

Glossary

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| 1989 Act | The Water Act 1989. |
| 1991 Act | The Water Industry Act 1991. |
| Abstraction licence | A licence granted under the Water Resources Act 1991 to abstract untreated water from a source of supply. |
| Access codes | Guidelines produced by appointees for the shared use of part of their networks by other suppliers (common carriage). |
| AFP | Agreed financing plan. |
| Appointee | A company granted an appointment as a water undertaker or sewerage undertaker . |
| Appointment | The instrument by which the Secretary of State or the DGWS appoints a company under the 1989 Act or 1991 Act to be the water undertaker for the water supply area, and/or sewerage undertaker for the sewerage services area, being part of England and/or Wales, described in that instrument. |
| Benchmark company | Company chosen by Ofwat for the purpose of setting catch-up efficiency targets for other companies. There are separate benchmark companies for opex and capital maintenance in both water and sewerage services. The benchmark company is the company closest to the efficiency frontier which is deemed by Ofwat to be appropriate as the basis for setting catch-up efficiency targets. |
| Bristol Water | Bristol Water Holdings Plc, owner of Bristol Waterworks Company, a WoC . |
| BST agreement | Bulk supply transfer agreement. An agreement under which a water undertaker provides bulk supplies of water, from a source of which it retains the ownership, to another water undertaker at a commercial rate, payable by reference to the number of cubic metres of water supplied and/or fixed charge (and sometimes subject to a minimum charge). The DGWS has powers to determine the terms of such agreements, if so required, under sections 40 and 40A of the 1991 Act . |
| Bulk supplies | Supplies of raw or treated water traded between individual water undertakers . See also BST agreement . |
| Capex | Capital expenditure. Companies' spending on new construction, purchase of machinery etc. |
| Capital maintenance | Planned work carried out by companies to replace and maintain assets to provide continuing services to customers. |
| Catch-up efficiency | The efficiency improvements imposed on companies by Ofwat , through the price limits which it sets, based on their performance relative to the benchmark companies . |
| CC | Competition Commission. |
| CCA | Current cost accounting. |
| Common carriage | The shared use by other suppliers of part(s) of an appointee's network (resources, treatment works and pipes) to provide water and/or sewerage services to customers. |

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| Comparator | An appointee used by the DGWS in making comparisons between different water enterprises. Currently all appointees except two—Cholderton Water, a very small WoC , and Albion Water Ltd, which has only an inset appointment —are used for this purpose. |
| Comparator principle | The principle referred to in section 34(3)(a) of the 1991 Act ; that is, ‘the principle that the [DGWS ’s] ability in carrying out his functions by virtue of [the 1991 Act] to make comparisons between different water enterprises should not be prejudiced’. |
| DEA | Data envelopment analysis. A method, based on linear programming, for assessing comparative efficiencies of operating units which perform a given function. On the basis of the observed input and output levels of a group of such operating units, DEA can be used to find the potential for input reduction at a unit given its output levels, or alternatively the potential for output augmentation given its input levels. |
| DEFRA | Department for Environment, Food and Rural Affairs. |
| DGWS | Director General of Water Services. |
| DTI | Department of Trade and Industry. |
| DWI | Drinking Water Inspectorate; part of DEFRA . |
| EA | Environment Agency. A body set up under the Environment Act 1995 to carry out the functions previously performed by the NRA , Her Majesty’s Inspectorate of Pollution and the local waste regulation authorities. |
| EBITDA | Earnings before interest, taxation, depreciation and amortization. |
| EC Decision | The Decision of the European Commission of 29 March 1995 recognizing the legitimate interest of the UK in applying sections 32 to 34 of the 1991 Act . |
| ECMR | EC Merger Regulation (Council Regulation (EEC) 4064/89). |
| Efficiency frontier | The level of efficiency attained by the frontier company according to Ofwat ’s assessments. |
| F&D | Folkestone & Dover Water Services Limited, a WoC of which 74.1 per cent is owned by VWUK and 25.1 per cent is owned by Southern . |
| First Aqua | First Aqua Holdings Limited. |
| Frontier company | Company assessed by Ofwat to be the most efficient in opex or capital maintenance for the provision of either water or sewerage services. The frontier company may or may not be chosen as the benchmark company for the relevant function. |
| Gearing | A company’s net debt expressed as a percentage of its total capital, ie the ratio of net debt to net debt plus equity. |
| GU | General Utilities PLC; the former name of VWUK . |
| Hampshire Water | Term used to refer to an area within Southern ’s existing area of appointment that, under a proposal by VWUK , could be established as a separately appointed water undertaker and subsequently divested in the event that VWUK ’s acquisition of Southern was found by the CC to create a detriment to the comparative regime sufficient to warrant such a remedy. |

