



## **Construction Employers Federation response to the Utility Regulator's consultation on its Approach to PC28 for Northern Ireland Water, October 2025**

### **Introduction**

The Construction Employers Federation (CEF) is the sole certified representative body for the second largest industry in Northern Ireland, the construction industry. We represent approx. 70% of construction in NI and around 800 businesses of all sizes employing over 30,000 staff directly and 65,000 in the wider supply chain.

### **Overview comments**

We welcome the publication of this consultation as the Utility Regulator (UR) formally begins its work on PC28 for Northern Ireland Water (NIW).

While PC21 saw a welcome step-up in NIW's annual capex to a consistent level of nearly £350m per annum, it remains the case that that fell some £300m per annum short of the original PC21 plan.

While the current and previous Infrastructure Ministers and NIW innovatively used recent Monitoring Rounds to unlock the stalled connection of approximately 5,000 newbuild properties to our water and wastewater network, continued budgetary shortfalls mean that over the course of the originally agreed proposals for PC21 (crucially, not the amended plans of the Mid-Term Review in 2024) NIW's capital budget will be underfunded by between £800m-900m against identified need.

It is this level of underfunding – between £800m-£900m across PC21 – that the Department for Infrastructure (DfI) and wider NI Executive must focus its mind on as it reflects the amount of work planned for PC21 which will now fall into PC28 as well as the work that was already planned for 2028-2033.

Taken cumulatively, this would mean:

- £800m shortfall in PC15 (£900m received, £1.7bn planned)
- £800m-£900m shortfall in PC21 (£1.84bn baseline, £2.75bn planned)
- Forecast £1.84bn shortfall in five-year PC28 (£1.61bn baseline based on £321m per annum for five years, £3.45bn planned)

The challenge going forward is made even more stark considering the UK Government's Comprehensive Spending Review on 11 June 2025. While the baseline capex available to the NI Executive is to increase from £2.2bn this year to £2.4bn for each of the next four financial years, and there will be further discussions on a new fiscal framework which could modestly increase those allocations further, it is implausible that the NI Executive could meet the recurrent capex needs of NIW as well as the priorities of all other Executive Departments and Government Clients in such a financial envelope.

While the CSR will enable the NI Executive to set a four-year capex budget for 2026-30, and this may result in some increased efficiency in the delivery of capital projects due to the enhanced certainty of a four-year spending profile for clients such as NIW, it will do little to reverse the forecast shortfall in PC28.

Reflecting on this and the publication of the report by the NI Fiscal Council on 10 June 2025, it is now beyond doubt that the current approach to funding NIW's Price Controls is broken, and alternatives must be urgently considered.

This is why we, on 26 June 2025, along with the Northern Ireland Chamber of Commerce and the Northern Ireland Federation of Housing Associations [published a joint position paper which assessed the long-term impact of the wastewater crisis on housing and construction. It proposed a potential way forward which includes the introduction of a low-cost Infrastructure Levy, along with other measures.](#)

While we fully accept that it is not the role of the UR to pass judgment on our proposals, we do however strongly welcome the statement made by the UR in paragraph 1.14 of the consultation document that:

*“At present, we understand that a funding gap will continue into PC28. UR nonetheless is legally obliged to set a price control for PC28 based on what NI Water needs and can realistically deliver, without any regard to government funding availability. Accordingly, we propose to set a PC28 revenue allowance for NI Water in line with what it requires to meet its statutory obligations in PC28”.*

This is a vital reassurance to many of the important role that the UR plays in the PC process, and it remains crucial as we seek to reverse the decades of underinvestment in our water and wastewater system which is now the principal inhibitor to economic growth and accelerant of environmental decline that we face.

## **Comments on consultation**

### **2.59 We are seeking stakeholder views on assurance.**

In consideration of this, it is vital to reflect on whether a fulsome PC28 can have its funding guaranteed at the outset by DfI and the NI Executive. For the reasons we have

outlined above with respect to the limitations on public spending capex, we do not believe this is realistic unless a political decision is taken to enhance NIW's capex through means such as those in our June 2025 report. Therefore, we cannot see, at this stage, how a full DfI endorsement would be meaningful. Indeed, any such endorsement would be highly questionable.

