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To: All relevant stakeholders and interested parties

1 October 2025

**RE: UR Statement of Regulatory Principles and Intent (SORPI) as regards
to Northern Ireland Water – Policy Position Update**

Dear Stakeholders,

This letter sets out, and explains the rationale for, our decision to annul the policy position statement entitled '*Regulation of the Northern Irish water and sewerage Industry: Statement of Regulatory Principles and Intent*' (**SORPI**).

Rationale for annulling UR's SORPI for NI Water

With effect from 1 April 2007, the Water and Sewerage Services (Northern Ireland) Order 2006 (the **2006 Order**) came into force and created a new legal regime for the provision of water and sewerage services in Northern Ireland. NI Water was appointed as the sole water and sewerage undertaker and, at the same time, Utility Regulator (**UR**) was appointed to act as the economic regulator for the sector.

Given that this was a very significant change in the legal framework, various documents were published in 2006 and 2007 explaining how the new arrangements were intended to work. The SORPI was one of these documents.

UR issued it in April 2007 as an initial regulatory policy paper in order to outline, in broad terms, how it expected to exercise its new functions as regulator for the sector.

The purpose of the SORPI was to be forward looking and explain how UR anticipated that key elements of the newly established regulatory regime for NI Water would operate. As such, it was necessarily a high-level and introductory statement of UR's proposed approach to regulating NI Water at the time it was published, and much of it was specific to the first few years of the new arrangements (in particular the 2007-2010 period). It was not written with the benefit of experience in exercising the new regulatory functions, nor was it seeking to anticipate how regulation would operate over the long-term future.

Since publication of the SORPI in 2007, a considerable amount has changed. Firstly, we have developed over time a range of more detailed regulatory processes and procedures relating to, for example, our enforcement and compliance, price control and consumer protection functions. These have inevitably superseded the high-level and introductory statements set out in the SORPI. In addition, the SORPI was written so as to reflect the context of the time at which it was published, and to focus on the immediate priorities of UR in the initial years of the new arrangements. Many aspects of that context have changed over the course of the intervening years, and the initial priorities have mostly been fulfilled and replaced by longer-term goals.

In the light of these developments, we have decided to rescind the SORPI for two main reasons. In the first place, a high-level and introductory document such as the SORPI is no longer needed; it has fulfilled the purpose for which it was originally written, but it is not necessary any longer to have an introductory document of the same nature relating to the regulation of the sector. Secondly, significant elements of the SORPI have become outdated due to the passage of time and developments that have taken place since it was written; it is not helpful for these to remain on the record as a statement of UR's policy position when they have now been superseded. For these reasons, it is not our intention to replace the SORPI with any like-for-like document.

UR SORPI commitments relating to environmental compliance and performance and Standards of Performance

While we are satisfied that the decision to rescind the SORPI is appropriate, our review has identified two areas referenced within the document that merit the provision of further clarity in terms of our regulatory position and commitment. This is provided below.

Firstly, while UR acknowledges that the NI Environment Agency operates as the principal environmental regulator in Northern Ireland, we are conscious of the fact that, in carrying out our functions, our regulatory role in relation to NI Water also encompasses matters of environmental performance and compliance. Therefore, we wish to make clear that:

- (i) When setting each price control, UR is committed to ensuring that NI Water is given allowances which will be sufficient to reflect the cost of compliance with its environmental obligations.
- (ii) UR is doing what it can, within the limits of its statutory powers, to promote the adoption of prescribed NI Water Standards of Performance, which we acknowledge will (at least in part) address environmental matters.
- (iii) UR recognises that a number of the statutory obligations on NI Water, for which UR is an enforcement authority under the 2006 Order, are obligations which are either directly environmental in nature, or the effective performance of which will have environmental implications. As with all statutory obligations for which it is an enforcement authority, UR is committed to complying with its own duty to take enforcement action whenever it is satisfied that a breach is taking place or is likely to take place.

Secondly, the SORPI (at paragraphs 13 to 17 and 39, which are also referred to in the annex below) proposes the development of prescribed performance standards and notes UR's intention to apply to the Department for their introduction. We have recently re-commenced a Standards of Performance process to fulfil this commitment and NI Water and DfI have already been

advised of our intentions. Once this work is taken to its conclusion¹, it will supersede the SORPI policy position on performance standards. We acknowledge the statutory role that DfI plays in deciding whether to prescribe Standards of Performance through regulations based on our recommendation and we currently anticipate that the earliest date that the Standards of Performance would take effect is the 2026-27 financial year pending DfI's decision.

