

YORKSHIRE WATER SERVICES LTD
PERIODIC REVIEW 2009
GLOSSARY OF TERMS AND ACRONYMS

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Abstraction: The removal of water from any source, either permanently or temporarily.

Accruals: A term used in company accounts where income is due or a cost is incurred during an accounting period but has not been received or paid.

AFP: Asset Failure Predictor.

AGASP: Above Ground Asset Surveyor and Predictor. An IT system that generates risk based failure scenarios and solutions for upload into BRM+ by calculating the statistical probability and impact of an asset failure.

AI2: Asset Inventory System.

AIB: Asset Information Base.

ALARP: As Low as Reasonably Practicable.

AMP: Asset Management Plan – the Water Industry 5 – yearly investment cycle.

AMP5: The 5th Asset Management Plan since privatisation, to run from 2010 - 2015.

AMP6: The 6th Asset Management Plan since privatisation, to run from 2015 - 2020.

AMPAP: Asset Management Planning Assessment Process.

AMPIC: Asset Management Planning and Investment Cycle.

AMR: Automated Meter Reading; a system for automatically collecting and transferring data to a central database for analysis and billing.

AONB: Area of Outstanding National Beauty.

Appointed water company: The term used to describe the regulated water and sewerage companies who supply water and sewerage services to consumers in England and Wales. Also known as a '**regulated company**' or '**undertaker**'.

AS: Asset Surveyor.

Asset life: The time from the date of installation (when new) of an asset (or part) until the asset (or part) has to be replaced. The remaining asset life is recorded from the present. Asset lives for the current asset base are estimated and only known exactly after the asset has been replaced.

ASIP: Asset Status Investment Plan.

Asymmetric risk: Exposure gain when the underlying asset that moves in one direction is significantly different from the loss when the underlying asset moves in the opposite direction.

Base expenditure: The expenditure needed to continue delivering current levels of service, before taking account of planned or required improvements. It comprises operating and capital maintenance expenditure.

Base service outputs: Maintenance the service standards and the ability of its assets to continue to provide service into the future.

BAU: Business as Usual.

BCIC: Board Capital Investment Committee.

Benchmark company: This is the company which is used as the relative efficiency reference point.

BGASP: Below Ground Asset Surveyor and Predictor. An IT system that generates risk based failure scenarios and solutions for upload into BRM+ by calculating the statistical probability and impact of an asset failure.

BHS: Borehole.

BME: Black and minority ethnic.

BMW: Biodegradable Municipal Waste.

BOD: Biological Oxygen Demand.

BPEO: Best Practicable Environmental Option.

BPM: Business Process Management.

BRM: Business Risk Model. This is part of the LEADA suite and is used to record all known current and future risks. Each risk is expressed in the form of a failure scenario as an effect due to a cause and scored against a standard 5x5 risk matrix. Each failure scenario is attached to one or more proposed notional costed solutions. BRM is used as part of business as usual for AMP4.

BRM+: Business Risk Model Plus. This is an enhanced version of BRM incorporating changes such as a two stage probability, but it is only populated with risks and solutions for the preparation of the Draft and Final Business Plans for PR09. Risks are scored against the AMP5 risk matrix.

BU: Business Unit.

Building Regulations: The Building Regulations are made under powers provided in the Building Act 1984, and apply in England and Wales. They exist to ensure the health and safety of people in and around all types of buildings (i.e. domestic, commercial and industrial). They also provide for energy conservation, and access to and use of buildings.

Business plan: Each appointed water company's business plan sets out: its overall strategy and the implications for price limits and average bills; its strategic objectives in terms of service performance, quality, environmental and other outputs; the activities necessary in the period to meet these objectives; and the scope for improvements in efficiency.

BWD: Bathing Water Directive.

BWR: Bathing Water Regulations.

Capital efficiency: The efficiency of using capital expenditure to deliver outputs.

Capital expenditure (capex): Spending on new, replacement or refurbished capital assets, such as construction and buying machinery.

Capital maintenance: Planned work by appointed water companies to replace and renovate water and sewerage assets to provide continuing services to consumers.

Capital maintenance planning – a common framework: This is a framework for assessing how much capital maintenance expenditure is needed by appointed water companies in the future. It considers both historical expenditure and forward-looking risk-based estimates. The details are published by UK Water Industry Research (UKWIR). Also known as the '**common framework**'.

