements in Capital Programme Indexation

Movements in the capital programme indexation relative to the Final Determination assumptions on COPI over 2009/10 and 2010/11 noting that future forecast of COPI out to 2014/15 remain uncertain. The movements in the index were updated and included in the Delivery Plan refresh for 2011. The Indexation Reserve was updated to reflect a 'log down' of [£185M]<sup>1</sup>, however it must be stressed that this is a timing issue and as stated in the Introduction above will be reviewed as part of the 2015-2020 strategic review of charges.

## Non-Domestic Rates Revaluation

The impact of the 2010 rates revaluation increases operating costs by £130m for the 2010-15 period. An increased Opex charge of [£130M]<sup>1</sup> was included in the Delivery Plan refresh to reflect increased costs arising from the 2010 revaluation.

## 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 [£10M]<sup>1</sup> was included in the Delivery Plan refresh to reflect this item.

## Taxation Changes in the June 2010 Budget

Changes in Corporation Tax rates and capital allowances were introduced in the June 2010 budget. The Financial Statements in the Delivery Plan Update have been adjusted to reflect the taxation and capital allowances changes in the June 2010 budget.

## 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 31<sup>st</sup> March 2011.

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<sup>1</sup> Reflects the position at 31 March 2011.

## Appendix 1 Changes to OMGWG Register

Ref No	Initiation Date	Originating Party	Change Proposal Title	Status	Action	Actioning Party	Action By	Date signed off	Technical Expression (version)	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	£3,900,000	£3,900,000	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., Carnhill 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	£21,840,490	£21,840,490	19/08/2010
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_Stranraer	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 Catchment	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
SR10-012	01/09/2010	Scottish Water	Removal of Watnish 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	-£140,000	-£140,000	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	£700,000	£1,000,000	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	£1,600,000	£1,900,000	18/11/2010
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	£8,000,000	£12,000,000	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	£200,000	£250,000	10/02/2011