The Annex attached to this statement has been developed to help explain the transition from the original SORPI to the current UR policy position. The original content is summarised in the first three columns of the Annex and the 2025 policy or legislative position that replaces it is noted in the fourth column. In circumstances where the SORPI text refers to the initial transitional regulatory period and/or approach, resulting in text which is now historic and for which an updated position is not relevant, this is also noted in the fourth column for clarity.

Should any interested party or stakeholder wish to discuss this matter further, provide comment or request any further clarification, they are welcome to contact my office at UREGNI_Water_Responses@uregni.gov.uk.

Yours faithfully



John French

Chief Executive Officer

For and on behalf of the Northern Ireland Authority for Utility Regulation

¹ To facilitate the determination of the extent to which NI Water breaches its obligations or supplement that duty by establishing overall/guaranteed standards of performance in relation to that duty DfI may, by regulations, provide for contraventions of such requirements as may be prescribed to be treated as breaches of that duty or prescribe such standards of performance in connection with the provision of services, which in its opinion, ought to be achieved.

Annex – Assessment of coverage of existing SORPI content by other UR processes and documentation established since it was published in April 2007

The [SORPI](#) is split into 8 sections and 49² paragraphs. In columns 1 to 3 of the table below, we set out each current section of the SORPI and the numbered sub-paragraphs within it, along with a brief summary of what they cover. The fourth column identifies either: (i) the processes/documents that we now believe have replaced and cover the same subject-matter as the original position statements; (ii) where we consider the SORPI text to be historic/out of date/no longer relevant; or (iii) our plans to address any gaps that remain.

Section Title ³	Para/s	Current SORPI Text ⁴	UR document/process that now cover the original SORPI content and/or plans to address any gaps
Introduction	1-7	Introduction setting out a brief summary on the contents of document.	None required.
<i>Political Context</i>	2-3	High level background on the ongoing discussions about the future of the NI water industry and some key principles for dealing with legacy issues moving forward, which is mostly still relevant today. Also sets out the high-level approach to interaction with elected representatives and financial matters.	While the text is potentially still relevant in some ways in 2025, it is a general expression of position. We cover the prevailing political and governance context within which we are operating in our ‘water’ Price Control (from PC10 onwards) and associated documentation.
<i>Early Steps</i>	4-6	A mix of historic information setting out the intended work 2007-2009 (NI Water	Now outdated. This has been replaced by our ‘water’ Price Control (from PC10 onwards) and our

² The introduction on pages 2 and 3 are numbered 1-7. The main document starts on page 4 with paragraph numbering again commencing at 1 and ending at 42, therefore 49 paragraphs in total.

³ Main headings in the SORPI documents are represented as bold, and sub-headings are represented as italics.

⁴ The current text is presented as a synopsis of the content for the sake of brevity.

Section Title ³	Para/s	Current SORPI Text ⁴	UR document/process that now cover the original SORPI content and/or plans to address any gaps
		(NIW) first business plan, first data return, approach to first price control), setting up and creating working relationships with other statutory partner organisations and general summary of background context with regard to the experience of other water regulators (notably Ofwat ⁵ and WICS ⁶), understanding of the transitional position of NIW and importance of ministerial decisions while upholding adherence with our statutory duties.	Annual Reporting ⁷ (from AIR08 onwards). This includes all associated documentation/guidance and the price control working group structures that we have established. These processes are undertaken in line with our statutory duties and with regard to DfI's Social and Environmental Guidance. In the intervening period roles and responsibilities of stakeholders have also been clarified and are now well understood and effective business-as-usual (BAU) relationships have been established. Other UR documents such as our enforcement policy, financial penalties policy and best practice framework have also helped clarify and explain our regulatory approach and policy.
<i>Summary of the Statement of Regulatory Principles and Intent</i>	7	Summary of the SORPI: High-level overview of the regulatory principles that the paper will cover.	General summary of the document so no update is required.
Overview	1-3 ⁸	General summary statement: This statement sets out NIAUR's approach, intent, and principles to be applied in fulfilling its duties as the economic regulator of Northern Ireland Water Limited ("NIW").	No updates are required as this is covered by our 'water' Price Control (from PC10 onwards) and our Annual Reporting (from AIR08 onwards). This includes all associated documentation/guidance.

⁵ Ofwat is The Water Services Regulation Authority, the economic regulator for the water and sewerage companies in England and Wales.

⁶ WICS is Water Industry Commission Scotland, the economic regulator for Scottish Water

⁷ Annual Reporting includes the Annual Information Return and Cost and Performance Report

⁸ Original SORPI numbering starts again at 1 with this section. Retained here for consistency.