CAPM: Capital asset pricing model. An economic model that describes the relationship between risk and expected return for securities. The model states that the expected return of a security or portfolio equals the rate on a risk-free security plus a risk premium related to the volatility of the security relative to a representative market portfolio.

Carbon accounting: This is the general term used to describe the accounting undertaken to measure the amount of carbon dioxide equivalent separated or the amount of carbon that is avoided being released into the atmosphere through projects.

CBA: Cost Benefit Analysis.

CC: The Competition Commission considers merger references. It is also the body to which companies can appeal if they disagree with Ofwat decisions on price limits, licence amendments or accounting guidelines.

CCD: Current Cost Depreciation.

CEPA: Cambridge Economic Policy Associates is an economic and financial policy advisory business.

CG: Condition Grade.

Change protocol: Principles and outline procedures for confirmed changes funded improvement programmes during an asset management programme period.

Charging year: The period for which appointed water companies bill customers starting on 1 April each year.

CHP: Combined heat and power. A technology used to generate both heat and power in a single process e.g. burning of biogas produced during sludge treatment.

CMER: Capital maintenance econometric return. A standardised data set provided by each appointed water company from which econometric models for assessing relative capital efficiency are developed.

CM: Capital Maintenance.

CMP: Capital Maintenance Programme.

CMPCF: Capital Maintenance Planning Common Framework.

CMS: Capital Management System.

COC: Cost of Carbon.

COF: Cost of Failure.

Construction output price index (COPI): Published by the Department for Business, Enterprise and Regulatory Reform, COPI measures changes to construction prices which can move in a different way from the Retail Price Index. We use COPI to compare how much companies have actually spent on capital investment compared with what we allowed for in price limits.

Consumer Council for Water (CCWater): CCWater represents the interests of water and sewerage consumers in England and Wales. It replaced WaterVoice on 1 October 2005. CCWater is funded directly by the Department for Environment, Food and Rural Affairs, which recovers the costs from the companies.

Consumers: Consumers refers to individuals or households that purchase and use goods and services generated within the economy. In this case we are referring to those who use water and sewerage services.

Controlled waters: Inland and coastal waters (to the territorial limit) and ground water, to which pollution control legislation in England and Wales applies.

COO: Cost of Ownership.

Cost base: A defined set of standardised capital work items and projects.

Cost benefit analysis: This measures all the costs and benefits of a project.

Cost of capital: The minimum return that providers of capital require to prompt them to invest in or lend to the appointed water companies given their risk.

CRC: The Carbon Reduction Commitment is a new scheme, announced in the Energy White Paper 2007, which will apply mandatory emissions trading to cut carbon emissions from large commercial and public sector organisations (including supermarkets, hotel chains, government departments, large local authority buildings and water companies) by 1.1 Mega Tonnes Carbon per year by 2020. The UK-wide emissions trading scheme is due to start in 2010.

CRE: Critical Service Reservoir.

CREAM: Centre for Research in Environmental Appraisal and Management.

Credit quality (credit rating): The probability that an issuer of debt will make the promised payments to lenders. Credit rating agencies such as Standard and Poor's, Moody's and Fitch Ratings issue credit quality ratings as a service to investors. They take into account investors' demand for a higher return on bonds from issuers with lower credit quality as compensation for the greater risk of default.

CREH: Centre for Research in Environment and Health.

CRoW: Countryside Rights of Way Act.

CSO: Combined Sewer Overflow. Discharge, during rain storms, of untreated waste water from a sewer system that carries both sewage and storm water.

CTR: Critical Water Tower.

Current cost depreciation (CCD): The depreciation charge on tangible fixed (above-ground) assets based on the current values of those assets, less amortisation of deferred credits relating to grants and third party contributions. This depreciation is generally only applied to above-ground assets as an infrastructure renewal charge is applied to underground assets.

CWO: Coastal Water Outfall.

CWT: Clean Water Tank.

DAZ: Drainage Area Zone.

DBP: Draft Business Plan.

DCM: Domestic Consumption Monitor.

DDA: Disability Discrimination Act.

DEFRA: Department for Environment, Food and Rural Affairs.

Depreciation: A measure of the consumption, use or wearing out of an asset over the period of its useful economic life.

Determinations: Some of our decisions are known as determinations, the biggest of which is the outcome of a price review setting out appointed water companies' price limits that will operate for a five-year period and the specific outputs that they will have to deliver.

