



Information Requirements: Business Plan 2021 – 2026 Water & Sewerage Authority

December
2020

This document is one of a series of papers that form part of the first price control review for the water and sewerage sector, where the RIC will set tariffs for the 2021-2026 period. More specifically, this document outlines the information requirements that guides WASA in the preparation of a Business Plan to RIC for submission to the RIC for the purposes of a Price Review.

Information
Document

TABLE OF CONTENTS

Executive Summary	1
1. Introduction.....	2
1.1. Background	2
1.2. Role of the Business Plan	2
2. Process for Developing and Assessing the Business Plan	4
3. Contents of the Business Plan	5
3.1. The Overview.....	5
3.2 The Main Submission	6
3.2.1 Service Provider and the Operating Environment – A Summary.....	6
3.2.2 Maintaining and Improving Service to Customers	6
3.2.3 Specific Information Requirements	7
3.2.3.1 Demand Forecast	8
3.2.3.2 Revenue Requirement.....	9
3.2.4 Efficiency Improvements.....	18
3.2.4.1 Performance Indicators	18
3.2.4.2 Other Information	20
3.3 Public Summary.....	21
4. Additional Information Requirements	22
4.1. Monitoring Plan	22
4.2. Prices – Annual Adjustments.....	23
4.3. Performance Reporting and Auditing	23
5. Conclusion	24

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EXECUTIVE SUMMARY

A key feature in the process of setting new price controls for a service provider is an invitation to that service provider to formulate a Business Plan or price control proposal. The purpose of this document, the **Information Requirements: Business Plan 2021-2026 - Water and Sewerage Authority (WASA)**, is to provide guidelines to WASA, on the preparation of its Business Plan or price control proposal and to outline the information that is required to support the proposal. These guidelines have been designed to ensure that a clear and consistent framework is applied in the Regulated Industries Commission's (RIC) decision-making process.

The price control proposal will detail how WASA plans to invest in its network to meet the service needs of its customers and how it intends to recover the cost of providing this service through its tariffs and charges. The RIC will also shortly release its **Framework and Approach** document wherein the RIC broadly sets out the approach that it will follow to arrive at a final decision on the price controls.

When WASA's price control proposal is submitted to the RIC, it will form the basis for developing the Draft Determination and will be referenced in the requisite stakeholder consultation. The consultation that the RIC will undertake is an opportunity for consumers and other stakeholders to express their views and have input on the quality and reliability of the services they will receive and the prices they will have to pay over the forthcoming regulatory control period.

WASA's business plan or price control proposal of WASA must include, among other things, information on the following:

- Demand forecasts;
- Revenue requirement:
 - Capital expenditure requirements;
 - Efficient operating and maintenance expenditure requirements;
 - Cost of capital financing; and
- Service levels.

A description of the information that should be provided by WASA for each of the above areas is provided later in this document.

1. INTRODUCTION

1.1.BACKGROUND

The Regulated Industries Commission (RIC) is, among other things, responsible for establishing the principles and methodologies for determining rates, monitoring the performance and efficiency of service providers and setting and enforcing standards of service. In addition, Section 6 (1)(j) of the RIC Act requires it to carry out periodic reviews of rating regimes of service providers and Section 48 provides for the review of principles for determining rates and charges to be done every five (5) years. It is within this context that this document has been prepared.

The process of assessing the need for and determining proposed rates over the forthcoming regulatory period involves:

- The identification of service requirements, standards and obligations to be delivered;
- The establishment of forward-looking revenue requirements for efficient delivery of services; and
- Ensuring that proposed prices are sufficient to recover the revenue requirements.

An integral part of this process is the development and submission of a Business Plan by WASA in support of the exercise of setting price limits and other associated decisions. The Business Plan will form the basis for the RIC's assessment of the proposed revenue requirement and resulting determination of proposed prices to be applied over the regulatory control period in accordance with the requirements of the RIC Act.