Section Title ³	Para/s	Current SORPI Text ⁴	UR document/process that now cover the original SORPI content and/or plans to address any gaps
	2 -3	Statement of aim of document, to give clarity to stakeholders on how UR will exercise its functions and intended approach regarding regulation of NIW in areas such as: • Regulatory Framework. • Securing appropriate quality standards and customer service standards for consumers. • Securing the financeability of NIW's operations.	Further general text outlining general approach to regulation is now embedded in BAU processes. No updates are required. The following sub-sections detail how each individual element has been covered.
The Regulatory Framework	4-12	Refers to the primary and secondary duties of UR as set out in the 2006 Order. Also refers to the instrument of appointment (i.e. the Licence) under which NIW will operate.	The documentation/guidance for our regulatory processes, such as our ‘water’ Price Control (from PC10 onwards), set out our primary and secondary duties (as per Article 6 of the 2006 Order - General duties with respect to water industry). This is supplemented by our website which refers to our statutory objectives (https://www.uregni.gov.uk/what-we-do) NI Water's Licence is also published on our website. NI Water Licence (latest revision 25 November 2024).
<i>Primary duties and NIAUR's approach to regulation</i>	5 - 6	Statement that UR will act to ensure NIW is compliant with the Licence and fulfil its duties under the Order. Further statement of primary and secondary duties under the Order.	As above, supplemented with the additional detail included in documentation/guidance for our regulatory processes, such as our ‘water’ Price Control (from PC10 onwards) and our Annual Reporting (from AIR08 onwards). Also, other UR

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			documents such as our enforcement policy, financial penalties policy and best practice framework help clarify and explain our regulatory positions.
<i>Best-practice regulation</i>	7 - 10	Section details: UR will have regard to best regulatory practice and will continue with incentive based economic regulation as per other utilities in the UK. Practical measures to implement this, determining periodic price or revenue caps, output requirements and performance and efficiency in expenditure. What UR will do to ensure best regulatory practice, and that UR commits to clear standards of consultation, transparency and modern governance. General statement that UR wishes to maintain ongoing dialogue with all main stakeholders in NI water industry.	Article 6(6) of the 2006 Order refers to best regulatory practice. This is covered by our approach to 'water' Price Control (from PC10 onwards) and our Annual Reporting (from AIR08 onwards). This includes the consideration of the extent to which regulatory processes and comparative benchmarking from GB can be applied, the development of approach documents/guidance, consultation/engagement on our approach and our determination, establishment of price control stakeholder working groups, holding regular bilateral engagement on emerging findings and the setting, monitoring and reporting of performance against challenging regulatory/efficiency targets.
<i>Transition to 2010</i>	11 - 12	Statement outlining the date of establishment of NI Water as a Go-Co, the phasing-in of tariffs and an understanding that a backlog of	Historic information which either no longer applies (in relation to tariffs and the Strategic Business Plan period) and so does not require any update; or is covered by our ' water ' Price Control (from PC10 onwards) and our Annual Reporting (from AIR08 onwards), including all associated documentation

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		investment exists to raise standards and performance. Further information regarding the period 2007-2010 and the creation of the Strategic Business Plan (SBP) phase of the company. Refers to the setting of new outputs, targets and price controls from April 2010 onwards.	and guidance. Setting, monitoring and reporting of performance against challenging regulatory/efficiency targets forms part of these processes.
Securing appropriate quality standards and customer service standards	13 - 17	Section details: Initial government funding being set to improve quality of outputs and service to customers. UR will apply to the Department for a Guaranteed or Overall Standards Scheme to compensate consumers for poor performance. UR will work with NIW, government, quality regulators and consumer bodies to establish appropriate outputs for which funding will be allowed. This will be followed by the required consultation to enable stakeholders to express any concerns on matters such as outputs vs costs. UR, in setting price controls, needs to be sure outputs can be financed if	The process of asking the Department to introduce ‘<i>standards of performance</i>’ (which are either Guaranteed Standards of Service [GSS] or Overall Standards of Service [OSS]) in respect of water and sewerage provision (as outlined in 2006 Order Articles 66 and 150) was commenced by UR in the past but not taken to conclusion. We have now⁹ recommenced this process and NI Water and DfI have already been advised of our intentions verbally. Once this is taken to conclusion this will update and replace the position as set out in the SORPI. Notwithstanding the fact that the statutory application for the establishment of GSS or OSS has not been made, our approach to ‘water’ Price Control (from PC10 onwards) and our Annual Reporting (from AIR08 onwards) set, monitor and

⁹ Commenced 2024, to be completed and taking effect in 2026-27 at the earliest, pending DfI’s decision.