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| Infrastructure assets | Underground systems of mains and sewers, impounding and pumped raw water storage reservoirs, dams, sludge pipelines and sea outfalls. |
| Inset appointment | Appointment allowing a water undertaker or sewerage undertaker to provide water or sewerage services in an area previously forming part of the area of another appointee . |
| June return | An appointee's annual return to Ofwat providing the information necessary for Ofwat to: <ul style="list-style-type: none"> — monitor companies' progress towards achieving higher-quality objectives; — ensure that customers' standards of service are protected; — compare performance between companies; — measure and compare companies' costs; and — prepare for the next review of price limits. |
| JVCo | First Aqua (JVCo) Limited; a wholly-owned subsidiary of First Aqua and the indirect owner of Southern . |
| K | The amount by which an appointee's weighted average charge for the supply of water or sewerage services is allowed to increase, or required to decrease, to enable it to raise the revenue it needs in order to finance the provision of services to customers, as determined by or under Condition B of the appointment . K can be positive, zero or negative. |
| K1 | The first five-year period of price regulation (1990/91 to 1994/95). |
| K2 | The second five-year period of price regulation (1995/96 to 1999/2000). |
| K3 | The third five-year period of price regulation (2000/01 to 2004/05). |
| Lyonnaise | Lyonnaise des Eaux SA. |
| Lyonnaise report | The MMC report <i>Lyonnaise des Eaux SA and Northumbrian Water Group PLC: a report on the merger situation</i> (HMSO, Cm 2936, July 1995). |
| Mid Kent | Mid Kent Holdings plc, owner of Mid Kent Water plc, a water undertaker. Mid Kent is itself now owned by Swan Group PLC. |
| Mid Kent (1997) report | The MMC report <i>Mid Kent Holdings plc and General Utilities PLC and SAUR Water Services plc: a report on the proposed merger</i> (The Stationery Office, Cm 3514, January 1997). |
| MI | Megalitre (1 million litres, 1,000 cubic metres, or 220,000 gallons). |
| MI/d | Megalitres a day. |
| MMC | Monopolies and Mergers Commission; predecessor of the CC. |
| North Surrey Water | North Surrey Water Ltd ; a WoC owned by VWUK . Its appointment has now been merged with that of Three Valleys . |
| Northumbrian | Northumbrian Water Group PLC. |
| NPV | Net present value. |
| NRA | National Rivers Authority. A body formed under the 1989 Act whose functions concerned, inter alia, water resources, water pollution and flood defence. The NRA's functions were taken over by the EA in 1996. |
| Ofgem | Office of Gas and Electricity Markets. The Utilities Act 2000 created Ofgem and transferred to it the functions formerly performed by the Director General of Electricity Supply and the Director General of Gas Supply. |