1.2.ROLE OF THE BUSINESS PLAN

The Plan should provide the justification for the service provider's submission relating to price control limits and should:

- explain in a clear and consistent way WASA's application for price limits, its costs and the impact on customer bills;

- set out its overall strategy for its business over the control period and into the future and identify in sufficient details all the strategic issues WASA faces that impedes the proper carrying out of its functions;
- include well-founded forecasts of costs (investments and maintenance expenditure) and revenue to ensure an adequate balance between supply and demand in the provision of service to customers;
- provide estimates of the service provider's potential to reduce costs through improved efficiency;
- establish timelines and identify outcomes to be achieved over the regulatory control period so that progress can be measured against those milestones; and
- inform the RIC of all the relevant factors it should consider in determining fair and reasonable price limits.

The RIC's views on a number of issues related to the regulatory framework, the process and the approach the RIC intends to take in assessing the service provider's submission will be put out for consultation with, and comments from stakeholders. Some of the issues include:

- the form of price control;
- the length of the regulatory period;
- dealing with controllable and uncontrollable cost items;
- tariff structures, subsidies and mechanisms for assisting the lower income groups;
- miscellaneous charges and customer contributions; and
- incentive mechanisms.

The comments received in response to these issues will assist the RIC in the finalization of its determination.

Structure of this Document

The remainder of this document is structured as follows:

- Section 2 describes the process of developing and assessing the Business Plan;
- Section 3 discusses the contents of the Business Plan;
- Section 4 discusses Additional Information requirements; and
- Section 5 is the Conclusion.

2. PROCESS FOR DEVELOPING AND ASSESSING THE BUSINESS PLAN

Broadly, there are three stages in developing and assessing the proposed Business Plan:

- **Establishment of Information Requirement and Clarification:**
 - Issuance of the Information Requirements Business Plan document.
 - Discussion between the RIC and service provider on the development of the Plan.
 - Finalization of any policy issues and other additional information requirements.

- **Preparation of draft Business Plan:**
 - WASA's consultation, if necessary, with its customers and Ministry.
 - Submission of the draft Business Plan to the RIC.
 - RIC's assessment of, and guidance to WASA on, the draft Business Plan.

- **RIC's Assessment of the completed Business Plan:**
 - Submission of final Business Plan to the RIC
 - RIC's assessment, and acceptance of the final Business Plan.

The RIC will consult through its **“Framework and Approach”**, document on a number of key issues to facilitate WASA's preparation of its price control proposals, including:

- the information and approach that could be used to develop demand forecasts;
- the approach to assessing operating expenditure (Opex) and capital expenditure (Capex) to ensure efficient costs;
- measures to pursue efficiency improvements;
- provision of appropriate return on assets; and
- tariff design and structure.

3. CONTENTS OF THE BUSINESS PLAN

The Business Plan should contain three parts:

- Overview;
- Main Submission (Detailed Justification); and
- Public Summary.

3.1. THE OVERVIEW

The overview is a stand-alone summary of WASA's overall strategy for the execution of its functions over the regulatory control period (5 years) and beyond, to ensure the provision of adequate services to customers. This should include details of its service performance in recent years, impediments to performance, and the state of its assets. The overview also serves to draw attention to any particular issue WASA considers relevant to the price review decision-making process. It is also expected that this overview will typically cover: a SWOT analysis; the organization's growth prospects; key performance indicators; and aspirations for the future. At a minimum, the overview should:

- set out, in summary, the key activities and programmes/projects that WASA proposes to undertake over the control period, and the outputs and milestones to be achieved during the period, including its assessment of the environment and the parameters within which it expects to operate during the control period and beyond;
- set out the price limits that are being sought and how these translate into average bills for each class of customers;
- outline how WASA has taken into consideration the interests of customers and the overall balance between service levels, prices and priorities for improvements;
- include a series of summary tables covering the overall strategy, financial projections, asset values and expenditure, including the scope for improving efficiency and existing practices; and
- state how WASA proposes to finance its strategic objectives and the revenue that will be necessary to ensure financial viability.

3.2 THE MAIN SUBMISSION

The main submission is a detailed justification of the strategy and various issues/options identified in the **Overview**. The submission will comprise four (4) sections:

- Service Provider and the Operating Environment – A Summary;
- Maintaining and improving service to customers;
- Specific Information Requirements; and
- Efficiency Improvements.

These areas are discussed in detail hereunder.

3.2.1 Service Provider and the Operating Environment – A Summary

This Summary should focus on WASA's:

- Assessment of the likely operating environment during the regulatory control period and beyond;
- Achievements to date with respect to services to customers;
- Planned improvements in service to be delivered;
- Strategies for the achievement of supply/demand balance;
- Maintenance of its network and assets;
- Key forecasts over the period; and
- Risks and uncertainties and how it intends to manage them.