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		delivered efficiently. Allowed costs will cover the full package of measures (e.g. water and sewerage quality, customer service, H&S) being required of the company for the price control period.	report against challenging regulatory/efficiency performance targets.
<i>Treatment of vulnerable customers</i>	17	Sets out that the 2006 Order requires UR to take into account the interests of vulnerable consumers in the price control process. UR will require NIW to support vulnerable consumers only to the extent that this can be funded through the wider price control framework consistently with its overall duties.	Considered in our ‘water’ Price Control (from PC10 onwards). In addition the development, publication and implementation of the Best Practice Framework - Code of Practice for Consumers in Vulnerable Circumstances (March 2024) covers the Treatment of Vulnerable Customers and the NIW Licence (25 November 2024) has been modified accordingly through the introduction of Condition R.
Promoting efficiency in capital and operating expenditure	18-24 (18-19)	UR will take into account considerations for setting NIW efficiency targets for price control reviews to enable them to catch up to the efficiency frontier. In doing this, benchmarking and improved productivity assumptions will be involved. Benchmarking and productivity studies will be undertaken by UR using comparative cost data from Ofwat and WICS.	This is covered by our approach to ‘water’ Price Control (from PC10 onwards) and our Annual Reporting (from AIR08 onwards). This includes the consideration of the extent to which regulatory processes and comparative benchmarking from GB can be applied and the setting, monitoring and reporting of performance against challenging regulatory/efficiency targets.
<i>Capital and operating expenditure</i>	20	Sets out UR’s expectation for NIW expenditure for the initial regulatory period 2007-2010.	Historic information which no longer applies and so no updates are required. The text above reflects how this has been treated from PC10 onwards.

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<i>during the initial control period</i>			
<i>Treatment of legacy expenditure commitments</i>	21 - 22	Details NIW's PPP ¹⁰ contracts and these will be included by UR in the NIW cost base. These contracts will be subject to efficiency review and incentives, as will any other contracts entered into.	One small Pfl contract ended in April 2024 and this asset now forms part of the NIW business and the associated expenditure is assessed accordingly. The remaining PPP contracts are still ongoing and UR regulates these PPP contracts via the same efficiency mechanisms as other contracts within the ‘water’ Price Control established from PC10 onwards.
<i>Duration of future price controls</i>	23	Outlines intended UR approach for price control duration.	This is covered by our approach to ‘water’ Price Control (from PC10 onwards). These are shared with other stakeholders and consulted upon.
<i>Forward Work Plans and PR09</i>	24	Details approach to first price control PR09.	Historic information which does not require updating. This was addressed through the publication and consultation of our approach to our first Price Control PC10. The approach since PC10 has been covered by our subsequent price control processes.
Securing the financeability of NIW's regulated activities	25 -36 (25)	Outlines UR approach to fully funding of NIW activities in future price controls. This will include remuneration for cost of capital invested in the business and be reflected in the RCV. This should	This is covered by our approach to ‘water’ Price Control (from PC10 onwards). These are shared with other stakeholders and consulted upon.

¹⁰ Public Private Partnership – an arrangement between government and private investment over a long-term period wherein the private investment recoups profit over the lifetime of the contract.

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		enable NIW Directors to fulfil statutory duties.	
<i>Run-off from 2007-2010</i>	26	Details revenue cap and correction factors applicable in the period 2007-2010.	Historic information which no longer applies and so does not require updating.
<i>Initial Regulatory Capital Value</i>	27 - 28	Sets out that UR recognises the importance of the RCV in providing efficient investment and financing to benefit customers. UR understands that Department ministers have set an initial RCV and will use this as a starting point for price control determinations.	Historic information which does not require updating. The approach since the SBP period has been covered by UR's ‘water’ Price Control (from PC10 onwards). Our approach documents are shared with other stakeholders and consulted upon.
<i>Rolling forward the RCV during price control periods</i>	29 - 30	Explains that UR will adopt Ofwat position of rolling forward the RCV. Bad debt above a set threshold and costs not reflected in tariffs (due to Ministerial policy limit) will be rolled forward in RCV. UR however will review this approach in future price control determinations after 2010.	This is covered by our approach to ‘water’ Price Control (from PC10 onwards). These are shared with other stakeholders and consulted upon.
<i>Treatment of gains from the disposal of surplus property</i>	31 - 33	Section sets out that disposal of surplus property will be set out in a 10-year Estates Management Plan expected by September 2009. UR will be content for NIW to retain any surplus from disposal of property to be retained up to 2010. Following this UR is likely take view that such surpluses be shared between NIW	Requirements for NIW returns for disposal of surplus property (sections 31 to 33) in accordance with Licence Condition K have been established. NIW submits an Estate Management Plan to UR as part of its business plan submission and also submits an Annual Land Disposal return.

