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Dear Rita

NIEA RESPONSE TO UTILITY REGULATOR'S PC28 APPROACH CONSULTATION

Thank you for the opportunity to provide a response to the Utility Regulator's approach to PC28. Comments have been combined into a single response from NIEA, including input from the Drinking Water Inspectorate (DWI) and the Waste Water Regulation team.

NIEA acknowledges the challenges facing PC28, with actions needed to mitigate the effects of climate change and an ageing infrastructure on the provision of drinking water and waste water services.

NIEA is broadly supportive of the key regulatory principles and timeline for PC28 outlined in the consultation document to support the provision of safe, wholesome drinking water and effective waste water treatment. Specific comments are as follows;

1. Assurance

NIEA is supportive of the proposal to seek Board assurance for NI Water's business plan and their subsequent annual performance monitoring reports. This approach will help build stakeholder and public confidence in the PC28 process.

2. Structure, Form and Duration of PC28

Proposal not to undertake a Mid-Term Review in PC28 is noted with consideration to be given to other more flexible mechanisms for uncertainty and change.

3. Business Plan Preparation Approach

Supportive of the proposals to provide the most appropriate, sustainable, and innovative solutions to deliver regulatory compliance.

4. Outputs and Performance Commitments

Supportive of the proposed alignment of NI Water's data and reporting systems with that of Ofwat and WICS to aid benchmarking of NI Water's performance against water companies in



England, Wales and Scotland. It is recommended that the UR further considers the PC28 outputs and serviceability indicators to take account of any new indicators supporting wastewater performance.

5. Inclusion of Outputs in Licence (Ref 3.60)

NIEA supports the proposal to undertake a review of NI Water's licence and its service level targets taking into account current water licences in GB, as well as the NI gas and electricity licences.

6. Capital Base Maintenance Approach (Ref 3.78)

NIEA is not in a position to comment on the most appropriate approach to quantify this allowance.

7. Serviceability Indicators (Ref 3.81)

NIEA will work with NI Water and other stakeholders through the working groups to identify any additional indicators required for drinking water or waste water in PC28.

8. Capital Enhancement Assessment (Ref 3.90)

NIEA is not in a position to comment on this matter.

9. Opex and Efficiency Challenge (Ref 3.95)

NIEA is not in a position to comment on this matter.

10. Efficiency Gap Modelling (Ref 3.104)

NIEA is not in a position to comment on this matter.

11. Real Price Effects (Ref 3.114)

NIEA is supportive of uncertain energy costs being given special consideration to avoid impacts on service delivery. DWI would also recommend that consideration is given to chemical price volatility within the PC28 approach.

12. Uncertainty Mechanisms (Ref 3.127)

NIEA is supportive of the Utility Regulator's plan to engage with NI Water and other stakeholders to develop a more effective and agile mechanism for handling uncertainty and change within PC28.

13. Annual Reporting and Monitoring (Ref 3.133)

NIEA is content with the proposal to continue with the existing output monitoring requirements with annual data reporting for PC28.

14. Financial Framework – CICO vs Standard (Ref 3.141)

NIEA has no comment to provide on the financial framework for PC28.

15. Inflationary Measure – RPI to CPIH (Ref 3.146)

NIEA has no comment to provide on the inflationary measure to be used for PC28.



16. Depreciation Approach (Ref 3.156)

NIEA has no comment to provide on the proposed approach to depreciation for PC28.

17. Financeability Metrics (Ref 3.162)

NIEA has no comment to provide on the proposals for financeability metrics for PC28.

I hope you find the above comments useful in finalising the Approach Document for PC28. Please feel free to contact me if you would like to discuss further. In the meantime, I look forward to the ongoing engagement on PC28.

Yours sincerely



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Director of Water Regulation and Enforcement



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