

## High Level Monitoring and Control of the Capital Programme

The capital programme is largely defined in terms of Table C investment projects or Capital Maintenance. However, there are some significant areas, particularly UIDs and the ministerial objectives in the areas of water treatment and resources where insufficient detail is available for an effective strategic approach to delivering the required outcomes.

For these schemes the following sequential seven stage process will be adopted.

All such schemes where there is the potential to deliver a strategic integrated approach would be subject to the seven stage monitoring regime.

### Stage 1

Funding has been provided for building of computer models and/or development of strategic approaches, drainage area studies and resource plans. At the end of stage 1, either or both of SEPA and/or DWQR (depending on the relevant ministerial objective) will sign off to say that they are happy with the standard of the model and/ or strategy.

### Stage 2

The models will be used to define the individual problem points. We understand that SEPA has already identified the water resource priority areas but that these may need checking. SEPA and/or DWQR will again certify that they are happy that all the problems have been correctly identified and will be effectively addressed.

### Stage 3

The models/decision process will be used to develop alternative solutions, the most attractive of which will be used to evaluate the optimum solution in terms of benefits. The solution needs to meet the ministerial objectives and be the lowest NPV solution. Scottish Water should use the investment appraisal discount rate included in the final determination.

SEPA or DWQR will certify their acceptance of the preferred solution.

### Stage 4

Scottish Water will write to WIC identifying solutions and confirming the scheme has Quality Regulator approval; is restricted to the responsibilities of Scottish Water; and is the lowest NPV. If it is not the lowest NPV solution, Scottish Water will explain its choice in detail.

### Stage 5

If after completing the funded studies, Scottish Water consider that they have insufficient resources within the Determination to deliver the revised solutions considered necessary to meet the Ministerial Objectives (at a strategic area level) at the lowest NPV they may apply for an IDOK (or logging up). It is recognised that addressing all the problems in Glasgow may run into subsequent regulatory control periods. The Commission would fund the incremental NPV over the originally allowed for unit cost. For example, if Scottish Water had to deliver more UIDs than included in its Table C submission, it could apply for an IDOK.

### Stage 6

The approved preferred solution must then be delivered by Scottish Water unless the Quality Regulator subsequently agrees that a change is desirable.

### Stage 7

The Water Industry Commission and SEPA for Water resources will monitor the delivery of Table C investment projects or the agreed revised solutions in order to meet the Ministerial Objectives.