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Dear Paul

**DRINKING WATER INSPECTORATE'S (DWI's) RESPONSE TO THE UTILITY
REGULATOR'S DRAFT DETERMINATION FOR PC21**

Thank you for the opportunity to comment on the Utility Regulator's draft determination for the PC21 business planning period. I welcome the continuing dialogue with the Utility Regulator as the price control process moves towards a final determination in March 2021.

My comments within this letter are focused on the delivery of drinking water quality programmes identified by NI Water, in the delivery of its duty to supply wholesome water, as defined by statutory obligations.

Significant improvements have been delivered in drinking water quality over the last ten years, however we need to ensure that NI Water's planned investment is targeted to maintain, and further improve on, these high standards through the PC21 period.

1.0 General Approach to the PC21 Drinking Water Quality Programme

- 1.1** DWI's general approach, is that we expect NI Water to deliver its statutory drinking water quality requirements. In particular, the Inspectorate will look to ensure that NI Water has adequately considered the need for public water supplies to be safe, clean and wholesome, compliant with the regulatory standards, and acceptable to consumers.
- 1.2** Whilst it is recognised that competing priorities exist, the Inspectorate will look to ensure that NI Water has paid due regard to public health protection in its prioritisation process.

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- 1.3** There should also be appropriate provision made within NI Water's future investment for a sustainable level of asset maintenance to maintain public confidence in drinking water quality. The drivers for this should be both risk based and proactive.
- 1.4** The Utility Regulator has stated in its PC21 Approach Document, that the company should demonstrate how it has taken account of the views of consumers in its plan. The Inspectorate welcomes the work undertaken by CCNI and NI Water, to determine consumers' priorities in developing the new consumer measures. The company's plan to introduce targets based on the first point of contact resolution, reduction in unwanted calls and net promoter score are all welcomed. This aligns with DWI's strategic objectives that the public water supplier delivers water that is safe, and is aesthetically acceptable to consumers in relation to its appearance, taste and odour, but that the manner in which the company deals with unsatisfactory service is also clearly monitored.

2.0 Provision of Information to DWI from NI Water for PC21

- 2.1** The Inspectorate published guidance¹ on 06 November 2018 outlining what we expected from NI Water and the reporting format (Annex A) which was to be completed by the company in any request for support from DWI for any project within PC21 which was identified as required to improve drinking water quality.
- 2.2** In relation to proposed programmes of work within PC21, NI Water submitted nine Annex A returns for water treatment works in April and May 2020 and a further Annex A in relation to Analytical Services on the 22 July 2020. A number of these returns did not provide sufficient detail for DWI to adequately assess the water quality drivers for the proposed projects and further detail was requested. This was provided on 22 September 2020.
- 2.3** Data submitted through the Annex A process was considered against the following Assessment Criteria, in relation to the provision of our technical support for the proposed scheme.
- Where proposed works are related to the implementation of best practice and optimisation of treatment against Bouchier and Badenoch recommendations for Cryptosporidium control.
 - Where a High Risk has been identified in NI Water's Drinking Water Safety Plan and has associated actions identified within the Action Plan to mitigate the risk.
 - Where a specific Action Plan is in place at a WTW for THM control or where identified works align with the overarching THM Strategy.
 - Where necessary investment has been identified to improve water quality at a WTW during a DWI technical audit.
 - Where a number of water quality events have occurred and DWI is satisfied that the cause is related to treatment deficiencies requiring investment.
- 2.4** NI Water was informed of the outcome of DWI's initial decision assessments, together with the request for submission of additional information on 03 September 2020.

¹ [Guidance and Information Requirements \(Annex A\) to Northern Ireland Water on Long Term Planning for Drinking Water Supplies in PC21](#)

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Following consideration of the additional information provided, the final decision assessment outcome was provided on 01 December 2020. I understand this process was not completed in advance of the Utility Regulator's Draft Determination and is reflected as such within the document.

3.0 Specific Comments on Draft Determination

Key Benefits

- 3.1 DWI acknowledges that the significant increase in investment and outputs NI Water plans to deliver in PC21 reflects an increase of 74% compared to PC15. Whilst it is recognised that a large percentage of this relates to waste water investment and the objective of releasing development constraints, there is also a significant increase in the investment planned for drinking water to ensure the continued protection of public health through provision of safe, clean, wholesome water.
- 3.2 As with all price controls, NI Water has been asked to deliver efficiencies, whilst continuing to improve customer service and maintain and improve drinking water quality. The company has embraced this challenge over the last number of price controls and continues to strive for improved services at a lower cost.