In making policy decisions for the price limits, WASA must take account of the potential effects on service affordability.

3.2.2 Maintaining and Improving Service to Customers

WASA's strategy for maintaining and improving service to customers must be at the core of its submission and is the main focus under this section. The information should be provided under three (3) headings:

(a) Maintaining Service and Serviceability to Customers

WASA should provide year-by-year projections of delivery of outputs over the control period that will maintain base service levels and serviceability to both current and future

customers. This should take into account customer complaints information such as supply interruptions, as well as its asset management plans and strategy including its operating practices and planned routine maintenance activities. WASA must identify the minimum level of activity that it considers necessary to maintain delivery of the outputs and justify projected operating and capital expenditure needed to deliver these outputs. Full costing information should be provided as required under the Specific Information Requirements section.

(b) Service Enhancement

WASA must outline its plans and strategy to improve the service delivered, measurable outputs and the performance to be achieved year-by-year over the regulatory control period, including the projected service enhancement operating and capital expenditure needs. It must set out its reasons for proposing the enhancements, for example, it should state the level of its current performance with respect to service delivery in comparison with its comparators. Where WASA is seeking specific financing in its Business plan, the impact of the proposed improvements on operating and capital expenditure, with expected impact on bills, must clearly be stated. Full costing information should be provided as required under the Specific Information Requirements section.

(c) Maintaining the Supply/Demand Balance

WASA must set out its plan and strategy for maintaining the balance between supply and demand, focusing on the implications for expenditure (operating and capital). The information must include WASA's assumptions and judgment on the expenditure (operating and capital) needed to maintain the balance. WASA's strategy must represent the least cost combination of measures to maintain the balance. **Full costing information should be provided as required under the Specific Information Requirements section.**

3.2.3 Specific Information Requirements

This section requires WASA to furnish a comprehensive set of information on expenditure and revenue forecasts, demand projections, plans to finance its operations, the consequences for

customers' bills, financial projections, existing loan agreements, cost of capital, required rate of return and capital structure. These issues are discussed below.

3.2.3.1 Demand Forecast

Demand forecasts are a central element of the Price Control review assessments, as they underpin expenditure requirement forecasts, forecast revenue requirement and the price control modeling and decision-making. They are of particular importance in order to propose the prices required to recover the revenue needed to deliver prescribed services over the regulatory period. Demand forecasts are also a key determinant of capital and operating expenditure – as they drive the level of new connections and the need to augment existing systems. Accurate forecasts will reduce price volatility for customers and the risk of short-term mis-match between revenues and costs. In assessing the proposed prices, the RIC will, therefore, expect that the demand forecasts are reasonable and based on sound information and assumptions.

WASA must provide the following information for the price control period:

- Water consumption by Customer Type.
- Customer Numbers by Customer Type.
- Maximum daily and hourly demand during wet and dry season.
- New Customers Connections (Net Customer Increase) by customer class and broken down as follows:
 - New customer connections;
 - Existing customer Numbers;
 - Total customer Numbers; and
 - Net Increase in customer Numbers.

In addition to the above, WASA is to provide:

- information which describes the methodological approach taken in preparing forecasts;
- the key demand forecasting issues; and
- key assumptions adopted in generating the forecasts.

In preparing its demand forecasts the RIC expects WASA to:

- analyze historical levels of demand, identify the relevant trends, the major factors that determine these trends and explain any variations;
- recognize and reflect key drivers of demand and supply;
- consult with major customers (e.g. industrial/commercial) about their anticipated requirements;
- take into account private/Government's initiatives in the housing and industrial sectors;
- consider the likely impact of any changes in tariffs and other demand side management initiatives, such as, reduction in non-revenue water (NRW) and universal metering;
- have regard to country's economic projected conditions; and
- reflect conservation initiatives.

Although the RIC will not require independent verification of demand forecasts for this review, in the future WASA may be required to satisfy the RIC, through an independent verifier, that its methods are reasonable and sound.