**3.13 We are seeking stakeholder views on the structure, form, and duration of PC28, which should be considered in conjunction with the mechanisms under consideration for uncertainty and change.**

In line with the proposal in the consultation, we believe a five-year PC is the correct approach and we will work closely with NIW to align their delivery frameworks to this as they begin early market engagement over the coming months.

Additionally, we concur that there is no need for a Mid-Term Review – especially in light of how its outcome in 2024 has been used by some to suggest a significant drop-off in NIW's PC21 need which was never the intended outcome of the UR's work.

**3.25 We are seeking stakeholder views on our appropriate approach to the preparation of the business plan, which aims to minimise regulatory burden whilst encouraging NI Water to provide a robust and comprehensive evidence base.**

We are content with the proposed approach – however we would make clear that it remains our strong view that the supply chain can deliver an extensive PC28 in the same way that it undoubtedly could have done for PC21 and those PC's previous. The critical challenge, outside the UR's control, is that of funding the PC's to their agreed limit. The key question from the supply chain will be how far that is guaranteed as we move closer to PC28 commencing.

**3.44 We are seeking stakeholder views on our approach to outputs and performance commitments.**

The inclusion of output targets is only realistic if the funding for a fulsome PC28 is guaranteed at its outset. We do not believe this, as we have said before, to be realistic nor feasible given the current funding approach to NIW's capex.

**3.60 We are seeking stakeholder views on the principle of inclusion of outputs within the licence, and wider PC28 price control framework decisions, including the pros and cons of doing so.**

The inclusion of output targets is only realistic if the funding for a fulsome PC28 is guaranteed at its outset. We do not believe this, as we have said before, to be realistic nor feasible given the current funding approach to NIW's capex.

**3.78 We are seeking stakeholder views on an appropriate approach to capital base maintenance, specifically the use of comparative benchmarking potentially along with other methods to assess the base maintenance allowance and efficiency challenge.**

We have concerns with econometric modelling and would suggest that an alternative mechanism be utilised going forward.

**3.81 We are seeking stakeholder views on our approach to serviceability indicators**

We are content with the proposed approach.

**3.90 We are seeking stakeholder views on our approach to assessing investment for capital enhancement.**

We are content with the proposed approach.

**3.95 We are seeking stakeholder views on our approach to assessing NI Water's opex and determining the appropriate efficiency challenge**

We are content with the proposed approach as long as it is robust and able to take into account future price fluctuations given the unforeseen way in which these routinely arise.

**3.104 We are seeking stakeholder views on assessing the efficiency gap, specifically (a) whether the econometric approach remains appropriate, (b) any proposed changes (including the time period for the modelling) to the treatment of econometric modelling, and, (c) whether there is any other analysis on the efficiency gap that may provide useful insight.**

We do not have any specific comments to make on this at this stage and look forward to reviewing the evolution of this matter during the PC process.

**3.114 We are seeking stakeholder views on our approach to Real Price Effects.**

We are content with the proposed approach as long as it is robust and able to take into account future price fluctuations given the unforeseen way in which these routinely arise.

**3.127 We are seeking stakeholder views on UR's proposed approach to uncertainty mechanisms.**

We are content with the proposed approach as long as it is robust and able to take into account future price fluctuations given the unforeseen way in which these routinely arise.

**3.133 We are seeking stakeholder views on the continuation of annual reporting and performance monitoring.**

We are content with the proposed approach.

**3.141 We are seeking stakeholder views on whether we retain the standard financial approach or move to a CICO approach.**

We do not have any specific comments to make on this at this stage and look forward to reviewing the evolution of this matter during the PC process.

**3.146 We are seeking stakeholder views on UR's decision to move the inflationary measure from RPI to CPIH, commencing at the start of PC28**

We are content with the proposed approach.

**3.156 We are seeking stakeholder views on the proposed approach to depreciation for PC28**

We do not have any specific comments to make on this at this stage and look forward to reviewing the evolution of this matter during the PC process.

**3.162 We are seeking stakeholder views on the proposal to step away from assessing financeability metrics as part of PC28. We are interested in whether stakeholders have any simple suggestions for alternative approaches for assessing financial sustainability.**

We do not have any specific comments to make on this at this stage and look forward to reviewing the evolution of this matter during the PC process.