

Methodology Information Paper 20: Monitoring the capital programme

Introduction

This Information Paper sets out how we propose to monitor Scottish Water's delivery of the capital programme through the Output Monitoring Group (OMG).

Monitoring delivery of the baseline investment programme

To ensure that customers receive value for money we monitor and report on Scottish Water's performance in delivering its investment programme. Customers and stakeholders need to have confidence that investment will deliver the outcomes specified by Scottish Ministers. Monitoring by the economic, water quality, environmental and customer service regulators plays an essential part in this.

The OMG was established in 2006 to monitor the delivery of Ministers' objectives for Quality and Standards 3a (2006-10). The group is made up of senior officials from the Scottish Executive, the Scottish Environment Protection Agency, the Drinking Water Quality Regulator, the Commission, Scottish Water and Waterwatch Scotland. The OMG provides a single, objective source of information on progress. This allows all stakeholders to monitor Scottish Water's progress in delivering the outputs agreed in its capital investment programme baseline.

The group can also jointly discuss and propose any changes to the capital investment programme baseline that are required to meet the ministerial objectives. The group has established mechanisms so that agreed, minor changes to the baseline investment programme (for example to take account of new information) can be accommodated.

Where proposed changes would have a material impact on either delivery of the ministerial objectives or on Scottish Water's financial performance, alternative mechanisms, beyond the remit of the OMG, are employed. These include, where appropriate, the ability to 'log up' or 'log down' the impact of changes to the baseline. If the net present value of the impact of the proposed change exceeds 10% of Scottish Water's annual turnover then we may conduct an 'interim determination of charges'. The mechanisms for logging up/down and interim determinations are set out in Information Note 5 (available on the Commission's website).

The OMG is continuing to develop the processes for monitoring output delivery. It has approved a reporting format, which allows progress to be monitored against the targets set out in Scottish

Water's delivery plan. The group publishes a quarterly report on progress (available on the Scottish Executive's website).

We will seek to build on this improved monitoring of delivery. We propose to ask Scottish Water to set out, in its business plans, its expected output delivery profile during the regulatory control period. In particular we will be interested in Scottish Water's view of the minimum level of progress that is consistent with the delivery of all the ministerial objectives within the regulatory control period.

We also report on delivery of the capital programme in our annual 'Investment and asset management report'. This provides customers with information on Scottish Water's performance in achieving the targets set out in the final determination of charges for 2006-10.

Related documents

'The Strategic Review of Charges 2006-10: The draft determination', Volume 5, Water Industry Commissioner for Scotland, June 2005.

'The Strategic Review of Charges 2006-10: The final determination', Water Industry Commission for Scotland, November 2005.