Dividend cover: The number of times an appointed water company's dividends to ordinary shareholders could be paid out of net profits after tax in the same period.

Dividend growth model (DGM): A financial model used to provide an estimate of equity returns by reference to the expected growth in dividends.

DOMS: Distribution Operation Maintenance Strategy.

DMA: Distribution Management Area.

DMO: Domestic Meter Optant.

DSEAR: Dangerous Substances and Explosive Atmosphere Regulations.

DWF: Dry Weather Flow.

DWRMP: Draft Water Resources Management Plan.

DWI: Drinking Water Inspectorate. The body responsible for assessing the quality of drinking water in England and Wales.

EA: Environment Agency.

EAP: Environmental Advisory Panel; an independent body of key environmental stakeholders set up to advise YW on key environmental policies.

Early start programme: A scheme that lets appointed water companies start certain work programmes earlier than the price review would usually allow. The aim was to mitigate a significant dip in companies' activity due to uncertainty in the outcome of the price review process.

EaWR: Electricity at Work Regulations.

EBU: Environmental Business Unit.

ECA: Enhanced Capital Allowances.

ECJ: European Court of Justice.

ECM: Enterprise Content Management.

Econometrics: A process that finds a link between expenditure in an area (for example, capital maintenance for water distribution) and a number of measurable explanatory variables (for example, length of distribution mains). If proved, the correlation can be used to derive predicted expenditure for an appointed water company.

EDMS: Electronic Document Management System.

EEAS: Energy Efficiency Accreditation Scheme.

Effect Area: The service area affected by the asset risk materialising. E.g. interruption to supply, low pressure, internal flooding, final effluent compliance.

EGS: European Geophysical Services.

ELL: Economic Level of Leakage. The level of leakage at which further leakage control activity would cost more than alternative means to bridge the gap between supply and demand.

ELoS: Enhanced Level of Service.

ELSA: Economic Levels of Service Analysis. ELSA is the optimisation engine which takes data on risks and the costs of solutions, together with the benefits data taken from Willingness to Pay studies, and identifies optimal investment programmes that maximise service to customers at least cost.

Embedded debt: Debt, due in more than one year, in appointed water company balance sheets which attracts a fixed rate of interest rather than a floating one.

EMS: Environmental Management System.

Enhanced service levels: Permanent, identifiable and measurable improvements in service levels that are in addition to achieving the most recent established appointed water company-wide base levels of service. They are in addition to improvements resulting from expenditure in other purpose categories.

Enhancement: A level of service delivered better than previously defined. Examples of enhancements include:
fewer supply interruptions for consumers;
fewer disruptions for the public in general; and
less pollution for the environment.

EPR: Environmental Permitting Regulations.

Equity beta: A coefficient (a number) that measures the risk of equity capital. Individual equity shares may be more or less risky than the overall equity market. The risk of a share, as measured by beta, is the volatility of its price in relation to that of a market portfolio. The beta factor is a component of the capital asset pricing model, used by Ofwat as the framework for estimating the cost of equity capital. A beta of 1 implies that the appointed water company's share price changes at the same rate as prices in the market as a whole. A lower beta implies that the company's share price is less susceptible to changes in the return that the market as a whole, while a higher beta indicates that the price is more volatile than that of the market.

EU ETS: EU Emissions Trading Scheme.

Failure Scenario: Used to capture the risk associated with an asset. It contains the cause and effect (impact) areas, asset details, risk scoring as an assessment of severity, quantity, probability of event and probability of impact and a description of the root cause of the problem.

FBP: Final Business Plan.

FFD: Fresh Water Fisheries Directive.

Financeability: The ability of appointed water companies to finance their functions through debt, equity or retained earnings. Our duty to ensure that companies can finance the proper carrying out of their functions is interpreted to mean not only that they should receive a return on investment at least equal to the cost of capital but, in addition, their revenues, profits and cash flows are such that they can borrow as necessary in the debt markets and provide shareholders with sufficient incentives to provide additional funds through equity injections or retained earnings.

Financial penalties: Ofwat's power to impose financial penalties came into force on 1 April 2005. This power is not retrospective and there are time limits on Ofwat's ability to impose financial penalties. Any financial penalty may not exceed 10% of the company's turnover as calculated under the Water Industry (Determination of Turnover for Penalties) Order 2005 No. 477.