3.2.3.2 Revenue Requirement

A common and effective method for deriving the forward-looking estimates of the revenue that WASA requires to deliver proposed outcomes and meet service standards over the regulatory period is the "building-block" approach. Under this approach, the revenue requirement reflects efficient operating expenditure and a return on and return of the Regulatory Asset base (RAB) updated each year of the control period to reflect any additional capital expenditure, net of contributions, asset disposals and depreciation [i.e. $\text{Efficient Opex} + \text{Depreciation} + (\text{RAB} + \text{Capex}) * \text{Cost of Capital}$]. A detailed explanation of the components making up the revenue requirement is provided below:

(a) Operating and Maintenance Expenditure

Operating and maintenance expenditure (Opex) is a key component of the revenue requirement and is included in the year in which it is incurred. A key issue for the

RIC is to ensure that the expenditure forecasts are efficient and reflect a long-term planning horizon. The Business Plan should clearly outline forecasts of Opex for each year of the regulatory control period. These forecasts must be justified through the inclusion of a discussion on the main drivers of expenditure and must supply evidence to support forecasted productivity improvements. It also needs to outline the relationship between expenditure and the delivery of outcomes and obligations over the control period.

Information provided should include historical levels of maintenance expenditure by asset categories and sub-categories and the projected capital maintenance needs by categories and sub-categories.

Justification and Key Drivers of Opex

The Business Plan should provide information and justification in support of the proposed Opex and outline the key drivers for both; “business as usual” expenditure, and expenditure related to the delivery of new obligations. The RIC would expect a detailed justification where WASA is proposing a significant departure from historical levels.

The price-control proposal of WASA must include three categories of forecast operating and maintenance expenditure (Opex):

- base operating and maintenance costs - this will exclude guaranteed scheme payments and cess (these are to be shown separately);
- costs associated with the impact of growth (i.e. increase in total customers); and
- changes in the composition of Opex arising from new obligations and functions.

The base Opex for the regulatory control period will be based on the existing obligations and functions of WASA and will be calculated by using the actual expenditure for 2019, less the cess payments and guaranteed scheme payments¹. WASA must also forecast a rate of change for each year of the regulatory control

¹ It is expected that the Quality of Service Scheme will be operational before the RIC publishes its Draft Determination.

period which will be used to generate the forecast base Opex. Additionally, the Opex costs associated with any new obligations and functions are required to be forecast separately. WASA must also detail its capitalization policy in its proposal.

Productivity/Efficiency Improvements

The RIC Act requires that the service provider's proposed prices provide for a sustainable revenue stream that does not reflect monopoly rent or inefficient expenditure and that proposed prices provide incentives to pursue efficiency improvements.

One approach which can be used to estimate efficient Opex expenditure is to benchmark the performance against other relevant utilities/businesses (best in class). WASA must indicate the methods that will be used for assessing the efficiency of its Opex and provide information on the indicators used for comparison, such as total costs, operating and maintenance costs, overhead costs and other efficiency and productivity measures including comparing costs of particular tasks. Such an approach could be undertaken at "the whole of business level", or for specific components of expenditure, taking into consideration the danger of relying exclusively on benchmarks to assess expenditure forecasts.

Another approach is to review historical expenditure incurred and then examine the continuing trend over the regulatory period, setting out any reasons for expected departures from trend expenditure.

WASA must provide Opex breakdown by:

- customer group (for example, industrial, commercial, domestic);
- labour related items:
 - level of overtime of the total payroll costs;
 - level of sickness and absenteeism;
 - level of total leave (contracted, extended and emergency leave);
 - activity (for example, infrastructure maintenance, customer service);

- on-going controllable and uncontrollable costs and one-off costs or non-recurring operating costs; and
- costs relating to building or restoring or maintaining WASA's sponsorships.

(b) Capital Expenditure Requirements

Capital expenditure (Capex) is another key element of the revenue requirement. Net Capex is added to the regulatory asset base (RAB) and the service provider receives the revenue to repay its debt principal and interest charges through a **return of** the RAB (i.e. depreciation) and **return on** the RAB. In assessing the Capex forecasts, the RIC has to be satisfied that they are efficient and prudent.

