Annex D

The tables below set out the information and the methodology that we will use to set the differential targets for any particular year "t" from 2006-07

Table 1

Information needed to set the differential targets

INFORMATION NEEDED
A. Tariff basket indicative K for water for year t
B. Tariff basket indicative K for sewerage for year t
C. Tariff basket inflation for year t [(RPI for year to November of year t-1) ÷ (RPI for year to November of year t-2)]
D. Borrowing rate for year t-1
E. Assumed number of months that an efficient company would allow a measured household customer to defer the payment of bills
F. Measured household water standing charge used to calculate the water differential for year t-1
G. Measured household water volumetric rate used to calculate the water differential for year t-1
H. Measured household sewerage standing charge used to calculate the sewerage differential for year t-1
I. Measured household sewerage volumetric rate used to calculate the sewerage differential for year t-1
J. Number of billed internally metered household customers in year t-2 (Year t-2 information in Line 13, Table 7 of JR)
L. Number of billed externally metered household customers in year t-2 (Year t-2 information in Line 12, Table 7 of JR)
M. Number of households billed for unmeasured water for year t-2 (Year t-2 information in Line 11, Table 7 of JR)
N. Volume of water delivered to all billed measured household customers for year t-2 (Year t-2 information in Line 1, Table 10 of JR)
O. Volume of water delivered to billed unmeasured household customers for year t-2 (Year t-2 information in Line 4, Table 10 of JR)
P. Meter under-registration for measured household customers in year t-2 (Year t-2 information in Line 18, Table 10 of JR)
Q. Underground supply pipe leakage for internally metered customers in year t-2 (Year t-2 information in Line 16, Table 10 of JR)
R. Number of households billed for unmeasured sewerage within the undertaker's area (Year t-2 information in Line 1, Table 13 of JR)
S. Volume of water delivered to household properties billed for unmeasured water that is returned sewer (Year t-2 information in Line1, Table 14 of JR)
T. Non-return to sewer allowance

Table 2
Methodology for estimating the value of individual differential target components

DIFFERENTIAL COMPONENT	METHODOLOGY	
	Water differential	*Sewerage differential*
i. Creating the meter space	(1 **+** C) **x** allowance for year t-1.	
ii. Meter & meter installation costs	(1 **+** C) **x** allowance for year t-1.	
iii. Meter reading, customer billing and account management	(1 **+** C) **x** allowance for year t-1	(1 **+** C) **x** allowance for year t-1
iv. Cash flow benefit	((O **x** 365 **÷** M) **x** G **+** F) **x** (E **÷** 12) **x** D **x** (1 **+** C **+** A)	(((S **÷** 0.95 **x** 365) **÷** R) **x** I **x** T **+** H)) **x** (E **÷** 12) **x** D **x** (1 **+** C **+** B)
v. Meter under-registration	(O **x** 365 **÷** M) **x** (P **÷** N) **x** G **x** (1 **+** C **+** A)	((S **÷** 0.95 **x** 365) **÷** R) **x** (P **÷** N) **x** I **x** T **x** (1 **+** C **+** B)
vi. Leakage for internally metered customers	(Q **x** 365 **÷** 1000) **x** G **x** (J **÷** (J **+** L)) **x** (1 **+** C **+** A)	(Q **x** 365 **÷** 1000) **x** I **x** T **x** (J **÷** (J **+** L)) **x** (1 **+** C **+** B)
vii. Leakage for externally metered customers	(1 **+** C) **x** allowance for year t-1	(1 **+** C) **x** allowance for year t-1