Financial reporting standards (FRS): Authoritative statements of how particular types of transaction and other events should be reflected in financial statements. Compliance with accounting standards is usually necessary for financial statements to give a true and fair view. The Accounting Standards Board issue or adopt financial reporting standards.

Financial Services Authority (FSA): Regulator of all providers of financial services in the UK.

FWRMP: Final Water Resources Management Plan.

GAAP: Generally Accepted Accounting Principles.

GDP: Gross Domestic Product.

Gearing: A company's net debt expressed as a percentage of its regulated capital value.

GHG: Greenhouse Gases which trap heat in the atmosphere and contribute to global warming.

GIS: Geographical Information System.

GMEAV: Gross Modern Equivalent Asset Value.

Green Book: The Green Book is an HM Treasury publication which provides guidance on the economic assessment of spending and investment and to related guidance, including the preparation of business cases, for the public sector. It describes how the economic, financial, social and environmental assessments of a policy, programme or project should be combined.

GRP: Glass Reinforced Plastic.

GWD: Ground Water Directive.

Greenhouse gas emissions: Greenhouse gases are components of the atmosphere that contribute to the greenhouse effect. Some greenhouse gases occur naturally in the atmosphere, while others result from human activities such as burning of fossil fuels, for example coal. Greenhouse gases include water vapour, carbon dioxide, methane, nitrous oxide and ozone.

HMRC: Her Majesty's Revenue and Customs.

HMT: Her Majesty's Treasury.

HV: High Voltage.

IAP: Investment Authorisation Procedures.

IBA: Industrial Building Allowance.

ICA: Instrumental Control and Automation.

ICOM: Integrated Customer and Operations Management System.

Incentive allowance: Allows companies to retain the benefit of their past incremental out-performance against the operating expenditure assumptions in price limits for five years. After five years consumers will benefit from lower costs.

Indexation: A technique to adjust income payments by means of a price index.

Index-linked debt: A prudent, cost effective way of financing long-term public utilities; providing value for money to the consumer whilst giving investors such as pension funds the inflation linked assets they need to match their future liabilities.

Infrastructure assets: Mainly underground assets, such as water mains and sewers, also dams and reservoirs that last a long time. A distinction is drawn between the infrastructure and non-infrastructure assets because of the way in which they are managed, operated and maintained by appointed water companies.

Infrastructure charges: Developers pay infrastructure charges to appointed water companies when a new property is connected to either a public water supply or a public sewer. The infrastructure charge provides a contribution to the investment required as a result of the demand that new developments generally place on the local distribution or sewerage network.

Infrastructure renewals charge (IRC): An annual accounting provision for the medium- to long-term maintenance needs of the infrastructure assets network (underground pipes) charged to the profit and loss account.

Infrastructure renewal expenditure (IRE): The actual expenditure incurred in the financial year in maintaining the operating capability of infrastructure assets through renewal or renovation of those assets.

IPPC: Integrated Pollution Prevention and Control.

IUD: Integrated Urban Drainage.

IUDM: Integrated Urban Drainage Management.

Interim determination: An interim determination allow companies, or Ofwat, to seek revised price limits if specified outputs required of a company change such that the total impact on the company, in net present value (NPV) terms, amounts to 10% of company turnover.

International financial reporting standards (IFRS): These are standards and interpretations adopted by the International Accounting Standards Board.

Investment grade credit quality: An appointed water company with investment grade credit quality has a credit rating of BBB- or above (Standard and Poor's/Fitch Ratings) or Baa3 or above (Moody's). A company with a credit rating below investment grade will find it expensive to raise new finance, as investors will perceive it as high risk.

JDT: Joint Delivery Team.

K factors (price limits): The annual increase in charges that an appointed water company can make. K is a number determined by Ofwat at a price review every five years for each company, for each year, to reflect what it needs above inflation, in order to finance the provision of services to consumers.

LEADA: Leading Edge Asset Decision Assessment. A suite of computer models used to prioritise asset investment.

LEADA+: Leading Edge Asset Decision Assessment Plus – an enhanced suite of models which ensures a more sustainable approach to investment by incorporating the whole life cost of solutions.

Logging up and logging down: The process at price reviews enabling appointed water companies to set aside variations in costs, which are taken into account when Ofwat next set price limits.

LOLER: Lifting Operations and Lifting Equipment Regulations.