WASA must set out its forecast capital expenditure programme for the regulatory control period and beyond, and provide supporting explanations for the proposed level, time paths of expenditure, complete with due dates for delivery of the projects and the outcomes that will be delivered. The forecasts must be internally consistent and reconcilable with other relevant proposals and supporting information presented in the price control proposal. **All projects/capital expenditure to be funded by the Government and/or other bodies must be shown separately.**

To facilitate proper assessment of capital expenditure forecasts, the expenditure must be categorized according to:

- **Replacement:** Expenditure to upgrade assets reaching the end of their functional life. The process for the upgrade or replacement of existing assets is based on the assessment of the asset condition, its likelihood of failure, the consequences of failure, and the need for increased capacity. Capital expenditure to maintain the asset base should normally be divided into preventative/proactive capital maintenance, reactive capital maintenance, capital maintenance for health and safety and to meet any required environmental standards.
- **Growth:** Expenditure required to service population growth and new (projected) domestic (residential)/commercial /industrial development.
- **Enhancement:** Those projects required to minimize risks and environmental impacts or improve service delivery standards. These projects may be required

for example, to meet drinking water standards, reduce known adverse impacts such as odours, mitigate risks to the assets from corrosion, and provide for a lack of standby systems or under-performing assets.

- **Other:** This would include all other capital expenditure.

This will help ensure transparency to all stakeholders of the cost of new obligations and hence the impact on rates.

WASA is required to demonstrate how its current and proposed expenditure patterns sit within an asset management programme and how these patterns are consistent with, or vary from, the past. Furthermore, WASA has to demonstrate that processes are in place to address issues relating to:

- security of supply inclusive of disaster planning;
- service reliability and performance;
- ensuring expenditure is prudent and is undertaken efficiently; and
- post-project evaluation.

WASA should also provide details of major capital expenditure undertaken over the period 2015-2019/2020 (including of source funding), and inclusion of whether or not these projects were completed on time and within budget. WASA must also detail its capitalization policy.

(c) Cost of Capital Financing

Cost of capital may be calculated by one of the following methods:

- Return on RAB plus depreciation.
- Cash needs, where cost of capital is simply the amount of debt service (i.e. interest and principal payments).
- Infrastructure renewals accounting plus a return on RAB.

The RIC Act [Section 67(4)] provides for the recovery of cost of financing existing and new investment through:

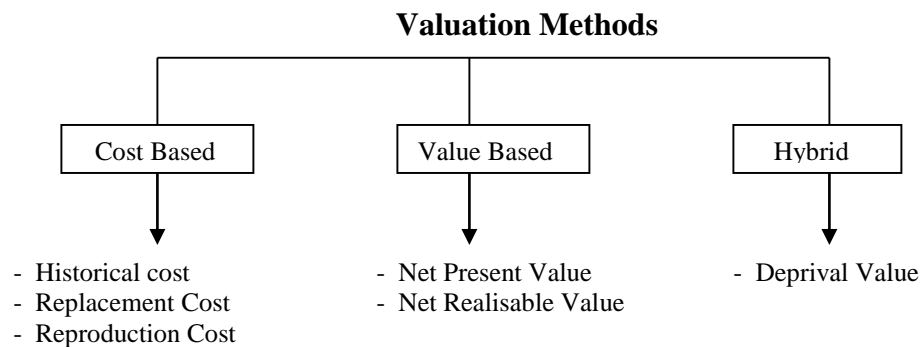
- earning a return on the value of the RAB plus
- a return of the value of the RAB (i.e. depreciation).

WASA is asked to set out in its proposal:

- opening regulatory asset base;
- an estimate of its rate of return or weighted average cost of capital;
- forecast regulatory depreciation; and
- actual and forecast asset disposal.

Regulatory Asset Base (RAB)

Accurate asset valuation is critical to generating appropriate price limits. There are a number of methods of asset valuation (shown below) which can generate different values for similar assets.



WASA must supply:

- list of Assets by class/type e.g. land/buildings, plant, pipelines, miscellaneous (vehicles, other equipment, furniture, IT).
- valuation method used for particular class/group of assets based on the above valuation methods listed above.
- total RAB.

Rolling forward the RAB

WASA needs to show the forecast value of the RAB for each year of the regulatory control period. This is done in the following manner:

- Opening RAB + forecast gross capital expenditure - forecast contributions - forecast proceeds from disposal of assets - depreciation = closing RAB.

