

**An international Exchange of Experience**

**Economic Analysis according to the WFD:  
Status of Implementation**

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and Rural Affairs

**„The Economic Analysis 2004  
Assessing Cost Recovery“**



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# The Economic Analysis 2004 Assessing Cost Recovery

The case of the UK

Kevin Andrews

Environmental Protection  
Economics, Defra



# National guidance

- Special situation – Devolved administrations
- No formal guidance document
- E&W Roles and responsibilities specified in 2<sup>nd</sup> and 3<sup>rd</sup> consultation documents
- Scoping studies undertaken and formal groups being established

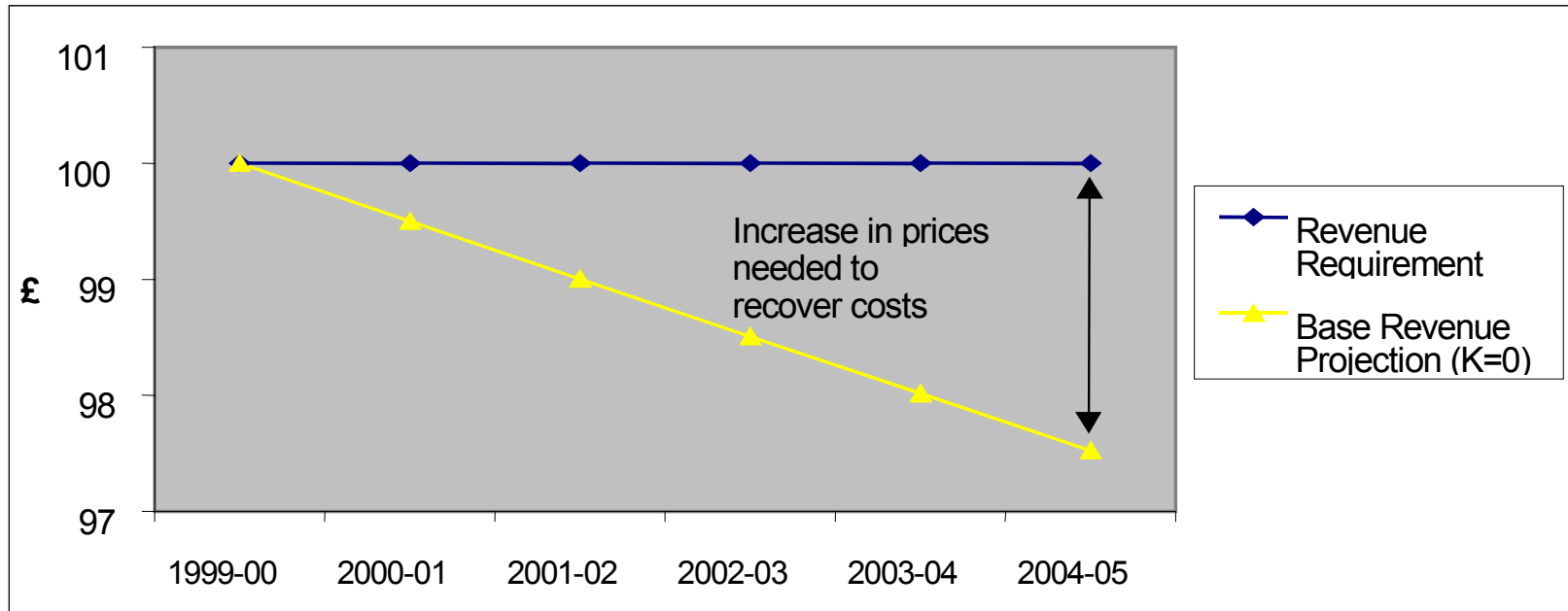
# Current implementation

- Scoping work completed/oversight groups being established
- Intensive research activity in January to March (Scotland already started)
- Develop protocols/critical path to assist in the reporting
- Synthesis in July/August

## Framework for the recovery of costs - RPI±K price setting regime and cost recovery

- The cost to be recovered - the Revenue Requirement (RR)
- Recovering the costs of financing the capital programme
- Recovering the costs of taxes and subsidies
- Setting allowable price increases so that revenues recover costs - Revenue Forecast (RF)

# Comparison of RR and RF and cost recovery



# Problems/Solutions

- Define water services and uses which impose significant costs
- Mapping users to customers
- Source apportionment
- Quality of information
- Time horizon for CR

# Remaining work on finalisation

- Complete scoping work in December 2003
- Completion of research in March 2004 – identify any outstanding needs/tasks and responsibilities
- April to July – implement tasks and report back
- July/August synthesis and reporting

# Other issues

- Linking technical and economic work - UK TAG Guidance/Economics Sub-Groups
- Work beyond 2004 – forward look to 2010
- Transboundary issues – recovery of costs/mechanisms