LPMS: Leakage and pressure Management System.

LPP: Land, property and planning.

LRG: Local Resilience Group.

LV: Low Voltage.

MAD: Mesophilic Anaerobic Digestion.

MAR: Market Asset Ratio.

M & E: Mechanical and Electrical.

M & G: Mechanical and General.

MEA: Modern Equivalent Asset.

MLD: Mega litres per day.

Maintenance non-infrastructure: All actual or historic expenditure charged to capital maintenance non-infrastructure.

Menu regulation: Menu regulation explicitly recognises that regulated companies have access to better information than we do about their future needs. It deals with this by offering a menu of options, structured so that the company has an incentive to choose the option that most closely matches the expenditure outcome it expects. After price limits have been set each company retains the incentives to outperform the regulatory settlement, with the reward being higher for those companies that have chosen more challenging expenditure assumptions.

Meter optants: Consumers who opt voluntarily to have a meter installed in their property. The Water Industry Act 1999 placed a duty on the appointed water companies to provide free meter for domestic consumers who wanted one, where it is practicable and not reasonably expensive to do so.

MLE: Maximum Likelihood Estimation.

MNI: Maintenance Non Infra.

Modern equivalent asset: A structure similar to an existing structure and having the equivalent productive capacity, which could be built using modern materials, techniques, and design. Replacement cost is the basis used to estimate the cost of constructing a modern equivalent asset.

Monopoly: A monopoly is defined as a persistent market situation where there is only one provider of a product or service, in other words a company that has no competitors in its industry.

MTBWO: Mean Time Between Work Order.

MUR: Meter Under Registration.

NEP: National Environmental Programme.

NERA: National Economic Research Associates. Economic Consultants.

NERC: Natural Environment and Rural Communities Act 2006, to ensure that the natural environment is conserved enhanced and managed for the benefit of present and future generations, thereby contributing to sustainable development.

Net present value (NPV): The value of the cash flows arising in the future or past, discounted or increased to reflect its present value.

Non-infrastructure assets: Mainly surface assets, such as water and sewerage treatment works, pumping stations, company laboratories, depots and workshops.

Non-regulated activity: Non-core business, not associated with the delivery of water and sewerage services.

Notified items: Any item notified by Ofwat to the appointed water company as not having been allowed for (either in full or in part) in the determination at the most recent price review. Changes to notified items can trigger an interim determination of the K factor (IDoK).

NPC: Net Present Cost.

NRR: Natural Rate of Rise in Leakage.

NVZ: Nitrate Vulnerable Zone.

Operating expenditure (Opex): Appointed water companies' day-to-day spending on running the services, for examples, staff costs and power.

ONS: Office of National Statistics.

OS: Ordnance Survey.

Outcome: The results and consequences of implementing a project.

Out-performance: Achieving planned outputs for less expenditure than that assumed in price limits.

Overall performance assessment (OPA): combines results for customer service measures with information about performance in drinking water quality and environmental compliance to derive an overall score for the level of service.

PAF: Postal Address File.

pCEA: Preliminary Cost Effectiveness Assessment.

PCV: Prescribed Concentration Value.

PE: Population Equivalent, the amount of oxygen-demanding materials discharged by one person each day.

Per capita consumption (PCC): The measure of average use per person in an appointed water company's area. Companies are required to report estimates for both metered and non-metered consumers.

PLC: Programmable Logic Controller.

PLR: Pipe Length Reference.

PMZ: Production Management Zone.

Polluter pays principle (PPP): The Polluter Pays Principle is the principle in that the polluting party should pay for the damage they have done to the natural environment.

PRA: Portfolio Risk Assessments.

Prepayments: Any amounts that have been paid for goods and services not received by the end of an accounting period are known as prepayments.

Pre- Solution Age: Refers to the age of the asset, process or sub-assembly that will be replaced by a solution.

PR04: Periodic Review 2004; the Ofwat periodic review of price limits completed in 2004 to set prices for 2005-2010.

PR09: Periodic Review 2009; the Ofwat periodic review of price limits to be completed in 2009 to set prices for 2010-2015.

QA: Quality Assurance.

QRA: Quantitative Risk Assessment.

Quality enhancements: A generic term for work programmes implemented by the companies to improve the quality of drinking water or the environment typically by treating wastewater discharges to a higher standard. These enhancements are required to fulfil new legislation or national initiatives approved by Ministers.