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| OFT | Office of Fair Trading. |
| Ofwat | Office of Water Services. |
| Opex | Operating expenditure. Companies' day-to-day spending on running services. |
| Overall performance assessment | A series of measures used by the DGWS to assess the overall quality of service an appointee provides to customers. The key areas within the assessment are water supply, sewerage service, customer service and environmental impact. |
| Panel data analysis | An econometric technique that combines the use of cross-sectional and time-series data to estimate an economic relationship. Cross-sectional data comprises observations on a number of variables made at a particular point in time. Time series data comprises observations made on a particular variable over a number of time periods. |
| PCO | Put-and-call option. |
| PEIs | Private equity investors. |
| Periodic review | The review of K by the DGWS at five-yearly intervals, as provided for by Condition B of the appointment . |
| RAG | Regulatory Accounting Guideline (set by the DGWS). |
| RBS | Royal Bank of Scotland PLC. |
| RCV | Regulatory Capital Value: the capital base of an appointee used in setting price limits. It represents a WaSC 's initial market value (first 200-day average), including debt, plus subsequent net new capex as assumed at the time of price setting and including new obligations imposed since 1989. A proxy for the initial market value was used for the WoCs , which were not privatized in 1989 (and hence for which no market information was available). |
| Regulated business | Those water or sewerage activities of a company or group of companies which are the subject of an appointment by the DGWS . |
| Regulatory accounts | Accounts submitted by appointees to Ofwat in respect of their regulated businesses . They are separate from the normal statutory accounts. |
| Ring fencing | Licence conditions and accounting rules that allow an appointee 's regulated business to be viewed and treated as a separate company, segregated from other activities of the group of companies of which it forms part. |
| RPI | Retail prices index. |
| SAUR | SAUR Water Services plc, a wholly-owned subsidiary of SAUR International SA. |
| SBIL | Salomon Brothers International Limited. |
| Service area | The area for which a water or sewerage undertaker holds an appointment . |
| Sewerage undertaker | A company appointed under the 1989 Act or the 1991 Act to provide sewerage services in a specified part of England and/or Wales. |
| SFA | Stochastic frontier analysis. |
| Southern | Southern Water Services Limited, a WaSC . |

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| Southern region | An administrative region of the EA . It includes most of Hampshire and the Isle of Wight, Kent, Sussex, part of south-east London and small parts of Surrey and Wiltshire. It is broadly the same as the area of Southern's appointment to provide sewerage services. |
| South Staffs Group | South Staffordshire Group PLC, owner of South Staffs Water . VWUK has a 31.4 per cent holding in South Staffs Group. |
| South Staffs Water | South Staffordshire Water plc, a WoC . |
| SPA | Sale and purchase agreement. SPA1 is the agreement of 8 March 2002 under which First Aqua acquired Southern from Scottish Power. SPA2 is the agreement of 7 May 2002 under which VWUK has agreed to acquire JVCo , and hence Southern , from First Aqua . |
| SPV | Special purchase vehicle. |
| Stock Exchange | International Stock Exchange, London. |
| SWC | Statutory water company. A company incorporated under an Act of Parliament relating specifically to that company. Under the 1989 Act SWCs were permitted to register as limited companies under the Companies Act 1985 and became WoCs . |
| Tendring Hundred | Tendring Hundred Water Services Limited, a WoC owned by VWUK . |
| Three Valleys | Three Valleys Water Plc, a WoC owned by VWUK . |
| Three Valleys report | The MMC report <i>General Utilities plc, The Colne Valley Water Company and Rickmansworth Water Company: a report on the proposed merger</i> (HMSO, Cm 1029, April 1990). |
| United Utilities | United Utilities PLC, owner of UW and of United Utilities Electricity PLC. |
| UW | United Utilities Water plc, a WaSC . Formerly named North West Water Limited. |
| VE | Vivendi Environnement SA, ultimate holding company of VWUK . |
| Vivendi Universal | Vivendi Universal SA, former parent company of VE , in which it owned 40.8 per cent of the ordinary shares at the time of our report. |
| VWIOL | Vivendi Water Industrial Outsourcing Limited, a non-regulated VWUK subsidiary. |
| VW Projects | Vivendi Water Projects Limited, a non-regulated VWUK subsidiary. |
| VWUK | Vivendi Water UK PLC and, where applicable, its subsidiaries. |
| WaSC | Water and sewerage company. A company which is both a water undertaker and a sewerage undertaker . |
| Water Authority | Ten Water Authorities were set up in England and Wales under the Water Act 1973. Their functions included the provision of water and sewerage services, sewage treatment and disposal, water abstraction and pollution control and land drainage. The water and sewerage functions of the Water Authorities were privatized under the 1989 Act , and the successor companies are now known as WaSCs . |
| Water undertaker | A company appointed under the 1989 Act or 1991 Act to provide water services in a specified part of England and/or Wales. |

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| WaterVoice | WaterVoice operates through nine regional committees in England and a committee for Wales (the statutory Ofwat Customer Service Committees). They represent the interests of all customers of the WaSCs , allocated to each committee by the DGWS . |
| WaterVoice Southern | The regional WVC which represents the interests of the customers of Southern as well as F&D , Mid Kent Water, Portsmouth Water and South East Water. |
| WoC | Water-only company. A company appointed to provide water services but not sewerage services. |
| WVC | WaterVoice Committee. |