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		and customers (as per Ofwat framework).	The Department of Finance's Disposal of Surplus Public Sector Property in Northern Ireland October 2018 sets the policy for disposals.
<i>Investment grade credit rating and WACC</i>	34 - 36	Explains that UK regulators typically require companies to maintain investment grade credit rating for investment. This rating can also provide the company and shareholder with an assessment of NIW performance. UR will expect NIW to be rated by 1 September 2007 and to reach and sustain an investment grade credit rating by 30th June 2009. From 2010, UR will set the weighted average cost of capital to remunerate investors in its price controls, consistent with the risks faced by NIW, taking account of its investment grade and its experienced cost of capital.	Historic information which does not require updating. UR decided not to enforce this condition in 2009 and the position has remained unchanged since then. The approach since the SBP period has been covered by UR's 'water' Price Control (from PC10 onwards). WACC has been considered and determined in each price control.
Enforcement	37-38	Sets out UR's statutory duties in relation to enforcement when the company fails to comply with its licence or legislation. Also outlines the ability to accept an undertaking in lieu of enforcement.	As set out in the 2006 Order (Articles 30 Orders for securing compliance with certain provisions and 31 Exceptions to the duty to enforce) as well as the Licence. Our Enforcement Policy Approach and Procedure January 2024 explains the approach we will take in relation to non-compliance with any licence or statutory obligations.

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		Financial penalties policy to be introduced during 2007/2008 which will allow for any payments made to benefit customers rather than be paid into the consolidated fund.	The 2006 Order allows for UR to issue a financial penalty (Article 35 – Financial Penalty). UR's Financial Penalties Policy originally issued in 2008 and updated in 2018 ¹¹ explains UR's approach to financial penalties.
<i>Performance standards</i>	39	Sets out that performance standards and GSS are to be introduced. UR realises NIW has significant transformation and will take this into account but are committed to ensuring performance standards are achieved and enforcement taken if necessary.	The process of asking the Department to introduce 'standards of performance' (OSS or GSS) in respect of water and sewerage provision (as outlined in the 2006 Order Articles 66 and 150) was commenced by UR in the past but not taken to conclusion. We have now ¹² recommenced this process and NIW and DfI have already been advised of our intentions verbally. Once this is taken to conclusion this will update and replace the position as set out in the SORPI. Our Enforcement Policy Approach and Procedure January 2024 explains the approach we will take in relation to non-compliance once standards are in place.
<i>Wastewater legacy issues</i>	40	Sets out that wastewater legacy investment issues exist which are causing compliance problems. UR will in the short-term take this into account but will expect investment backlog to be reduced in the near future and more	Our ' water ' Price Control (from PC10 onwards) set funding allowances for addressing non-compliance and a range of targets for delivering wastewater outputs and improving environmental compliance. We monitor and report performance against these regulatory targets through our Annual Reporting .

¹¹ In accordance with Art 36 of the 2006 Order

¹² Commenced 2024, to be completed and taking effect in 2026-27 at the earliest, pending DfI's decision.

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		exacting (and enforceable) quality standards to be achieved.	Our Enforcement Policy Approach and Procedure January 2024 explains the approach we will take in relation to non-compliance with statutory obligations, including those associated with environmental quality/compliance. We are posting this public statement which acknowledges that UR understands the relevance of its role in relation to environmental matters.
Future Developments <i>Metering</i>	41	Explains UR's intention to conduct a metering review during 2007/08 to inform future policy direction ¹³ .	No longer applicable in 2025 due to ongoing deferral of domestic water charges. An associated decision was taken to stop installing domestic meters as per the requirements of the 2006 Order. This decision was regularised in The Water and Sewerage Services Act (NI) 2016 . This would be reconsidered if the position changes in future.
<i>Climate Change and Sustainability</i>	42	Identifies secondary UR duties in relation to sustainable development and seeking to reduce NIW's carbon footprint. Metrics and targets will be introduced to determine NIW's performance in achieving this.	This is as per the position in the 2006 Order Article 6(5)(e) . This is covered by our approach to ' water ' Price Control (from PC10 onwards) and our Annual Reporting (from AIR08 onwards). This includes the setting, monitoring and reporting of performance against regulatory targets.

¹³ Due to dissatisfaction with suggested use of rateable value of property for setting water charge.