Quality regulators: A collective term for the Drinking Water Inspectorate, the Environment Agency, Natural England and the Countryside Council for Wales.

R&D: Research and Development.

RAE: Research Assessment Exercise.

RAMS: Risk-Based Asset Management System.

RBMP: River Basin Management Plan.

rBWD: Revised Bathing Water Directive.

RIA: Regulatory Impact Assessment.

ROLF: Reduction in Leakage Footprint.

RTS: Regional Telemetry System.

Regional Spatial Strategies (RSS): This sets a framework for all local development frameworks in a region; deciding how much development there should be, how it will be spread around a region and how it will be delivered.

Regulatory Capital Value (RCV): The capital base used in setting price limits. The value of the regulated business which earns a return on investment. It represents the initial market value (200 day average), including debt, plus subsequent net new capital expenditure as assumed at the time of initial price setting. Also known as the 'regulatory asset base' and the 'regulatory asset value'.

Reporters: These are professional independent consultants who act as commentators on the wide range of regulatory information that the appointed water companies submit to Ofwat.

Retail price index (RPI): An index of changes in retail prices. Charges are controlled by the formula $RPI \pm K$. RPI is expressed as the percentage increase in the Retail Price Index in the year to the November before the charging year.

Return on capital: Return on capital, also known as return on invested capital, is a financial measure that quantifies how well a company generates cash flow relative to the capital it has invested in its business.

Revenue base: This is the amount received by water companies from their customers.

Revenue requirement: The amount of money that a water company must receive from its customers to cover its costs, operating expenses, taxes, interest paid on debts owed to investors and, if applicable, a reasonable return (profit).

Rights issue: A rights issue is a way in which a company can sell new shares in order to raise capital. Shares are offered to existing shareholders in proportion to their current shareholding. The price at which the shares are offered is usually at a discount to the current share price, which gives investors an incentive to buy the new shares.

Risk-free rate: The risk-free rate is normally measured on the real return on a Government security.

RIU: Regulation and Investment Unit.

RO: Renewables Obligation.

ROC: Renewables Obligation Certificates, issued to accredited energy generators for each MWh of output.

ROCC: Regional Operations Control Centre.

ROD2: Regional Operations Database.

RPI: Retail Price Index.

RPS: Raw Water Pumping Station.

RSPB: Royal Society for the Protection of Birds.

rtNET: Real Time Network.

RV: Rateable Value.

SAC: Special Areas of Conservation (under the EU Habitats Directive).

SCADA: Supervisory Control and Data Acquisition System.

SDS: Strategic Direction Statement, produced by all water companies in the UK for Ofwat, stakeholders and customers, setting out a long term framework for delivering a service to consumers and the environment over the next 25 years.

SEA: Strategic Environmental Assessment

Security of supply index (SoSI): Assesses each appointed water company's ability to supply customers in dry years without imposing demand restrictions such as hosepipe bans. Companies with higher index score bands have better security of supply.

SEMD: Security and Emergency Measures Directive.

Serviceability: The capability of a system of assets to deliver a reference (ie, expected) level of service to consumers and to the environment now and into the future.

SFRA: Strategic Flood Risk Assessment.

Shortfall: The non delivery or late delivery of a required output. Shortfalls are taken into account at the next price setting, when an appropriate financial adjustment will be made.

Small company premium: A premium on the basic cost of capital that we allow for the appointed water only companies so that they can maintain access to the capital markets.

SMC: Strategic Management Consultants. Yorkshire Water's Reporter for PR09.

SPA: Special Protection Areas (under the EA Directive on the conservation of wild birds).

SPC: Shadow Price of Carbon.

SPC: Sludge Phyto Conditioning, a process whereby grasses are grown on digested sludge to develop a high quality topsoil product.

SPS: Sewage Pumping Station.

SRE: Service Reservoir.

SRF: Service Risk Framework for flood hazards.

SRO: Source Reliable Output.

SSO: Short Sea Outfall.

SSSI: Sites of Special Scientific Interest.

Stable credit rating: A company with stable credit quality maintains a fairly constant credit rating over time.

STF: Sludge Treatment Facility.

STT: Source to Tap.

STW: Sewage Treatment Works.

Sub-Assembly: Refers to a pre-defined level in the Asset Hierarchy (developed for AGASP) which represents an individual or grouped item which we want to hold information against under an Asset Inventory (AI) assembly 'object type'.