WASA should, therefore, set out:

- forecast levels of contributions and the assumptions underlying those forecasts; and
- an estimate of the proceeds from asset-disposals, and the nature and type of assets to be sold.

Asset Consumption (Depreciation)

Broadly, there are two methods of dealing with asset consumption:

Depreciation - this is the common accounting approach for recognizing the loss in value as assets wear out. There are a number of methods for allocating depreciation – Straight Line, Accelerated or Units of Production.

Renewals Annuity Accounting - where the network of assets is viewed as a single system, the service potential of which is maintained in perpetuity through regularly planned maintenance and renewal programmes and, therefore, does not need to be depreciated. Essential elements of this method are the Asset Management Plan and Expenditure needed to maintain the system. If WASA proposes this approach, the Business Plan must include supporting information.

WASA must indicate which depreciation methodology it has utilized in the preparation of its forecasts.

WASA must also provide data relating to the utilization of assets, the weighted average remaining life of assets/asset class/groups of assets, and the weighted average depreciation rates for assets/asset class/groups of assets.

Rate of Return on Capital

An allowed rate of return can be derived by calculating the Weighted Average Cost of Capital (WACC) (i.e. cost of debt and equity capital). Generally, the cost of equity is estimated by the Capital Asset Pricing Model (CAPM). WASA has the option of using an alternative method, which must be properly justified. However, this will not bind the RIC in its determination.

Information to be supplied under this section:

- model used to determine the overall rate of return;
- capital structure (gearing level), industry benchmark;
- total debt servicing (Interest and finance charges);
- appropriate risk free rate used, market risk premium, the appropriate quantification of the equity beta, gamma etc.;
- all loans with interest rates, marginal rate, average cost of debt;
- government guarantees, if any, for each loan; and
- purpose of each loan.

(d) Service Levels and the Service Incentive Mechanism

Economic regulation must consider quality together with price because lowering of quality is economically the equivalent of a higher price to the customer. Price controls such as multi-year RPI-X price/revenue caps which provide incentive to reduce expenditure can result in reduced quality of service unless the regulator implements Quality of Service monitoring programmes. These programmes therefore complement price regulation. There are a number of methods of providing incentives to improve service performance including:

- Public Reporting of quality of service performance,
 - Service Incentive Scheme (or S-Factor Scheme) where a service provider's allowed revenue is increased (decreased) based on its performance in relation to performance targets, and
 - Guaranteed Payment Scheme. Under this scheme, payments are made to customers where the service received by them is below a specific threshold.
- The RIC is in the process of establishing Guaranteed Service Level payments

scheme (Guaranteed and Overall Standards) and when implemented this will be monitored. WASA will be required to provide information to demonstrate how it intends to improve its performance under the scheme.

(e) Form of Price Control and Tariffs

In this section, WASA should outline the form of price control it would prefer, as well as provide a detailed discussion of the reasoning underpinning its proposals. The following are among the different forms of price controls that may be adopted:

- tariff basket
- individual price caps
- revenue cap
- revenue yield
- combination of the above.

With respect to pricing proposals, WASA must show the impact on customers of the proposed tariff structures and how low income or vulnerable customers will be affected. WASA must consider how it intends to implement the tariffs i.e. whether a phased or rapid introduction of new tariffs. The practicalities and costs associated with administering a number of tariff structures must also be considered. In short, this section must contain the following discussion:

- background information about the service and recent pricing history;
- the reasoning behind the proposed tariff structure, with justification;
- clear identification of the principles underpinning the proposal (including a cost of service study);
- customers' expected responsiveness to proposed tariff structure;
- the manner in which the tariffs are to be implemented (i.e. billing period, customer class etc.); and
- the impact of the proposal on different customers, on inflation and on the country's competitiveness.

(f) Miscellaneous Charges

The Business Plan should include information on all miscellaneous charges inclusive of major contracting charges, and fees (regulated and unregulated), inclusive of water abstraction fees, that WASA intends to impose and it must outline:

- the existing and proposed miscellaneous price and tariff structure;
- the justification for the charges; and
- the impact of the proposed charges on customers.

3.2.4 Efficiency Improvements

WASA must detail its plans to improve both operating and capital expenditure efficiency over the regulatory control period, show how those have been incorporated into its projections and identify any assumptions made. The scope for improvements in efficiency should cover all major areas of operations. WASA should provide a list of areas where measures were undertaken to improve efficiency over the last five (5) years and how they impacted on reducing costs of the organization.