Outputs and Outcomes (Section 3.0 & Annex E)

Service Level Outputs (Table 3.1)

Water Quality Compliance

- 3.3 The draft determination sets four targets for NI Water relating to water quality compliance which are the same as PC15. The Regulator has identified those in table 3.1 as targets which the company is expected to meet or exceed. However, it has accepted NI Water's targets in relation to water quality compliance as they lie towards the middle of the assessed range of operational performance.
- 3.4 Three of these targets fall short of meeting the company's statutory obligations. The Inspectorate would highlight that the outturn compliance figure for PC15 is higher for each of the three targets. The company should therefore strive to exceed the PC15 outturn target in the context of a direction of travel to fully meet statutory obligations at a pace consistent with protecting public health and maintaining public confidence.

Overall Performance Assessment (OPA)

- 3.5 DWI notes the Regulator's intention to retire the OPA and replace it with two new metrics as a primary means of reporting (new consumer measures and release of development constraints). It is acknowledged that these measures will better reflect the performance of the company with respect to specific metrics and the key service measures continue to be measured within the specific targets set.
- 3.6 NI Water's Business Plan included consideration of the government's priorities in relation to Climate Change and Green Growth and this has been reflected in the draft

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determination. Having achieved its targets for PC15 of 40% power usage from renewable resource, the company has indicated that it aims to increase the total percentage of green energy used by its assets to 100%. Whilst we agree with the regulator that this is ambitious, we welcome the company's vision and commitment to address the major strategic priorities in its forward planning programme.

Nominated Outputs and Activities (Annex G)

Water Mains Activity

- 3.7** The Inspectorate notes the PC21 delivery targets for water mains activity which in the six years of the price control is to deliver 788kms of new or renewed mains through its rehabilitation programme, slightly lower than the PC15 target. The Inspectorate supports the prioritization of mains rehabilitation work, which while taking account of a number of factors, should have the consumers interest appropriately reflected, particularly their concerns and experiences relating to discoloured appearance of their water supply

Trunk Main Schemes

- 3.8** The Inspectorate notes the fourteen proposed trunk main schemes. The principal purpose of these is to improve resilience in accordance with NI Water's Water Resource and Supply Resilience Plan to either maintain service reservoir levels, address deficits in supply and demand or to facilitate capacity for future development. I can confirm that NI Water has not presented any evidence to DWI, to indicate a need for these mains due to improve drinking water quality.

Water Treatment Works Schemes

- 3.9** The draft determination identifies 18 nominated outputs for 16 of the 23 water treatment works. This represents a significant increase in investment from PC15. As detailed above, Annex As were received by DWI in relation to water quality drivers in relation to nine of these schemes as outlined below:

WTW Code	WTW Name	PC21 Project ID	Commencement	Projected Beneficial Use
W1702	Altnahinch	1186	2022-23	31.03.2023
W4306	Caugh Hill	2020	2026-27	31.03.2027
W2509	Clay Lake	1084	2025-26	31.03.2026
W4501	Derg	1927	2024-25	31.03.2025
W3801	Drummaroad	1664	2026-27	31.03.2027
W1303	Dungonnell	1550	2021-22	31.03.2022
W4701	Killyhevlin	1073	2026-27	31.03.2027
W1302	Lough Fea	1111	2023-24	31.03.2024
W2514	Seagahan	1118	2026-27	31.03.2027

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- 3.10** A number of these relate to requests for support to address concerns relating to THMs and *Cryptosporidium* compliance. The Inspectorate welcomes the Regulator's recognition of our concern relating to the 'end on loading' of a number of the water treatment works schemes. We look forward to engagement with NI Water and the Regulator in advance of the final determination to establish whether any investment can be brought forward in the programme. DWI would particularly raise the proposed dates for Caugh Hill, Drumaroad and Derg WTWs.
- 3.11** It is acknowledged that a number of WTWs require general investment to improve overall performance and nine works are included in the draft determination under this category. The Inspectorate supports any investment that contributes to improvements in the treatment process.
- 3.12** The Inspectorate notes that reference is made to the 4 PPP water treatment works operated by NI Water Alpha and the treatability improvements are listed in the Development Objectives (table 3.3). Any request for support from DWI should be accompanied by the submission of an Annex A document and all necessary supporting documentation.

