

Potential Regulatory Financing Adjustment

Introduction

We presented an initial logging submission in June 2011 and outlined the potential for a minor regulatory financing adjustment 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 2011/12. 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 2012 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 2012 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 £10m was included in the Delivery Plan March 2012 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.

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 2012.

Capital Investment

While we forecast that part of the regulatory investment programme will be delivered after March 2015, we are exploring the potential for additional regulatory investment in 2014/15.

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 | £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., 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 | £21,840,490 | £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 Watemish 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 |
| 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 | £150,000 | £250,000 | 10/02/2011 |
| SR10-024 | 28/01/2011 | SEPA | Q&SIIIb Non 7 Stage Removals - Stranraer | 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 IIIb Non 7 Stage Removals - Stranraer 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 | £-500,000 | £-1,200,000 | 11/08/2011 |
| 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 | £-100,000 | £-200,000 | 17/05/2011 |
| 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 | £-800,000 | £-1,000,000 | 08/11/2011 |
| SR10-032 | 07/10/2011 | SW | Lochmaddy WTW | Additional drivers added to Lochmaddy WTW | Stage 2 - Open - External Sign-off | SW | | | Version 8 | Open - New Change Request | £2,000,000 | £3,000,000 | |
| SR10-033 | 27/10/2011 | SEPA | Mid Tolsta STW | WQ01 Project removed from Technical Expression & replaced by EC10 | Stage 4 - Open - OMG WG Approval | SW | | | Version 8 | Open - New Change Request | £200,000 | £250,000 | |
| SR10-037 | 18/01/2012 | SEPA | Removal of Leven East BW Study | Removal of 1 Bathing Water Study | Stage 3 - Open - Internal Sign-off | SW | | | Version 8 | Open - New Change Request | £-450,000 | £-500,000 | |