Additionally, WASA must furnish information showing its relative efficiency or inefficiency compared with other countries in the Caribbean and elsewhere, including any efficiency studies undertaken and methodology used.

3.2.4.1 Performance Indicators

WASA must supply information on the following performance indicators (compared with the “Best Practice” world-wide where information is available):

Performance Indicator	Description
Service Quality	
Water Coverage	Population, and/or Households/Businesses with easy access to water expressed as a percentage
Sewerage Coverage	Population with sewerage service expressed as a percentage
Total Water Supplied	Total annual water supplied to the distribution system expressed by litres per capita per day

Metering Level	$\left[\frac{\text{Total number of connections with operating meter}}{\text{Total number of connections}} \right] \%$
Non-Revenue Water (NRW)	Difference between water supplied and water sold expressed as a percentage of net water supplied, volume/year and as volume/km/day and volume/connection/day
Pipe Breaks	Total number of pipe breaks (water service connections and mains) per year expressed per km of the water distribution network;
Service Complaints by type	Number of complaints of quality of service during the year expressed per total number of service complaints (water and wastewater) x 100
Water Quality	Total number of treated water tests complying with the applicable standards during the year expressed per total number of tests of treated water performed during the year x 100
Sewerage Clogs	Total number of blockages per year expressed per km of sewers; and per number of sewerage connections
Financial	
Unit Operational Cost (Water)	$\frac{\text{Total annual operating expenses}}{\text{Total annual water produced}} \text{ and } \frac{\text{Total annual operating expenses}}{\text{Number of connections}}$
Composition of Operational Costs	Category of operational costs e.g. personnel and fuel/energy as a percentage of total costs
Collection Period	Year-end accounts receivable/Total annual operating revenues expressed in months equivalent of sales. That is, the ratio between the year-end accounts receivable and operating costs exclude depreciation and interest payments
Operating Ratio	Annual operating costs to annual operating revenues (operating costs includes depreciation and interest payments but excluding debt service payments)
Debt Service Coverage Ratio	(Gross Internal funding ÷ by Debt Service)

Operational	
Staff Connection Ratio	Total number of staff expressed per thousand water connections
Staff Composition	Category/Level of staff expressed as a percentage of the labour force
Labour costs vs. Operating Costs	Total annual labour costs (including benefits) expressed as a percentage of total annual operational costs
Contract out service costs vs. Operational Costs	Total cost of services contracted-out to the private sector expressed as a percentage of total annual operational costs
Continuity of Service	Average hours of service per day for water supply
Operating Cost per Customer	Operating costs ÷ Total number of customers
Tariffs	
Industrial to Residential Charge	The average charge (per m ³) to industrial customers compared against the average charge (per m ³) to residential customers
Average Tariff	Total annual operating revenues expressed by amount of water sold
Connection Charge	The cost to make a residential pipe connection to the water system and sewer system measured in absolute amount and as a percentage of GDP

Where WASA is unable to supply information with respect to a particular indicator it should state this.

3.2.4.2 Other Information

WASA must provide the following:

- a methodology outlining plans and procedures for the reduction and control of non-revenue water (NRW) and NRW reduction targets for each year of the control period;
- a methodology outlining the measures for the implementation of universal metering with the attendant activities of meter reading, testing, and maintenance;

- detailed information on Scheduled Areas, including class of supply (number of hours) and approximate number of customers in each area;
- information on worst served areas/customers and projects that have been introduced or earmarked for introduction to improve the quality of service;
- an environmental summary outlining strategies to meet environmental standards for future plant and infrastructure and mitigation measures for existing plant;
- plans for wastewater improvement including adoption of (sewerage treatment plant) STPs, sewer replacement and expansion, dealing with industrial wastewater and operational and administrative changes;
- measures to improve the quality of drinking water;
- bad debt policy;
- receivables and collection policy;
- cost of service study (latest available);
- forecast of revenue by class; and
- number of employees (permanent/temporary), inclusive of its approved statutory organizational requirements and forecast.