Clear Water Tanks

- 3.13** The Inspectorate notes within the draft determination the proposals for three clear water tanks / service reservoirs (CWT/SR) to be constructed during PC21. I can confirm that NI Water has not presented any evidence to DWI to indicate a need for these CWT/SRs due to water quality drivers.

Serviceability (Annex F)

- 3.14** The current level of serviceability has been identified as Stable. The Inspectorate supports the need for ensuring that measures are included as an early warning of potential emerging issues before failure occurs. Longer term planning for investment and asset management where issues are identified at an early stage, will ensure that resources are focused on consumer priorities and effectively prioritised.
- 3.15** It is noted that the indicator relating to THMs is referenced against 75% of the drinking water PCV, whereas NI Water operate an internal standard of 50% of the PCV due to the potential to increase in distribution.

4.0 PC15 Additional Output Measures

Lead Communication Pipe Replacement

- 4.1** NI Water is required to fulfill its statutory obligations to achieve compliance with the current lead standard of 10µg/l. We welcome the target within PC21 of 11,064 lead communication pipes to be proactively replaced at consumers' properties, in addition to lead pipe replacement as part of the mains rehabilitation programme and in response to contraventions. We note that NI Water plans to out-perform this target in PC15 and deliver 11,203 replacements.

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- 4.2 For PC21, we expect that the lead replacement programme continues to be aligned with the objectives contained within the Social and Environmental Guidance (2021 - 2027) and also the Long Term Water Strategy (2014 – 2039).

5.0 PC21 Additional Output Measures

Number of Catchment Management Plans where Recommendations have been delivered

- 5.1 The Inspectorate recognises how catchment management schemes can deliver benefits to drinking water quality in the longer term. The completion of catchment management plans for all 'live' catchments in PC15 has laid the foundations for the implementation of the recommendations in PC21. We are therefore supportive of NI Water's proposal to implement the recommendations of 20 Catchment Management Plans during PC21.
- 5.2 We would expect to see the outputs of the catchment management plans incorporated into the company's Drinking Water Safety Plans and subsequent Risk Assessments and associated Action Plans to ensure the recommendations are implemented in a planned, risk based manner with highest priority areas identified first.

Number of Treatability Studies Completed

- 5.3 NI Water intends to complete 12 treatability studies in PC21. DWI would support this process which was adopted in PC15 to enable more effective planning for water treatment works investment in the next price control. DWI would highlight the need for all information presented in Treatability Studies to be up to date or supported with an up to date position when these are used in the Annex A process. We are also interested in establishing how NI Water prioritises the 12 works from all its works.

6.0 Development Objectives (Annex I)

- 6.1 The other general investment section for Water Outputs within the draft determination highlights a number of development outputs where the work could have an impact on drinking water quality. The Inspectorate has advised NI Water that any requests for support to any of the areas listed, eg NI Water Alpha Ltd WTWs treatability improvements and DWD recast and emerging issues study, should be formally requested. DWI would welcome the opportunity to comment on any additional information received in relation to the development outputs relating to drinking water quality in advance of the final determination.

7.0 Change Protocol and Mid-Term Review (Annex M)

- 7.1 DWI notes the change protocol process will continue to be applied during PC21 to enable flexibility where it is considered necessary and, shown to deliver benefits over and above the original proposals or because of change in circumstances, that an alternative solution is required.

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- 7.2** The inclusion of a mid-term review within PC21 should as you have stated in your draft determination, allow for both any changes in funding to be realigned with the revenue and outputs, as well as providing an opportunity for NI Water to bring forward innovative and sustainable solutions from the completion of strategic studies undertaken in the first part of the price control up to 2023. DWI expects that this would include relevant outcomes from pilot studies completed in the first part of the business planning period.

8.0 DWI Regulatory Processes

- 8.1** Whilst we are committed to working with stakeholders, DWI's primary focus remains with its duty to fulfil its statutory responsibilities. Where the Inspectorate identifies significant non-compliance with the regulations, it will continue to assess the need to take forward enforcement action to ensure NI Water, as the licensed water supplier, complies with its regulatory duty to supply wholesome water.
- 8.2** DWI will continue to engage as required with all parties in identifying and bringing forward work programmes into and during the PC21 programme. In arriving at your Final Determination, I trust you will consider these comments. Should you wish to discuss any of the matters raised in this response, please contact Colin Clements (028 90569242) or myself (028 90569294) or dwi@daera-ni.gov.uk.

Yours sincerely



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