Substantial effect clause: This allows companies, or us, to seek a change in price limits if circumstances beyond the companies' control change such that the total impact on the company amounts in NPV terms to 20% of company turnover.

SUDS: Sustainable Urban Drainage Systems.

Supply/demand balance: The balance between the amount of an appointed water company's available water resources and the demand for water by customers. Any imbalance between supply and demand can be met through resource enhancement or demand management strategies.

SWD: Shellfish Water Directive.

SWMP: Surface Water Management Plan.

Tariff basket: The basket of charges to which the annual price limits apply, comprising charges for:
unmetered water supply;
metered supply;
unmetered sewerage services;
metered sewerage services; and
reception, treatment and disposal of trade effluent.

Within the overall price limit, basket items may increase or decrease by different amounts and percentages. However, the average change in the basket of charges must not exceed the price limit.

Tariff differential: the metered/unmetered tariff differential mechanism is used to make sure that any difference on average between metered and unmetered household bills is no greater than the extra costs of providing a metered service to metered household consumers. The tariff differential is calculated by applying the appointed water company's metered household charges to the average amount of water

delivered to an unmetered household, and comparing the resulting metered household bill for that company.

TAWSS: Temporary Alternative Water Supply Strategy.

TCP: Total Care Plan.

THM: Trihalomethanes, by-products of chlorination.

THM: Time Limited Licences.

TMA: Traffic Management Act (Lane Rental). The aim of the TMA is to reduce congestion and disruption on the road network. The TMA sets out certain responsibilities to help and encourage local traffic authorities to achieve its traffic aims, including more effective co-ordination of the utility street works.

Transfer price: A transfer price is the price paid by one company to another for transactions between the two companies. Each appointed company has a duty to trade at arm's length and to ensure that there is no element of cross-subsidy in transactions between it and associated companies, or between it and the non-appointed business.

UCD: Unit Cost Database which holds calculations for unit costs used in notional schemes and asset valuation.

UKTAG: United Kingdom Technical Advisory Group, a partnership of environmental and conservation agencies providing technical support for the implementation of the Water Framework Directive.

UKWIR: United Kingdom Water Industry Research: An organisation set up by the UK water industry in 1993 to provide a framework for the procurement of a common research programme for UK water operators on 'one voice' issues. UKWIR comprises 24 appointed water and sewerage companies in England and Wales, Scotland and Northern Ireland.

Unit cost modelling (UCM): Simple modelling based on unit costs, for example per connected property, which can be used to assess relative efficiency.

UPM: Urban Pollution Management.

UWWTD: Urban Waste Water Treatment Directive.

WACC: Weighted average cost of capital. For an appointed water company, the average costs of its debts and cost of equity capital, weighted according to the balance of debt and equity which finances the company's assets.

WaSC: Appointed water and sewerage company provides water and sewerage services.

Water and wastewater services: Water and sewerage services provided to consumers by the water and sewerage and water companies.

WID: Waste Incineration Directive.

WIP: Work in Progress.

WLB: Whole Life Benefit.

WLC: Whole Life Cost. Refers to the net present cost of a project and uses the 'cost of ownership' both prior to investment and following investment for the period of analysis to produce a cost optimal point of capital investment. In addition, WLC includes for the 'cost of failure', 'cost of carbon' and a penalty for early write off of assets.

WFD: Water Framework Directive: A European Directive to provide a coordinated approach to water management with the European Union (EU) by bringing together strands of EU water policy under one piece of framework legislation. Member States must produce plans for river basin management districts that set out a programme of measures aimed at protecting bodies of surface and groundwater. Each plan must include economic analyses of water use and move towards full cost recovery in water pricing.

WMS: Work Management System.

WPS: Water (Distribution) Pumping Station.

WoC: An appointed water only company. WoCs provide water but not sewerage services.

WRA: Water Resource Allocation Plan.

WRP: Water Resource Plan.

WRZ: Water resource zone. The largest possible zone in which all water resources, excluding external transfers, can be shared. Hence, it is the zone in which all consumers experience the same risk of supply failure from a resource shortfall.

WSS: Water Supply System.

WTP: Willingness to Pay.

WTR: Water Tower.

WTW: Water Treatment Works.

WWTW: Waste Water Treatment Works.

YorBill: Yorkshire Water billing system.