3.3 PUBLIC SUMMARY

The Public Summary is a stand-alone summary written with the customers in mind to enable them to understand WASA's plan and strategy for the regulatory control period. It should clearly identify:

- WASA's deliverables (outputs, targets and key activities) with timeframes for the control period, in terms of quality enhancements and service delivery, together with implications for prices and average household bills;
- WASA's key financial projections with underlying assumptions;
- the implications of major enhancement programmes in terms of benefits to customers; and
- WASA's targets and proposals for efficiency improvements.

4. ADDITIONAL INFORMATION REQUIREMENTS

Following the RIC's acceptance of WASA's Business Plan, its review and publication of its final determination of rates for the regulatory period, WASA is required to provide additional information to the RIC on a periodic basis. The information to be provided by WASA is necessary to achieve the RIC's legislative mandate and also the specific objectives of the rate review process. This involves continuous monitoring and reporting to the public on WASA's performance against the stated outputs, targets and activities in its Business Plan and also the required outputs of the Final Determination

4.1. MONITORING PLAN

To assess the performance year-by-year, WASA will be required to submit its **Monitoring Plan** for the control period to the RIC within three (3) months of Final Determination. The Monitoring Plan is a record of WASA's planned outputs, targets, and key activities to be delivered during the regulatory control period, which will be shared with the public. and will be utilized by the RIC as part of its overall compliance framework. The information to be included in the Monitoring Plan will be under the following headings:

- **Outputs**

The required minimum outputs and targets will be established in some detail in the Final Determination and monitoring the delivery of these outputs will be the primary consideration of the RIC over the regulatory control period. Evidence of a likely failure to deliver the required output/improvement could trigger additional reporting and regulatory action.

- **Serviceability to Customers**

WASA will be required to deliver on its commitments of maintaining serviceability to customers. These commitments will be translated into projects and programmes that would be carried out during the control period. Where commitments involve renewing, replacing or extending physical assets, WASA will be required to detail the areas, the expected commencement and completion dates, etc.

The RIC will stipulate the minimum requirements and reporting timeframe in the Final Determination. The Monitoring Plan will be placed in the RIC's Information Center and on its website and will be distributed to stakeholders including NGO's, consumer groups, local Authorities and other interested parties.

4.2. PRICES – ANNUAL ADJUSTMENTS

The overall price limit and the process and conditions for annual price adjustments for the regulatory control period will be set by the RIC in the Final Determination. Regarding the annual pricing adjustments, WASA will be expected to submit, at least two months prior to the beginning of each year of the regulatory control period, its proposed tariffs to apply from the start of each year, for the RIC's review and approval. Additionally, WASA would be required to explain the implications of the approved tariffs for typical customers' bills in different customer classes. The RIC will inform WASA of its decision on their application and also publish its decision for the information of all relevant stakeholders and the public.

4.3. PERFORMANCE REPORTING AND AUDITING

In addition to the Monitoring Plan discussed above, the RIC will also be monitoring and reporting annually on the performance of service providers. This is consistent with the RIC's mandate under its Act, which provides for the RIC to monitor and report publicly on the performance of WASA, including the quality of performance information. The RIC considers that the performance reporting framework should broadly cover the following areas of service:

- baseline explanatory data (for example, customer number and network length);
- quality of supply;
- network reliability and efficiency (for example, interruptions and losses);
- consumption and environmental and conservation initiatives;
- customer responsiveness and service (for example, response to service disruptions and complaint handling); and
- financial performance.

5. CONCLUSION

The Business Plan that WASA submits to the RIC for the purposes of a Price Review, is a summary of the utility's intent to pursue planned outputs, targets, and key activities over the regulatory control period, subject to earning sufficient revenue through rates paid by consumers. It is crucial that all the information requested is supplied in sufficient detail to allow the RIC to carry out its assessment and arrive at a final determination. This document provides guidelines to WASA to enable them to successfully complete this critical stage of the process of Price Review.

The RIC's legal mandate also requires continuous monitoring and reporting to the public on WASA's performance against outputs in the Final Determination. WASA's provision of additional information is therefore also important to ensure WASA's performance meets the standard that has been set by the RIC and that customers are not overcharged for water and sewerage services. Monitoring and reporting on WASA's performance will also allow for an evaluation of the success of a price review exercise, and the effectiveness of the RIC in carrying out its mandate.